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WASHINGTON DC

Muni lobbyists hire UChicago to create first-of-its-kind bond data

By **Caitlin Devitt** September 30, 2024, 12:06 p.m. EDT 4 Min Read



Municipal market advocates have tapped the University of Chicago's Center for Municipal Finance to create first-of-its-kind municipal bond data that advocates hope to use to showcase the usefulness of tax-exempt bonds next year as the market's cherished tax exemption faces an existential threat.

The center will drill down to the congressional district level to examine the amount of issuance and specific bond-financed projects, and possibly take on other "foundational" questions about how the municipal market operates, said Justin Marlowe, the center's director and a research professor at the university's Harris School of Public Policy.

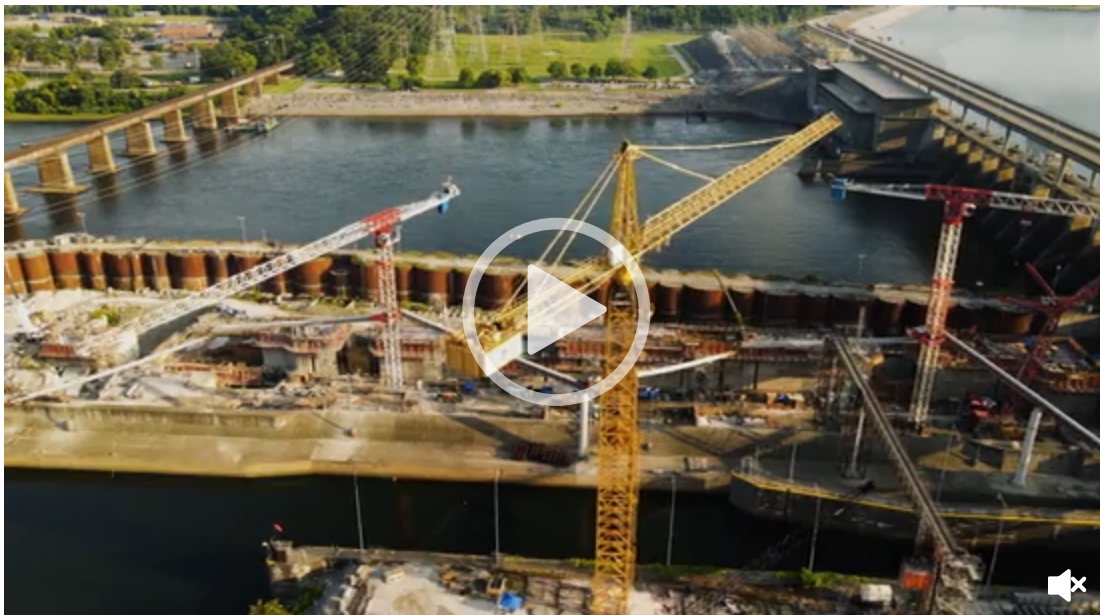
"There's lots of conventional wisdom about who thinks municipal bonds are the best and those who think there are better alternatives or that the investment that does happen is skewed geographically," Marlowe said. "But the reality is that no one has ever looked at that question empirically."

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University of Chicago's Center for Municipal Finance, headed up by Justin Marlowe, will create first-of-its-kind municipal bond data that drills down into congressional district.

The Government Finance Officers Association will pay for the data.



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the market," said GFOA federal liaison Emily Brock. "We're trying to make sure we can bring the data down to the local level," she said. "It's important to bring it down to a story-telling level with many members of Congress."

Advances In Tech

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Marlowe emphasized the center's neutrality and that it will make the data available to the public when the project is completed, likely sometime this year.

"In Washington, D.C., there's going to be a natural skepticism around numbers put into a policy debate from people who have a stake in that debate," Marlowe said. "The Public Finance Network would like the university, as an impartial entity, to provide some of those kinds of answers using the best data and analytic techniques. The advocates for the effort will take those numbers and deploy them, but they'll be available for anyone who's curious about the debate."

The project, which the center hopes to complete this fall, comes as [Congress gears up for a major tax policy debate next year](#) as many of the 2021 Tax Cuts and Jobs Act provisions expire. Republicans have said [everything is on the table](#) to help cover the costs of extending the package, which was former President Donald Trump's signature legislation.

The idea of eliminating the tax exemption as a potential "pay for" is floating around Congress, said Ryan Carney, government affairs advisor and a member of the public policy and law practice at K&L Gates LLP, during a media roundtable Thursday on the tax impact of the 2024 election.

"I have heard that as a consideration," said Carney, a former chief of staff to Republicans in Congress. "Finding offsets that generate revenue ... is tricky," Carney said. "It's not just interparty, but intraparty

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Ahead of the tax debate, the GFOA has created a website, [Builtbybonds.com](https://www.builtbybonds.com), showcasing stories by issuers about the importance of bonds. The site will eventually feature the University of Chicago data, said Brock.

"What we've learned in the past with bond risk is that it's better to play a good offense than defense," she said.

The center will use data provided by ICE, which burrows down to a geocoded level, to ask questions "that have not been looked at before," Marlowe said. The center will examine the scope of investment, debt outstanding and number of bond-financed projects.

The center has already been working with ICE to make some of its data available to other academics, Marlowe said. "This was just the latest iteration of this business mind that we have at the center."

The center may examine other related questions, Marlowe said, such as the impact on market access for smaller issuers if the tax exemption is eliminated.

That's a question that's also been on the mind of Tom Kozlik, head of public policy and municipal strategy at HilltopSecurities.

Taking away the tax exemption would make muni paper more expensive, which the larger issuers may be able to afford, Kozlik said. "But those smaller issuers, who are going to be more sensitive to higher costs, they're going to be more affected," he said. "It's that kind of access that I would be most concerned about."

Long one of the most vocal market voices warning about threats to the tax exemption, Kozlik has been writing and talking about the issue since 2011. A [2023 Hilltop report](#) noted that the tax exemption for state and local bonds for public purposes and private activity bonds carries an

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Kozlik penned a [Sept. 11 report](#) that outlines the looming "unprecedented threat to U.S. municipals from potential tax policy changes."

"This time, it's substantially different," Kozlik said. "It's not just the election, but the policy making that will be going on between November and the end of next year is going to be extraordinary," he said. "If issuers aren't out there talking about and making the connection between the infrastructure gap and the tax exemption, it could very well be lost in the shuffle."

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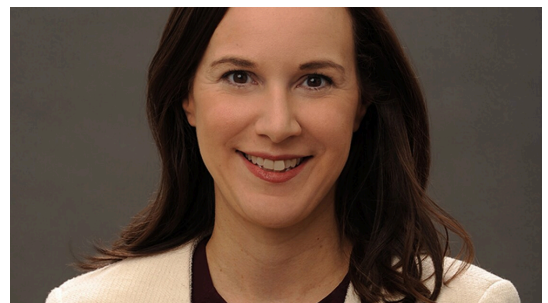
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Jennifer Arndt

"I didn't even know this was an industry that existed. I didn't think there was a place to marry finance, investment banking and public policy. I found my calling," said Arndt.

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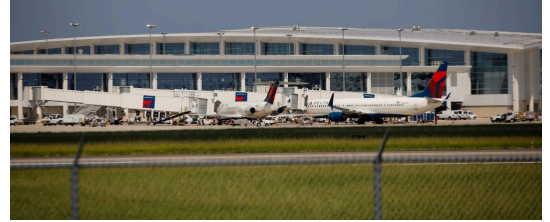
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