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ABOUT THE PUBLIC FINANCE INITIATIVE

The Public Finance Initiative, a fiscally sponsored non-profit organization of TSNE Mission Works, develops programs that center the values of equity, sustainability and inclusive growth in public finance. To learn more about this project, or to contact us, please visit our website: www.publicfinanceinitiative.com/framework
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INTRODUCTION

The $4.1 trillion municipal bond market in the United States is one of the largest and most consistent pools of private investor capital flowing to states and local governments. In recent years, the United States has experienced a profound moment of reckoning as the country confronts and seeks to remedy a deep-rooted history of racial and economic injustice. At the same time, stakeholders and policymakers are considering the potential of municipal bond markets to serve as a powerful catalyst for change.

Municipal bonds serve as the predominant funding source for public infrastructure investments in America and can play a critical role in creating access to transportation, affordable housing, education, schools, water systems, sewers, and other infrastructure drivers of environmental justice, health outcomes, and well-being. Integrating a racial equity lens to municipal bond investments that fund infrastructure at scale can potentially serve as a powerful intervention for historically underserved populations—especially low-income individuals, black, latino, asian, indigenous, and other people of color.

This framework was developed with one guiding purpose: To support municipal bond issuers who want to leverage markets as a catalyst for changing racially inequitable conditions in their communities, resulting in the improvement of material conditions for those most negatively impacted by historic or contemporary inequities and the mitigation of material risks in the jurisdiction.
The terms “equity” and “equality” are often used interchangeably but are fundamentally different concepts. Equality is focused on ensuring that all individuals receive the same resources and opportunities. In contrast, equity focuses on understanding what people need, and aims to provide the resources that are proportional to what they need. Our framework and program of work adopts the definition of racial equity developed by the Government Alliance on Race and Equity at Race Forward (GARE), recognizing that the creation and perpetuation of racial inequities has been a part of governance throughout American history in ways that are deep and pervasive.

"Racial equity is achieved when race can no longer be used to predict life outcomes and outcomes for all groups are improved."

- GOVERNMENT ALLIANCE ON RACE & EQUITY
Experts agree that racial inequity is a systemic issue that impacts the entire U.S. economy; affecting how people work, where people live, and what gets financed. It is also well documented that racism creates risks and systemic economic harms by making the country less prosperous, less resilient, and constrains economic growth.

Individuals and populations are still marginalized in a myriad of ways, including by gender, sexual orientation, disability, economic status, and age. However, by adopting GARE’s racial equity definition to guide our work, we aim to set the foundation for leaders to understand and begin to address inequities in their communities broadly and achieve real improvements. Our goal is to look beyond identifying disparities to improve material conditions for populations and ensure the success of all groups.

Experts at GARE observe that leading with race sets the foundation for governments to achieve what many identify as a broader state of social equity, where aspects of one’s identity - including race, ethnicity, sexual orientation, age, gender, economic status, and disability - no longer determine an individual’s future and everyone has what they need to thrive, regardless of where they live.

We recognize that not all issuers will adopt the definition and vision for racial equity that we have adopted for this program. The spectrum and range of definitions and policies in this field are broad and diverse, therefore, while we encourage issuers to lead with race, we have designed the framework and tools to support issuers across the spectrum in their work on equity irrespective of their particular definition or policy approach.

### SELECT RACIAL EQUITY TERMS GLOSSARY

**BIPOC:** Black, Indigenous, People of Color  
(Source: GARE)

**Equality:** Providing the same resources and opportunities to all. (Source: GARE)

**Equity:** The state, quality, or ideal of being just, impartial, and fair which is achieved by giving people what they need to enjoy full, healthy lives and providing them with resources that are proportional to what they need. (Source: The Annie E. Casey Foundation)

**Equity Result:** The condition we aim to achieve in the community. (Source: GARE)

**Individual Racism:** Prejudgment, bias, or discrimination based on race by an individual. (Source: GARE)

**Institutional Racism:** Discrimination or unequal treatment on the basis of membership in a particular ethnic group (typically one that is a minority or marginalized), arising from systems, structures, or expectations that have become established within an institution or organization. (Source: Cambridge University Press)

**Racial Equity:** When race can no longer be used to predict life outcomes and outcomes for all groups are improved. (Source: GARE)

**Racial Justice:** The systematic fair treatment of people of all races that results in equitable opportunities and outcomes for everyone. (Source: The Annie E. Casey Foundation)

**Structural Racism:** Laws, rules, or official policies in a society that result in and support a continued unfair advantage to some people and unfair or harmful treatment of others based on race. (Source: Cambridge University Press)
The municipal bond market is composed of many stakeholders who support an issuer in bringing a municipal securities deal to the market, including bond counsel, disclosure counsel, underwriters, rating agencies, investors (retail and institutional), asset owners, financial advisors, verifiers, regulators, paying agents, investment banks, among others. To understand if a framework was needed, and how it should be designed to serve issuers and market stakeholders, we began by conducting focus groups, convenings, and conversations led by our partners.

**Issuer Focus Groups.** We partnered with the National League of Cities and industry collaborators to convene over 100 municipal bond issuers in focus groups and confidential conversations regarding their experience and needs as market participants. Our focus group findings are summarized in this report.

**Rating Agency, Investment Bank, and Other Municipal Market Stakeholder Dialogues.** We partnered with The Equity and Excellence in Public Finance Program at The Milken Institute to host dialogues with investment bankers, underwriters, financial advisors, rating agency analysts, and other municipal market stakeholders to gauge their attitudes and perspectives with respect to how racial equity issues can be addressed more effectively in order to achieve market acceptance in the municipal bond sector. Our findings are summarized in this report.

**Institutional Investors and Asset Owners.** The Initiative for Responsible Investment, Center for Public Leadership, Harvard Kennedy School (IRI) convened a Racial Justice Cohort of institutional investors and asset owners from pension funds, foundations, and the labor movement to work collaboratively on the question of how to elevate racial justice as an investment issue across several asset classes, including municipal bonds. Cohort members outlined what they feel is needed in order to take an integrated approach to racial equity that builds upon past practices; discussed how racial equity in investing can be responsive to changing societal expectations; and expressed a need for consistency in language, measurement frameworks, and their desire to examine policy level and practice commitments to racial equity among issuers. The perspectives of investors are summarized in this report.
To complement what we learned in our conversations with issuers and market stakeholders, we also conducted a comprehensive research study of municipal market practices which analyzed over 200 market instruments for municipal bond deals that centered racial equity and other social considerations in the offering.

For each deal, we reviewed official statements, rating agency reports, verification agent opinions, disclosures filed by issuers in the post-issuance compliance period, public documents related to the authorization of the bonds, and the issuer’s website, among other resources.

Our goal was to understand the way that issuers are integrating racial equity strategies in their deals. We also wanted to understand the prevailing best practices and approaches with respect to the measurement and reporting of racial equity outcomes, including metrics and indicators issuers presented in official statements, verification reports, investor presentations, and filings in the post-issuance period.

Our research revealed that significant and meaningful reporting of data related to government capital projects focused on racial equity criteria often occurs outside of traditional municipal market sources.

Our partners, UrbanAC and Ideas and Action, analyzed instruments (such as, frameworks, policies, plans, statements, among others) that governments are using to express their racial equity priorities for projects in various sectors, including water, sewer, and general infrastructure. This research was complemented with a comparative analysis of all publicly available ESG measurement frameworks and methodologies of the major rating agencies (Moody's, Standard & Poor's, Fitch, Kroll) and verifiers to understand the indicators, metrics, and approaches used by stakeholders to assess racial equity and other social criteria in an issuance. Several noteworthy insights emerged from the noted collective research efforts.
COMMON PRACTICES EXIST, BUT MARKET LACKS UNIFORMITY

Most bond issuers seeking to integrate racial equity or other social principles in their bond issuance often focus on describing the use and management of the bond proceeds at the time of sale and reference the International Capital Markets Association Social, Sustainable, and Green Bond Principles (“ICMA Principles”).

Most issuers also describe their use of proceeds strategy with explicit references to the United Nations Sustainable Development Goals (“UN SDGs”). Together, the ICMA Principles and UN SDGs currently provide the most widely adopted, accepted, and accessible market principles to guide how racial equity and other social considerations are integrated into the traditional stages of a bond issuance, from pre-issuance (i.e., the period before bonds are authorized and sold) to the post-issuance (i.e., the period after the bond sale and closing).

There is, however, immense disparity in the actual approaches, strategies, and practices that issuers are using to actualize those principles in their deals. For example, investors and asset owners observed that in some cases municipal bond deals will cite ICMA Principles and describe an alignment to the UN SDGs when describing the project financed by the bonds, but will not provide consistent or rigorous reporting of metrics or indicators to demonstrate whether any measurable changes in risk or impact are realized.

In addition, where voluntary reporting exists, it is often difficult for investors to compare issuer approaches because there is no common taxonomy articulating racial equity outcomes aligned with an issuer’s community priorities or common evaluation criteria to measure progress on racial equity or the other social values articulated in the deal.

SOME INVESTORS SEEK IMPACT, OTHERS FOCUS ON RISK

Investors focused on impact or sustainability that emphasize racial equity and other social values, often take two different approaches: an impact focus that often seeks evidence of the improvement of the material conditions for populations or material changes in place-based outcomes; or a risk focus that examines whether and how the strategy for the bond issuance is poised to change or mitigate risks in the jurisdiction.

Issuers often lack awareness of the lens investors will bring to a deal and how to respond effectively to investor requests for data and information. Some industry groups, like the Government Finance Officers Association (GFOA) provide useful model practices that are intended to support issuers that are structuring their disclosures focused on environmental, social, and governance risks for the municipal market.
ISSUERS EXPRESSED THE NEED AND DESIRE FOR ROADMAPS, GUIDANCE, & VISIBILITY INTO PEER PRACTICES

Issuers who demonstrate a commitment and desire to focus on racial equity and other social values as the strategy for a bond issuance expressed a desire for frameworks and resources that would provide them with a basic roadmap and guidance to approach the process with an awareness of how the field is changing. The sheer volume of annual municipal market transactions makes it challenging for issuers to keep pace with the emerging strategies and practices being adopted by their peer government issuers in the market. Of particular interest to issuers are strategies that are proving to lead to stronger pricing and economic results at the time of issuance and sale. Issuers with access to financial advisors and underwriters can routinely receive such information from their deal teams. Smaller issuers, however, articulated deep and pervasive awareness, knowledge, information, and resource gaps in this area.

DATA CHALLENGES ARE WIDESPREAD

Measuring and reporting data related to racial equity, and other social values is complex, challenging, and costly, particularly for small issuers who lack the capacity and resources to produce disclosures at the time of sale and in the post-issuance period. The perceived data challenges and reporting burdens are factors that issuers weigh when deciding whether to explicitly highlight a racial equity strategy in a deal, or to apply the label of “social” bonds in the title of the issuance for a bond deal to signal to investors that the deal reflects racial equity considerations.

PROMISING EMERGING PRACTICES LACK VISIBILITY

There are many emerging approaches that issuers are using to highlight racial equity or other social principles in a bond issuance that are lesser known, lack wide-spread visibility, but which are potentially promising. Some issuers are using investment earnings from bond proceeds to fund racial equity programs over time, taking a wider lens with respect to how proceeds of an issuance can be used to drive racial equity outcomes. Many issuers are also implementing targeted community engagement strategies to provide populations that have disproportionately faced discrimination or racism avenues to provide meaningful feedback with respect to capital projects to be financed with bond proceeds.

A growing number of issuers are also adopting comprehensive strategies that integrate race-conscious principles into budgeting and capital planning processes. Additionally, many issuers are also engaging in race-conscious examinations of the revenue sources that often serve as the source of repayment for bonds to identify inequities in revenue frameworks. The noted strategies often occur well before the issuance and sale of the bonds as part of larger equity informed capital, fiscal, and budgetary processes.
THE FRAMEWORK

The insights from over 100 focus groups with bond issuers, investors, rating agency leaders, and other bond market stakeholders, together with extensive research described earlier, informed how we designed this framework. Our goal was to be attentive to areas of unmet needs and elevate emergent promising practices that can support issuers and stakeholders who want to leverage capital markets as a catalyst for addressing racial inequities.

The framework presents a roadmap for how practicing and realizing racial equity can be achieved in different ways across the different phases of the bond issuance, and for infrastructure projects funded by other sources. The guiding questions in the framework can inform and support issuers in articulating, benchmarking, and strengthening their practices to optimize racial equity outcomes and intents, and measuring progress.

The framework does not seek to dictate that issuers adopt all practices nor does it prescribe one solution or practice – our goal is instead to highlight the wide range of promising practices that issuers are engaging in across the country to focus on racial equity when accessing the capital markets to finance infrastructure and create avenues to support issuers who want to test or adopt those practices.

The diversity of the practices signals the paradigm shift that is occurring in municipal bond markets with respect to racial equity and represents an opportunity for issuers that want to make commitments across new areas of action, and to strengthen or enhance their existing racial equity practices.

The framework also seeks to serve as a resource that encourages investors, analysts, and other bond market stakeholders to adopt a more holistic approach when evaluating an issuance – making visible a suite of additional strategies that are often under-examined, but that can enhance how investors and stakeholders maximize the potential of a deal to drive racial equity risk or impact outcomes with a wider lens.

The section that follows presents the components of the framework, together with summaries and qualitative questions for each component. The questions were developed as part of a collaborative process that drew upon insights, research, and discussions with our partners at the Urban Institute who are creating a technology tool for this project to help issuers score the racial equity impact of a bond deal in alignment with this framework. The Urban Institute also led to the development of questions focused on community priorities and project sectors that are included in the framework, building on its prior work in this area. We also incorporated questions from tool-kits, research, and insights from GARE in several sections.

The questions in the framework are intended to help issuers and market stakeholders begin to assess their normative racial equity practices, benchmark their strategies, and assess how, and whether, the racial equity strategy of the issuance could be broadened or strengthened.
How can a racial equity strategy be centered holistically in a bond issuance?

A FRAMEWORK

Practicing and achieving greater racial equity outcomes can be achieved in different ways across the different phases of the bond issuance. The normative questions in the framework support issuers in articulating, benchmarking, and strengthening their practices, and optimizing key racial equity outcomes and intents.
Examines the foundational components, definitions, policies, practices, and strategies on racial equity within the issuer or borrower as an entity. The questions also guide market stakeholders in considering whether the policy, practices, and strategies of an issuer and borrower are grounded in an understanding of the historic root causes of racial inequity in the jurisdiction.

Examines the issuer or borrower’s practices to engage residents and community stakeholders in providing input with respect to the potential effects, benefits, and burdens of the projects and activities to be financed with bonds and the authorization of the bonds. It elevates the importance of engaging residents who have historically faced discrimination and other barriers.

Examines whether the revenues that secure the bonds bear any potential risks that could undermine racial equity goals. The questions help surface whether an issuer or borrower has structured the plan of finance for the bonds with inequitable revenue streams as the source of the security for the bonds that can potentially undermine racial equity outcomes or create intergenerational inequities.

Examines the issuer or borrower’s racial equity strategy with respect to the project to be funded with the bond proceeds. The questions also surface instances where issuers and borrowers center a racial equity strategy in the other proceeds of the issuance, including the bond premium or investment earnings on the bond proceeds.

This component of the framework supports issuers, borrowers, and market stakeholders that want to measure whether a racial equity strategy centered in a bond issuance is improving material conditions for populations or mitigating material risks in a jurisdiction.
SELECT QUALITATIVE GUIDED QUESTIONS

- Does the issuer or borrower have an operational definition of racial equity, or follow an alternative definition focused on equity, equality, racial justice, or another social value? If so, please describe your approach, and use the list of model definitions as guidance:
  - **Equality**: Providing the same resources and opportunities to all. (Source: GARE)
  - **Equity**: The state, quality or ideal of being just, impartial, and fair which is achieved by giving people what they need to enjoy full, healthy lives and providing them with resources that are proportional to what they need. (Source: The Annie E. Casey Foundation)
  - **Racial Equity**: When race can no longer be used to predict life outcomes and outcomes for all groups are improved. (Source: GARE)
  - **Racial Justice**: The systematic fair treatment of people of all races that results in equitable opportunities and outcomes for everyone. (Source: The Annie E. Casey Foundation)

- Has the issuer or borrower engaged in an analysis to understand the root causes of racial inequities in the jurisdiction of the bond financed project? If yes, please describe those efforts. If the jurisdiction follows an alternative approach focused on equity, equality, racial justice, or another social value, answer this question with reference the current approach.

- Does issuer or borrower's jurisdiction have a policy, vision, statement, or practices focused on racial equity that guides your operations, fiscal processes (i.e. budgeting for equity, etc.), or an alternative approach focused on equity, equality, racial justice, or another social values? If so:
  - Describe the policy, vision, statement, or practices.
  - Describe how your jurisdiction measures success, outcomes, and assesses the results of the policy, vision, or practices.
  - Describe whether and how you are measuring and assessing if the policy, vision, statement, or practice is resulting in changes in conditions for residents, including populations that have historically experienced discrimination or that face the greatest barriers to accessing economic opportunities.
  - Describe if the policy, statement, or practices apply to, or govern, the bond financed projects in the issuance.

- Are there any jurisdictional rules governing contracting, hiring, or procurement decisions that consider racial equity or have the goal of furthering racial equity (i.e., set aside for minority or women-owned small businesses, hiring requirements across different groups, etc.)? If so, please describe the related rules or policies, and indicate if they will be integrated in procurement or contracting decisions for the bond financed project, or the deal team.
This component of the framework provides qualitative questions to examine the issuer or borrower’s practices to engage residents and community stakeholders to provide input with respect to the potential effects, benefits, and burdens of the projects and activities to be financed with the bonds, and the authorization of the bond deal. The questions guide issuers in considering and evaluating the degree to which their community engagement processes reflect a commitment to racial equity and are engaging residents who have historically faced discrimination and other barriers in a process where their input is collected and can shape the direction and strategy of the bond issuance, as well as the project that will be financed with the bond proceeds. Issuers can use the questions below to audit their practices, to consider changes to strengthen their practices, and to make their commitments visible to investors.

**SELECT QUALITATIVE GUIDED QUESTIONS**

- Are there any requirements that the issuer or borrower must meet in their jurisdiction regarding community engagement for the project funded with the bond proceeds? If yes, please describe.

- Are there any requirements that the issuer or borrower must meet in their jurisdiction regarding community engagement related to the authorization of the bonds? If yes, please describe.

- What share of the project(s) funded with the proceeds of the bonds will undergo a community engagement process? This may include activities such as meeting with residents or public officials, consulting community benefits agreements, or other activities.

- What organization(s) (if any) has or will carry out community engagement with respect to the authorization of the bonds or the project funded with bond proceeds?

- For what share of the funded project(s) did the issuer, borrower, or community engagement partner engage local elected officials or public agencies, or will do so before work commences? Describe the local elected officials or public agencies that were consulted and engaged, if any.

- For what share of the funded project(s) has the issuer, borrower, or community engagement partner engaged residents and community members in the area(s) where the project(s) are located or that are affected by it, or will they before work commences?

- Has the issuer, borrower, or community engagement partner already taken (or is planning to take) affirmative steps to engage members of the community that belong to the groups listed below. For groups selected, provide context on how they were engaged to provide feedback on the project to be financed with the bond proceeds, or the authorization for the bonds.
  - Residents who have historically experienced discrimination
  - residents who face the greatest barriers to accessing economic opportunities
  - residents who have been disproportionately exposed to environmental harms
  - residents who have been left out of past community engagement activities
Racial Equity Informed Community Engagement Strategy

- Did the issuer, borrower, or their community engagement partner take any of the following proactive steps to engage residents and community members?
  - Held meetings at different times of the day and week
  - Held meetings in different locations
  - Provided child care at meetings
  - Engaged with partners that represent different groups
  - Provided materials in different languages
  - Other (specify)

- Did the issuer, borrower, or their community engagement partner track participation among residents and community members who were engaged? If so, describe participation in terms of number and composition of residents and community members.

- For what share of the funded project(s) has the issuer or borrower incorporated insights from community members in the design of the project to be financed with the bond proceeds, or will they? Please provide concrete examples of how the issuer or borrower has or will incorporate insights from community members in project design.

- For what share of the funded project(s) are there other community interests or inputs that govern the work, such as a community benefits agreement, or a project-specific community advisory board? Please describe such efforts.

- For what share of the funded project(s) are there any community-negotiated benefits, goals, or outcomes specifically designed to address racial equity?

- Was a community advisory board, or other governance body, leveraged to inform the project financed with the bond proceeds? If so,
  - What is the racial composition of the community advisory board or other governance body?
  - Does it reflect the racial makeup of the surrounding community?
Racial Equity Informed Analysis of the Plan of Finance for the Bonds

This component of the framework provides qualitative questions to examine whether the revenues that serve as the security and source of repayment for the bonds of a borrower or issuer bear any potential risks that could undermine racial equity goals. These questions aim to surface whether any inequities are present in the way revenues are raised, collected, or assessed that are pledged as the security for the bonds.

If a deal has been structured with a plan to finance the bonds with inequitable revenue streams, it can potentially undermine racial equity outcomes across impacted populations creating intergenerational inequities for the life of the bond issuance. Issuers and borrowers can use the questions below to audit their practices, to consider changes to strengthen their practices, and to make their commitments visible to investors.

SELECT QUALITATIVE GUIDED QUESTIONS

- How will the bonds be repaid - are they general obligation bonds or revenue bonds?

- Describe all sources of revenue that secure the bonds.

- For general obligation bond issuances:
  - Describe why the general obligation pledge was selected as the security for the bonds.
  - Describe whether any aspect of the general obligation pledge—or other aspects of the plan of finance for the bonds—reflects attention to racial equity, other values, or other social considerations.
  - Please report all of the sources of revenues raised by the jurisdiction or government entity that is the issuer or borrower, in the most recent fiscal year where data is available, and state the amount and percent of each revenue source.
  - Is the jurisdiction or government entity that serves as the borrower or issuer engaging in any racial equity-focused efforts to reform or change any part of its existing revenue structure or practices? If so, please describe.
  - Has the jurisdiction or government entity that serves as the borrower or issuer analyzed or considered the impact of its revenue structure across residents with different incomes? If so, please describe.
  - Has the jurisdiction or government entity that serves as the borrower or issuer analyzed or considered the impact of its revenue structure across residents with different racial or ethnic backgrounds?
  - Are any revenue sources that comprise the general obligation pledge for the bonds disproportionately burdensome for lower income populations?
  - Are any revenue sources that comprise the general obligation pledge for the bonds disproportionately burdensome for racial or ethnic groups which have been historically marginalized?
Racial Equity Informed Analysis of the Plan of Finance for the Bonds

- Have any steps been taken by the jurisdiction or government entity that serves as the borrower or issuer to mitigate the impact of existing taxes, fines, or fees on low-income residents or residents who are people of color or part of other historically marginalized groups? (e.g., the ability to pay measures or rebates based on characteristics). If yes, please describe the steps being taken and the results the jurisdiction expects to realize from those efforts.

- For revenue bond issuances:
  - Describe why the revenue sources that serve as security for the bonds were selected to secure the bonds by the jurisdiction or government entity that serves as the borrower or issuer.
  - Describe whether the way the bonds are secured—or other aspects of the plan of finance for the bonds—reflects attention to racial equity, other values, or other social considerations by the jurisdiction or government entity that serves as the borrower or issuer.
  - Is the dedicated revenue source that secures the bonds being assessed and collected by the jurisdiction or government entity that serves as the borrower or issuer in a dedicated geographic area or from a dedicated population? If yes, please explain which geographic area or population.
  - Has the jurisdiction or government entity that serves as the borrower or issuer considered the population's ability to pay toward the collection of any dedicated revenue sources that secure the bonds? If yes, please explain.

- Has the jurisdiction or government entity that serves as the borrower or issuer considered whether the revenue sources that secure the bonds fairly distribute the costs across similarly situated individuals/businesses? If yes, please explain.

- Has the jurisdiction or government entity that serves as the borrower or issuer considered whether the revenue sources that secure the bonds fairly distribute costs across individuals/businesses at different income levels, geographies, or demographics? If yes, please explain.

- Have any steps been taken by the jurisdiction or government entity that serves as the borrower or issuer to mitigate the impact of existing taxes, fines, or fees on low-income residents or residents who are people of color or part of other historically marginalized groups? (e.g., the ability to pay measures or rebates based on characteristics). If yes, please describe the steps being taken and the results the jurisdiction expects to realize from those efforts.

- Are the burdens of any taxes/fees that are used as revenue to secure the bonds proportional to the benefits of the project financed by the bonds? If yes, please explain.
Use and Management of the Bond Proceeds, and Project Selection, Guided by a Racial Equity Lens

This component of the framework provides qualitative questions to examine how the use of proceeds for the project that will be financed with the bonds will advance a clear racial equity proposition and advance community priorities across seven outcome domains. The questions also highlight instances where issuers or borrowers can center a racial equity strategy in other proceeds of the issuance that often arise in the pricing (including the bond premium) or investment earnings on the bond proceeds that are generated after the closing and over time. Issuers can use the questions below to audit their practices, to consider changes to strengthen their practices, and to make their commitments visible to investors. Our partners at the Urban Institute led the development of the guided questions below in a joint process with our team with input from our partners on this project. Select questions that appear in the table for each "Community Priority Outcome Domains" are from a forthcoming technology tool being developed by the Urban Institute to enable issuers to score the potential racial equity impact of a bond issuance.

SELECT QUALITATIVE GUIDED QUESTIONS

- **How will you use the proceeds of the issuance?**
  List and provide a short description for all the project(s) that will be (or are expected to be) funded by the issuer or borrower with the proceeds from this bond, including any project(s) that will be funded using the proceeds from the bond premium (if one is generated) or investment earnings.

- **How is the issuer or borrower centering racial equity** (or an alternative approach that centers equality, equity, racial justice, or other social values) in the **strategy for the proceeds of the bond issuance?** Describe whether the project is part of a larger pipeline of financings, programs, and interventions to address racial equity.

- Consider the purpose and strategy of the bond issuance, and the use of the bond proceeds, in relation to seven outcome domains below. **Based on an understanding of the racial equity priorities and needs in the jurisdiction, rank the outcome domains below** (in order of priority for community residents) that the bond issuance will further:
  - Accessible, high-quality jobs
  - Community wealth building
  - Affordable and accessible housing
  - Environment and open spaces
  - Health, social services, & cultural amenities
  - Transportation and transit
  - Schools and education

- **For each project aligned with the outcome domains** you identified, describe how they will advance one or more **racial equity propositions: access, inclusion, well-being, or assets**?
  - **Access**: Projects and programs that seek a change in geographic distribution, amount of service, allocation of capital resources more equitably for diverse communities.
  - **Inclusion**: Projects and programs that seek a change in the diversity of people who are engaged from diverse communities and seek to provide them with greater access to resources and engagement in decision-making opportunities.
  - **Well-Being**: Projects and programs that seek a change in the individual, family, community and/or environmental wellbeing of diverse communities via investments in infrastructure and environmental systems more equitably.
  - **Assets**: Projects and programs that seek a change in the financial value, earning, income and/or wealth assets more equitably of diverse communities.

- Recognizing that there are other systems for measuring the social benefits of projects, do you expect that the strategy for the bond issuance and the use of bond proceeds will further outcomes aligned with any of the **United Nations Sustainable Development Goals**, or another framework?
### Use of Bond Proceeds & Community Priority Outcome Domains Analysis

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<th>Outcome Domain</th>
<th>Select Questions to Guide Analysis</th>
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|                                 | Accessible High Quality Jobs             | The questions associated with this outcome domain focus on surfacing and analyzing whether the project(s) funded with the bond proceeds advance or impede racial equity goals, or other social considerations around accessible, high-quality jobs. Select questions to guide analysis appear below, and should be answered in view of the jurisdictions racial equity priorities:  
  - What share of new jobs created by the project funded with the bond proceeds will be available to low-income residents or residents who are people of color or part of other historically marginalized groups?  
  - What share of long-term and short-term jobs created by the bond-financed project do you estimate will offer a living wage?  
  - Does the issuer or the organization that will carry out or operate the project funded with the bond proceeds (if any, outside of government) have a history of providing jobs for populations facing employment barriers on previous projects?  
  - What share of jobs do you estimate will be subject to local hiring preferences or a locally sourced worker target for the jurisdiction or municipality where the project(s) funded with the bond proceeds are located?  
  - Will the job opportunities created by the project funded with the bond proceeds offer career ladders or pathways for mobility for entry level and lower-wage employees, such as apprenticeships or on-the-job training opportunities? |
|                                 | Community Wealth Building                | Select questions associated with this outcome domain focus on analyzing whether the project funded with the bond proceeds will advance or impede wealth creation in communities of color with a racial equity lens. Select questions to guide analysis appear below, and should be answered in view of the jurisdictions racial equity priorities:  
  - What share of the construction sourcing and procurement for the funded project(s) will qualify under minority enterprise business contracting?  
  - What share of the operation of the project(s) funded with the bond proceeds will qualify under minority enterprise business contracting?  
  - Will the construction of the project(s) funded with the bond proceeds displace local businesses?  
  - Will the project(s) funded with the bond proceeds help people build wealth by offering financial assistance or financial resources (i.e. mortgages, community banks, down payments, small business loans, higher education, or baby bonds)? What share of the noted resources (i.e. financial assistance) do you anticipate will be available to low-income residents or residents who are people of color or part of other historically marginalized groups? |
The questions associated with this outcome domain focus on analyzing whether the project(s) funded with the bond proceeds advance or impede racial equity goals, or other social considerations around accessible and affordable housing. Select questions to guide analysis appear below, and should be answered in view of the jurisdictions racial equity priorities:

- Will the housing project(s) funded with the bond proceeds require the demolition of any existing housing, whether occupied or vacant?
- Will the project(s) funded with the bond proceeds replace the demolished units with an equal or greater number of units at the same level of affordability? Will all residents displaced from demolished units be responsibly relocated?
- Will the project(s) funded with the bond proceeds contribute to a local or regional affordable housing development fund or a nonprofit affordable housing development organization at a meaningful level and above any legally required contributions (e.g., through state or local taxes or impact fees)?

**Where bond proceeds finance owner-occupied units:**
- What share of the owner-occupied units do you anticipate will be available to low-income residents or residents who are people of color or part of other historically marginalized groups?
- Will any of the owner-occupied units be affordable to households with income at or below 100 percent of the area median income?
- Will any of the owner-occupied units be affordable to households with income at or below 80 percent of the area median income?
- Will the issuer or developer plan and establish partnerships with community-based organizations to market units to low-income residents or residents who are people of color or part of other historically marginalized groups?
- Will any of the produced, rehabilitated, or preserved owner-occupied units have long-term or permanent affordability restrictions?

**Where bond proceeds finance rental units:**
- What share of the rental units do you anticipate will be available to low-income residents or residents who are people of color or part of other historically marginalized groups?
- What type of area will the rental units that will be produced, rehabilitated, or preserved be in: a high-cost area or a rapidly appreciating area that is facing market pressures or demographic changes; an area with persistently high poverty rates; a neighborhood that is not experiencing rapid appreciation or high levels of poverty?
- Will any of the units be affordable to residents with incomes at or below 50 percent of the area median income?
- Will the issuer or developer commit to renting units to voucher holders if they qualify, and to not discriminating based on source of income?
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<tr>
<th>Category</th>
<th>Community Outcome Domain</th>
<th>Select Questions to Guide Analysis</th>
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| Environment                          | Drinking Water:                                                                          | - Will the project(s) funded with the bond proceeds improve access to safe, clean, and affordable drinking water for residents in the jurisdiction?  
- What share of the project(s) funded with the bond proceeds will lead to improved water access that benefits low-income residents or residents who are people of color or part of other historically marginalized groups? |
| & Open Space                         | Affordable Energy:                                                                      | - Will the project(s) funded with the bond proceeds improve access to reliable or affordable energy for residents in the jurisdiction?  
- What share of the improved access or affordability of energy for the project(s) funded with the bond proceeds will benefit low-income residents or residents who are people of color or part of other historically marginalized groups? |
|                                     | Land & Open Space:                                                                       | - Will the project(s) funded with the bond proceeds involve the disposition of public land for development?  
- Are there any specific inclusionary practice requirements attached to the disposition process that will help advance race equity? |
|                                     | Health, Social Services & Cultural Facilities:                                            | The questions associated with this outcome domain focus on analyzing whether the project(s) funded with the bond proceeds will advance or impede access to health, social services, and cultural facilities in communities of color with a racial equity lens. Select questions to guide analysis appear below, and should be answered in view of the jurisdictions racial equity priorities:  
- Will the project funded with the bond proceeds provide or expand a space, facility, infrastructure, or service that meets a basic need or provide a necessary social good that was previously missing or insufficient in the jurisdiction (i.e. a health or community service facility or infrastructure improvements that will benefit health)?  
- What aspects of the project funded with the bond proceeds advance or impede racial equity goals or other social considerations around health, social services, and cultural amenities?  
- What share of any new health, social service, cultural facilities, or services funded with the bond proceeds will serve a low-income neighborhood or a neighborhood that is primarily composed of people of color or other historically marginalized groups?  
- Will the project funded with the bond proceeds displace or reduce existing health services, social services, or cultural amenities? |
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<tr>
<th>Category</th>
<th>Community Outcome Domain</th>
<th>Select Questions to Guide Analysis</th>
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| Transportation & Transit |                         | The questions associated with this outcome domain focus on analyzing whether the project(s) funded with the bond proceeds include or require significant additions to (or changes) of roadways or pedestrian right of ways in the neighborhood, or fund a new transportation system. Select questions to guide analysis appear below, and should be answered in view of the jurisdictions racial equity priorities:  
  - Will the project funded with the bond proceeds include or require significant additions to (or changes) of roadways or pedestrian right of ways in the neighborhood, or fund a new transportation system?  
    - What share of the residents accessing projects noted above funded by the bond proceeds do you anticipate will be low-income residents or residents who are people of color or part of other historically marginalized groups?  
    - Are there affordable and accessible transportation options near the services or sites being developed with the bond proceeds?  
      - What share of the residents accessing the noted sites or services do you anticipate will be low-income residents or residents who are people of color or part of other historically marginalized groups?  
      - What share of users of this transportation project do you anticipate will be low-income residents or residents who are people of color or part of other historically marginalized groups?  
    - Will the project funded with the bond proceeds be part of an existing transit-oriented development plan?  
    - Have you considered any possible negative effects of the development plan for the projects funded with the bond proceeds, such as an increase of gentrification or the pricing out or displacement of residents or businesses, especially as it relates to low-income residents or residents who are people of color or belong to other historically marginalized groups? |
| Schools & Education |                         | The questions associated with this outcome domain focus on analyzing whether the project(s) funded with the bond proceeds will result in educational benefits to communities of color with a racial equity lens. Select questions to guide analysis appear below, and should be answered in view of the jurisdictions racial equity priorities:  
  - Will the project(s) funded with the bond proceeds improve educational conditions or create an educational benefit for the community:  
    - Will the project(s) funded with the bond proceeds increase community access to broadband?  
    - Will the project(s) funded with the bond proceeds renovate existing school facilities or build new school facilities?  
    - What level of education will these facilities serve? K-12, community colleges, four-year universities, or other?  
    - What share of these project's benefits will be accessed by low-income residents or residents who are primarily people of color or part of other historically marginalized groups? |
Our framework supports issuers, borrowers, and market stakeholders who want to use data to evaluate current population level conditions focused on racial equity and who want to track whether the bond issuance strategy is advancing racial equity in the jurisdiction in ways that are improving material conditions for populations, improving racial equity outcomes, and mitigating material risks in the jurisdiction. For issuers, borrowers, and market stakeholders who want to enhance (or create) a measurement framework aligned with those principles, the following strategic approach and questions provide a starting point:

1. **Evaluate Community Conditions and Actions of Interest**
   - What is it that you seek to achieve? What decision is before you? How are assets, resources, harms, impacts, or outcomes distributed across your community?

2. **Understand Community Characteristics & Demographics**
   - How are populations of interest distributed across the jurisdiction where the bond issuance or infrastructure project is situated?

3. **Create an Equity Analysis Index**
   - How are the community conditions and actions that will be taken experienced differently across the community and among the populations in the jurisdiction?

4. **Optimize Interventions**
   - Where should you target interventions or actions funded by the bond issuance to improve equitable impact or outcomes?

5. **Share Your Results & “Ground Truth” the Analysis**
   - How can you verify the analysis with the communities most impacted?

The questions in the diagram above were adopted from the Social Equity Tool, co-developed by ESRI and GARE, a national network that supports racial equity leaders and practitioners to design and implement strategies that transform government to create an equitable society. The Social Equity tool approaches the measurement of racial equity by starting with a thorough evaluation of community conditions and characteristics, and then examines the outcomes and impacts of actions that may result from a racial equity strategy on populations in the jurisdiction.

The Social Equity Tool will be incorporated into our technical assistance program for issuers and borrowers, in workshops led by GARE, and their partners, to enable issuers and borrowers to use data to understand baseline population conditions for their communities and target the bond issuance strategy to improve equitable impact or outcomes. It will also provide issuers and borrowers with a customized set of place-based indicators that they can continue to track to measure changes in racial equity outcomes in the jurisdiction, in relation to the bond issuance or for infrastructure projects financed with other sources of funds that reflect a racial equity priority.
To further support issuers, borrowers, and market stakeholders that want to create or enhance their approach to measuring racial equity in a self-directed manner, our framework and program will be expanded to produce a [Racial Equity Indicators Library], guided by the taxonomy presented in the table below, and developed with the input of issuers who participate in our first technical assistance program and other program experts. The library will include use cases demonstrating how issuers are using the indicators in practice. The library is not intend to prescribe one specific set of indicators for measurement, but rather aims to provide issuers, borrowers, and market stakeholders with a starting point to strengthen evidence-based measurement of racial equity progress, with awareness of baseline population conditions and grounded in a clear racial equity proposition.

### Measuring Racial Equity Change: A Taxonomy

<table>
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<tr>
<th>Area of Inquiry</th>
<th>Measurement Category</th>
<th>Category Summary</th>
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<tbody>
<tr>
<td>What are the characteristics of populations in your jurisdiction and the baseline conditions of racial inequity?</td>
<td><strong>Evaluate Population Characteristics</strong></td>
<td>Indicators to track and measure the current characteristics of populations in the issuer and borrower's jurisdiction, including how assets, resources, harms, impacts, or outcomes are distributed across populations, and the spatial distribution of populations</td>
</tr>
<tr>
<td>What racial equity proposition do you hope to realize via the bond issuance strategy, or for your infrastructure project?</td>
<td><strong>Access</strong></td>
<td>Indicators to track a change in the geographic distribution, amount of service, resource allocation or access to capital resources more equitably for populations of color</td>
</tr>
<tr>
<td>How will you measure whether population outcomes are changing, in alignment with your racial equity proposition, in ways that lead to impact or risk mitigation?</td>
<td><strong>Inclusion</strong></td>
<td>Indicators to track a change in the diversity of people or groups who are engaged, involved in making decisions, and have public access to information more equitably for populations of color</td>
</tr>
<tr>
<td></td>
<td><strong>Well-being</strong></td>
<td>Indicators to track a change in the individual, family, community and/or environmental wellbeing of populations, infrastructure and environmental systems more equitably for populations of color</td>
</tr>
<tr>
<td></td>
<td><strong>Assets</strong></td>
<td>Indicators to track a change in the financial value, earning, income and/or wealth assets more equitably for populations of color</td>
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</table>
What impact will the revenue sources that secure the bonds have on residents with different racial or ethnic backgrounds, and residents with different incomes?

How does the project that will be financed with the bond proceeds address the root causes of racial inequity in the jurisdiction? Is it a standalone project, or part of a larger pipeline of financings, programs, and interventions to address racial equity?

Are there any jurisdictional rules governing procurement decisions that consider racial equity or have the goal of furthering racial equity? Will such rule or policies be integrated in procurement or contracting decisions for the bond financed project?

How are you engaging community members who have historically experienced discrimination or who face the greatest barriers to accessing economic opportunities to provide input and shape the direction of the projects that will be funded with the bond proceeds?

Does issuer or borrower’s jurisdiction have a policy, vision, statement, or practices focused on racial equity that guides capital or infrastructure investments, and which would govern the project funded with the bond proceeds?

What impact will the revenue sources that secure the bonds have on residents with different racial or ethnic backgrounds, and residents with different incomes?

Using the framework

Practicing and achieving greater racial equity can be realized in different ways that can be embedded across all phases of a bond issuance. The guided questions in the framework support issuers in articulating, benchmarking, and strengthening their practices, as well as optimizing key racial equity outcomes and intents in a bond deal or in infrastructure projects supported by federal aid that carries equity directives, or other funding sources. The framework also provides investors and market stakeholders with a new comprehensive way to analyze how racial equity is centered in a deal that goes beyond the use of proceeds and is attentive to jurisdictional policy level and practice commitments to racial equity. The illustration below highlights one way that select questions in the framework could be combined to guide a race conscious analysis for a model government project funded by bonds, or other sources, followed by cases that highlight how different issuers and borrowers might use this framework to center racial equity in a bond deal, loan program, or infrastructure project that is funded by other revenue sources.
USING THE FRAMEWORK TO DEVELOP A VISION & SHARED PRIORITIES FOR RACIAL EQUITY

Where jurisdictions are committed to advancing racial equity, and want to integrate municipal bonds as a meaningful intervention within their wider race equity strategy, it can be difficult to identify how one infrastructure project or activity funded by the bonds is poised to change the trajectory of racial equity outcomes in a jurisdiction. It is vital for issuers to have a clear sense of shared priorities and a shared language to articulate how a bond issuance will further a racial equity proposition that is aligned with larger institutional or jurisdictional priorities, and to consider whether the deal is part of a larger pipeline of financings, programs, and interventions to address racial equity. Our framework supports issuers in this area by providing them with one approach that can empower them to speak about racial equity outcomes and articulate a racial equity proposition and strategy that is in alignment with a bond issuance.

Our framework enables issuers and borrowers to analyze data and understand the current and root causes of racial inequities and conditions of their populations. With this background, we invite issuers and borrowers to identify the population level conditions they want to change and to describe the racial equity proposition they hope the bond issuance will advance – greater access, inclusion, well-being, or assets for populations of color.

As described in the rubric above, our framework supports issuers and borrowers in considering whether a project: will expand **access** by changing the geographic distribution, amount of service, resource allocation or access to capital resources more equitably for populations of color; will enhance conditions of individual, community, or environmental **wellbeing** for populations of color; will change further **inclusion** by changing the diversity of populations of color or groups who are engaged or involved in making decisions; will change the financial value, earning, income or wealth **assets** for populations of color; or will result in other racial equity outcomes.

Our goal in presenting this rubric is not to prescribe one specific way to discuss or consider racial equity, but to provide issuers, borrowers and market stakeholders with a meaningful point of departure with which to build their capacity and fluency to speak about racial equity as a clear priority when developing the strategy for a bond issuance, or a capital project.
HOW CAN CITIES, COUNTIES, OR STATES USE THIS FRAMEWORK?

Cities, counties, states and other general obligation bond issuers across America are leveraging a wide set of race focused practices that are promising. A rising trend that is visible across many local governments is the adoption of equity frameworks, which in many instances are being extended to govern operating and capital budget processes and projects in many jurisdictions. Jurisdictions that demonstrate strong commitments to equity in budgeting often have a natural and strong foundation to extend those principles to a bond issuance, as seen in Box 2. Our framework outlines emergent and promising practices and presents qualitative questions to support issuers that want to audit and improve their practices, as well as make their existing policy and strategic commitments on racial equity visible to investors and market stakeholders alike.

The practices elevated in our framework can enable issuers with strong existing commitments tell their story more holistically to investors, with reference to their activities and strategies at a jurisdictional level. It can also enable issuers with new opportunities to deepen and refine their work on racial equity. Moreover, this can help issuers provide meaningful context to investors on how the use of proceeds as a strategy for the deal will advance equity in concert with a wider continuum of racial equity strategies within the jurisdiction. Thus, by differentiating an offering via stronger and more holistic reporting, we hope that the framework will enable issuers to generate stronger investor demand, and a better cost of capital.

BOX 1: THE RISE OF BUDGETING FOR EQUITY IN CITIES

The presence of a pre-existing comprehensive racial equity strategy adopted city-wide is often a vital catalyst that enables a city to extend a race conscious lens to infrastructure projects, to municipal bond issuances, and to demonstrate the rigor of their strategy to investors. In the City and County of Denver, for example, equity considerations are a cornerstone of policy and practice across a number of functional areas: (1) equity is embedded within the tracking of program performance; (2) a comprehensive logic model assesses outputs and outcomes generated by each program with an equity lens; (3) staff from the Mayor's Office of Social Equity and Innovation review each agency's content and are empowered to make suggestions designed to align those objectives with the city's equity goals; and (4) equity considerations are embedded in the annual budget process, with staff trained to: analyze how their funding proposals would impact marginalized groups and neighborhoods; what unintended consequences would emerge as a result of the funding; and whether the request would lessen or exacerbate harms experienced by vulnerable communities, among other areas of concerns.

In the summer of 2022, Denver issued $366 million in voter approved “Elevate Denver and RISE Denver” Bonds to fund a wide variety of projects in neighborhoods across the city, as part of a financial plan focused on rebuilding an inclusive, sustainable, and equitable economy. Funding supported nearly 80 voter-approved projects, many of which were grounded and evaluated with the comprehensive equity lens and strategy adopted city-wide. To learn more about cities across America, like Denver, that are adopting city-wide equity frameworks, budgeting for equity strategies, and other practices we elevate in the framework, read our joint brief with the National League of Cities, “Racial Equity and Municipal Bond Markets”, at this link.
HOW CAN STATE REVOLVING FUND ISSUERS USE THIS FRAMEWORK?

State Revolving Funds (SRFs) are public authorities that often provide vital access to revolving loan programs, pooled loan programs, and other sources of capital for small and mid-size cities and towns across America. They offer smaller borrowers a pathway to raise money for essential water and sewer infrastructure projects via loans offered at a low cost of capital.

SRFs often raise money to capitalize revolving loan and pooled programs by issuing debt in the capital markets, by leveraging federal funds, and other avenues authorized by their state enabling acts and federal law. For decades, several funding sources that SRFs typically rely on contain explicit mandates for disadvantaged communities, as described in Box 2. Recent federal directives in the Justice40 Initiative and The Infrastructure Investment and Jobs Act of 2021 (IIJA) also contain explicit mandates that disadvantaged communities (DACs) benefit equitably from the federal funding that is available for water and sewer.

**BOX 2: DISADVANTAGED COMMUNITIES & THE SAFE DRINKING WATER ACT**

In 1996, the Drinking Water State Revolving Fund (DWSRF) was established via amendments to the Safe Drinking Water Act (SDWA) to help water systems across America finance drinking water infrastructure improvements and advance the public health objectives. Although DWSRF financing is subsidized through below-market interest rates, some localities face significant challenges when financing drinking water infrastructure improvements. To that end, the SDWA requires that every state establish affordability criteria to define “disadvantaged communities”, or DACs, in the state. States have broad discretion in defining DACs and, consequently, there is significant variation in the characteristics of DAC communities across states. The Infrastructure Investment and Jobs Act of 2021 (IIJA) amended the SDWA to expand the support and subsidies states may provide for projects serving DACs.

The United States Department of Environmental Protection (EPA) encourages states and SRFs to use funds from IIJA as a catalyst to continue building and maintaining a robust project pipeline of SRF projects. In response, many SRFs, together with state actors, are evaluating their programmatic frameworks, definitions, and guidelines related to DACs as borrowers of their loan programs. The EPA has also elevated the importance of using technical assistance to address capacity gaps that exist for small communities and DACs in order to enable them to leverage SRF funding fully and the expanded revenue opportunities in IIJA for infrastructure investment.

SRFs can potentially use our framework and program to build the capacity of small and disadvantaged communities to leverage the expanded funding opportunities arising under IIJA and Justice40 mandates. Our framework and program for issuers can serve as a resource for small issuers that want to create or strengthen the racial equity lens that would apply to capital projects in the water and sewer sector, in alignment with federal directives.

The framework and our program also endeavors to support states and SRFs who are interested in analyzing their DAC assistance programs, evaluating the indicators they use to define DACs and providing resources that strengthen the capacity, knowledge gaps, and the enabling environment for DACs to fully leverage SRF resources in funding vital projects.
HOW CAN INFRASTRUCTURE BANKS AND BOND BANKS USE THIS FRAMEWORK?

Bond banks and infrastructure banks (collectively “bond banks”) exist in over 30 U.S. states. While their missions and mandates vary widely, many bond banks have enabling authority to serve as funders and/or financers of vital infrastructure projects. In some cases they provide vital capital to finance public infrastructure and private development that contribute to a strong economy via the sale of tax-exempt and taxable bonds issued, in many cases, as state supported debt issuances (i.e. sales tax revenue or personal income tax revenue supported debt, etc.). Where state actors want to focus on racial equity meaningfully in a bond issuance via such financings, our framework can provide multiple entry points and race conscious practices for states to consider when partnering with bond banks to sell debt.

Many bond banks also operate loan programs that provide efficient low-cost capital to a range of borrowers within their state, including small local governments, non-profits, universities, and other entities. Where applicable, such revolving loan funds can focus on general infrastructure, have a targeted sector focus, reflect explicit alignment to social or sustainable purposes, or also demonstrate attention to the unique needs of disadvantaged communities, as described in Box 3.

Smaller local governments in our focus groups described a range of capacity challenges and knowledge gaps that often inhibit their ability to fully utilize bond bank programs, including those that are targeted to DACs. Additionally, city leaders in jurisdictions with DAC characteristics also expressed heightened interest in resources to support them in learning about bond bank programs and in centering racial equity strategies in capital projects that are eligible for funding via revolving loan programs. Our framework and program endeavors to support such borrowers by building their capacity to fully access loan funds within bond bank programs, and supports them where they want to integrate a race conscious lens to such borrowings.

BOX 3: BOND BANK REVOLVING LOAN FUNDS WITH SOCIAL & SUSTAINABLE PURPOSES

Bond banks in several states have adopted revolving loan and lending programs that are attentive to the needs of disadvantaged communities, or DACs. For example, the Climate Catalyst Revolving Loan Fund (“Catalyst Fund”), a program of the California Infrastructure and Economic Development Bank, provides funding for critical climate infrastructure projects that advance the state’s climate mitigation and climate resiliency goals. The guidelines governing the administration of the Catalyst Fund provide that if projects eligible for financing exceed the current availability of funds, priority may be given to projects located in disadvantaged communities or projects with the potential to deliver disproportionate environmental benefits.

In 2022, the Board of Directors for the Nevada State Infrastructure Bank passed regulations that will allow the bank to finance infrastructure projects that include affordable housing, charter schools in low-income areas, the environment, among other initiatives. The regulations, which were pre-approved with bi-partisan support, provide that at least 40% of all projects must be in disadvantaged communities.
To support municipal market participants who want to refine and enhance their work on racial equity in the context of a bond financing and capital projects, we have partnered with leading organizations to create a groundbreaking comprehensive program that includes grants, technical assistance, learning opportunities, and technology tools. Visit our website at www.publicfinanceinitiative.com/framework to learn more and access the following opportunities, as they become available this year:

- **Technical Assistance & Grant Program:** Our partners at PFM Group Consulting LLC’s Center for Budget Equity & Innovation and PFM Financial Advisors LLC, will lead a groundbreaking cohort-based technical assistance and grant program on bond markets and racial equity that provides resources to issuers and borrowers who want to enhance or adopt new practices in alignment with the vision of our framework. Applications open in March, and the program will convene in the summer of 2023.

- **Racial Equity Learning Series:** We have partnered with the National League of Cities to offer a new NLC University Course and learning series on racial equity, co-facilitated by government officials, which will provide trainings and forums for productive exchange on racial equity throughout the year.

- **Racial Equity Spatial Data Workshop:** Our partner, The Government Alliance on Race and Equity, a national network of local government practitioners, will offer customized data workshops within our technical assistance program that help jurisdictions measure racial equity indicators using the ESRI ArcGIS Social Equity technology tool, and demonstrate how government can be a force for achieving racial equity.

- **Racial Equity Impact Scoring Tool:** Our partners at the Urban Institute are creating a technology tool that will be available in the Summer of 2023 to help issuers and market stakeholders score the racial equity impact of a bond deal in alignment with the framework, and generate a report that summarizes the holistic racial equity commitments reflected in a bond deal, the project, and the issuer as an entity.

- **Teach-Ins, Information Sessions, Events:** The Public Finance Initiative team will host meetings and events to share the principles, learnings and practices in the framework in ways that help market stakeholders strengthen their practices and strategies, with a unique lens to their role in the municipal market stakeholder eco-system (i.e. investor, banker, asset manager, issuer, borrower, etc.). We’ll also share emerging learnings and practices that arise from the constituencies who participate in the bond markets and racial equity program.
REFERENCES


Government Alliance on Race & Equity Racial Equity Toolkit. available at https://www.racialequityalliance.org/tools-resources/


Richardson, Stacy; German, Lourdes; Pedrosa Samantha; Baker-Smith, Christine, Municipal Bond Markets & Racial Equity (National League of Cities, November 2022) available at https://www.nlc.org/resource/racial-equity-bond-markets/


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