



## Making a Difference: Leveraging Municipal Bond Markets to Disrupt Systemic Inequities

Public Finance Initiative  
[www.publicfinanceinitiative.com](http://www.publicfinanceinitiative.com)

### About This Investment

The \$4 trillion municipal bond market is one of the largest pools of private investment capital flowing into America's states and localities, shaping the built environment in communities across the country and directly impacting health and equity. Through a \$4 million grant, the Robert Wood Johnson Foundation is seeking to identify the factors in a municipal bond issuance that can create progress toward equity. In addition, the grant will fund the development of tools that issuers can use to center equity in municipal bond-funded infrastructure investments and measure how the factors that shape equity are changing in a jurisdiction over time. **This first-of-its-kind effort aims to empower communities across America to leverage bond market investments to disrupt historic, systemic racial inequities.**

### Why it was Needed

Public infrastructure investments play a critical role in creating access to public transportation, quality affordable housing, education, water and sewer services, and other drivers of health and equity. Putting an equity lens on market strategies and investment practices that fund infrastructure can serve as a powerful intervention for historically underserved groups—especially residents of low-income communities and communities of color.

Institutional investors, underwriters, investment bankers, rating agency staff, and other stakeholders who work with issuers of municipal securities have been placing greater attention on how equity and other demographic factors impact municipal credit quality, or how centering equity in a project's plan of finance can lead to stronger social outcomes, and other important questions. Bond issuers also often lack tools, data, and other resources to evaluate how equity is affected in projects funded by municipal bonds or whether equity is changing in a jurisdiction over time, particularly in low-resource settings<sup>2</sup> with the highest needs.

Since 2019, the municipal bond market experienced a dramatic increase in "social bonds" issuance — bonds that are meant to achieve positive social outcomes. More than twice as many social bonds were issued in 2020 than 2019 according to [S&P Global Ratings](#). Recognizing the growth of the market, the International Capital Markets Association (ICMA) developed "Social Bonds Principles" to provide important guidance to issuers of social bonds. And [recently](#), several leading investment firms (BlackRock Inc., Goldman Sachs Asset Management, Lord, Abbett & Co., Morgan Stanley Investment Management and Vanguard Group Inc.) partnered with two minority-owned underwriters (Loop Capital Markets and Siebert Williams Shank & Co.) to develop a survey for governments about efforts to address issues

including race-based inequality. But, despite these efforts, there is no common framework to center equity in all phases of municipal bond issues.

The project funded by this grant seeks to develop an equity framework, as well as tools, data, and evaluation metrics to encourage and enable municipal bond market stakeholders to integrate racial equity as a core criterion of the municipal bond investment process and enable them to engage in better measurement, evaluation, and reporting of equity outcomes alongside traditional public finance criteria.

## Key Partners

- Lourdes German, Executive Director, The Public Finance Initiative
- The National League of Cities
- The Center for Financial Market's (CFM) Excellence and Equity in Public Finance Program at the Milken Institute
- The Government Alliance on Race & Equity
- The Urban Institute
- Urban American City

*The Initiative for Responsible Investment, Center for Public Leadership, Harvard Kennedy School will also serve as a subgrantee.*

### INVESTMENT LOCATIONS

National

### YEAR APPROVED

2021

### TYPE OF TRANSACTION(S)

Grant

### LOAN AND GRANT AMOUNTS

\$4,000,000

*Additionally, the following individuals served as members of the advisory committee formed by the Robert Wood Johnson Foundation in 2020 to advise on the evolution of the project summarized in this case study:*

- Saqib Bhatti, Action Center on Race & The Economy
- Marcy Block, Fitch Ratings
- Seantae Byers, The National League of Cities
- Dan Carol, Equity and Excellence in Public Finance Program, The Milken Institute
- Kimberlee Cornett, Robert Wood Johnson Foundation
- Robert Fernandez, Breckinridge Capital Advisors
- Lourdes German, The Public Finance Initiative/Harvard University Graduate School of Design
- Eric Glass, Justice Capital
- Gordon F. Goodwin, The Government Alliance on Race & Equity at Race Forward
- George Hobor, Robert Wood Johnson Foundation
- Zoila Jennings, Robert Wood Johnson Foundation
- Mark Kim, Municipal Securities Rulemaking Board
- Ritta McLaughlin, FINRA Investor Education Foundation
- Hector Negroni, Foundation Credit
- Eden Perry, S&P Global Ratings
- Suzanne Shank, Siebert Williams Shank & Co., LLC.
- Joshua Stern, Robert Wood Johnson Foundation
- Mervyn Tang, Schroders, PLC
- Barbara VanScoy, The Heron Foundation

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