

Monthly Municipal ESG Monitor

January 2024

Industry Overview

This Monthly ESG Monitor report will be our last monthly ESG publication, as we now move to a quarterly report. Our next Municipal ESG report will be released in mid-to-late April 2024. Should investors require monthly data, please feel free to reach out to us.

January ESG issuance down 33% y/y

January all labeled muni ESG issuance totaled \$2.1bn, down 33% y/y. January ICMA-aligned muni ESG issuance totaled \$2.0bn, down 22% y/y. In January, the average CUSIP size of all labeled bonds was \$19.1mn versus \$7.3mn for all muni bonds issued during the month. Of YTD-24 all labeled issuance, 70% had an ESG assurance provider or an external verifier. For the ICMA-aligned bonds issued, that number was 75%. The Gas Forward sector leads in ESG issuance for YTD-24.

Note: We display Bloomberg tagged muni ESG issuance data as “all labeled” and a subset aligned with certain International Capital Market Association (ICMA) recommendations. Bloomberg tags a bond issue as ESG if the net proceeds of the bonds are for green, social or sustainability purposes. That does not necessarily indicate that an issuer has self-designated its bonds as such. To be considered ICMA-aligned, the bonds also must be aligned with ICMA’s recommendations for project evaluation and selection, management of proceeds and ongoing reporting. We note that we update past data for any Bloomberg revisions.

\$7.1mn outflow in January for muni ESG funds

Muni ESG fund monthly flows, which includes all reporting funds, totaled -\$7.1mn for January compared to \$3.9bn for muni non-ESG funds. For January, muni ESG fund daily flows totaled -\$7.9mn and averaged -\$0.4mn during the month compared to -\$0.6mn in December.

The Muni Impact index returned -0.66% for January

January total returns for the Muni index (LMBITR) were -0.51% compared to -0.66% for the Muni Impact index (I36676US), per Bloomberg. Across the sub-indices, January total returns were as follows: Green (I36677US) -0.59%; Social (I36678US) -0.92%; and Sustainable (I36679US) -0.62%. We note that the Bloomberg indices include all labeled bonds.

US drought conditions improved in January

As of 30 January, 44.2% of the US was under abnormally dry conditions or worse, per the US Drought Monitor, improving from 54.3% as of 26 December 2023. Federal Emergency Management Agency disaster declaration data showed there were 22 natural disaster-related declarations in January, down 78% y/y from 101 incidents in January 2023. The Electric Reliability Council of Texas’ peak electricity demand was 78.3 gigawatts in January, up m/m but down from a record 85.6GW in August 2023. In January, nearly 5,000 acres burned across the US from wildfires, down 61% on a y/y basis. Across the US, 7 states show more than 50% of net power generation via Renewables for YTD-23 through November.

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Refer to important disclosures on page 12 to 13.

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Timestamp: 27 February 2024 10:54AM EST

27 February 2024

Municipals
United States

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Muni ESG issuance

Exhibit 1: Muni ESG issuance summary: all labeled bonds (\$mn)

\$2.1bn of labeled issuance in January, down 33% y/y

	Jan-24	Jan-23	y/y Δ	YTD-24	YTD-23	y/y Δ
Total	2,101	3,137	-33%	2,101	3,137	-33%
Tax-exempt	2,075	2,943	-30%	2,075	2,943	-30%
Taxable	26	189	-86%	26	189	-86%
AMT	-	-	-	-	-	-
Bank qualified	-	5	-100%	-	5	-100%
Green	1,604	2,830	-43%	1,604	2,830	-43%
% of total	76%	90%		76%	90%	
Social	472	306	54%	472	306	54%
% of total	22%	10%		22%	10%	
Sustainability	25	-		25	-	
% of total	1%	0%		1%	0%	

Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 2: Muni ESG issuance summary: ICMA-aligned bonds (\$mn)

\$2.0bn of ICMA-aligned issuance in January, down 22% y/y

	Jan-24	Jan-23	y/y Δ	YTD-24	YTD-23	y/y Δ
Total	1,959	2,520	-22%	1,959	2,520	-22%
Tax-exempt	1,959	2,332	-16%	1,959	2,332	-16%
Taxable	-	189	-100%	-	189	-100%
AMT	-	-	-	-	-	-
Bank qualified	-	-	-	-	-	-
Green	1,462	2,214	-34%	1,462	2,214	-34%
% of total	75%	88%		75%	88%	
Social	472	306	54%	472	306	54%
% of total	24%	12%		24%	12%	
Sustainability	25	-		25	-	
% of total	1%	0%		1%	0%	

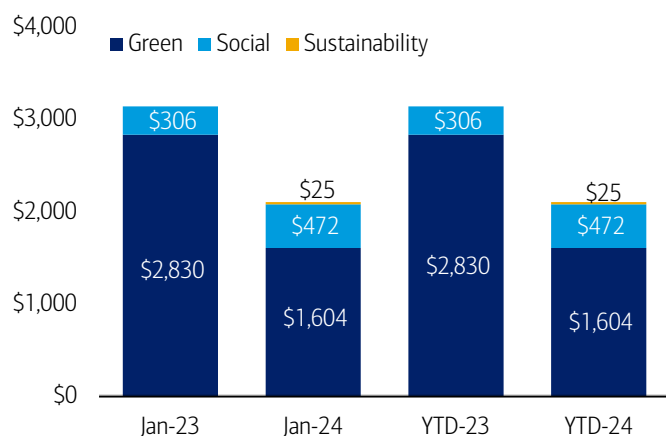
Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 3: Muni ESG issuance y/y: all labeled bonds (\$mn)

Green bond issuance down 43% y/y



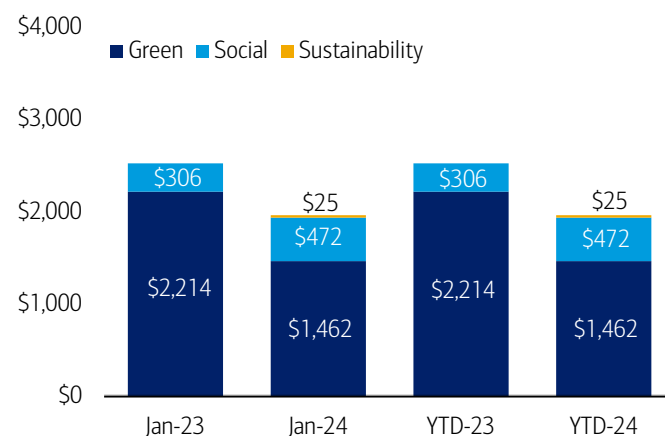
Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 4: Muni ESG issuance y/y: ICMA-aligned bonds (\$mn)

Social bond issuance up 54% y/y



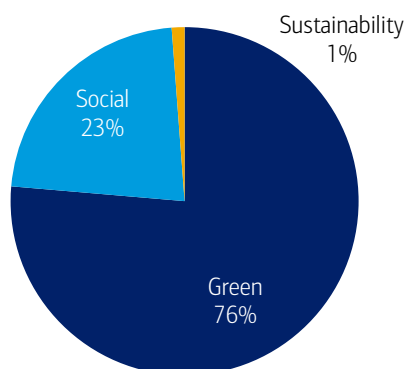
Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 5: YTD-24 muni ESG issuance by type: all labeled bonds

Green bonds accounted for 76% of YTD-24 labeled issuance



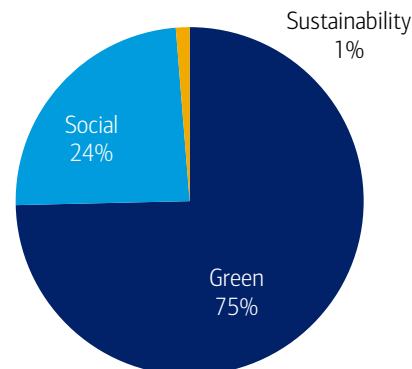
Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 6: YTD-24 muni ESG issuance by type: ICMA-aligned bonds

Green bonds account for 75% of YTD-24 ICMA-aligned issuance



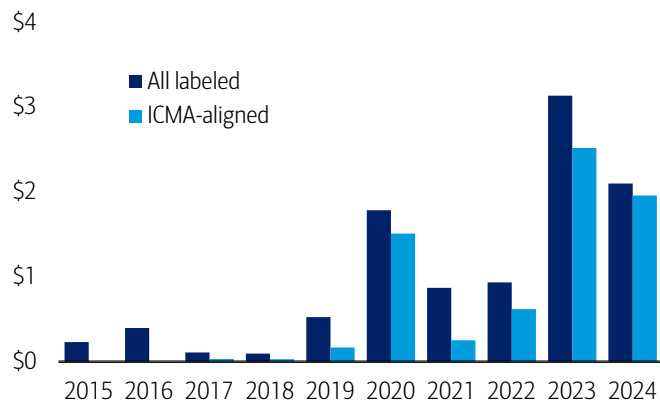
Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 7: January issuance (\$bn)

2024 saw the second-largest January issuance



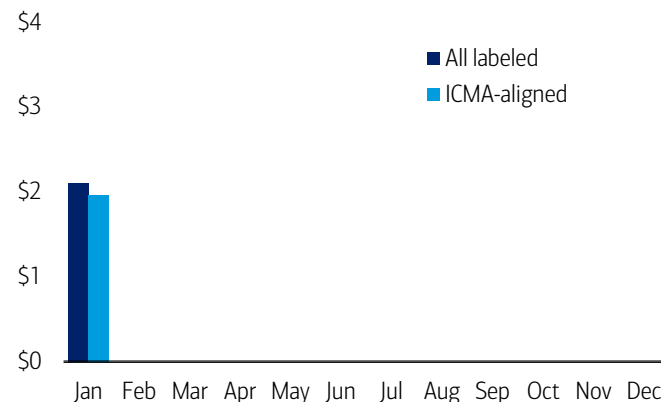
Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 8: 2024 monthly muni ESG issuance (\$bn)

All labeled issuance was \$2.1bn in January



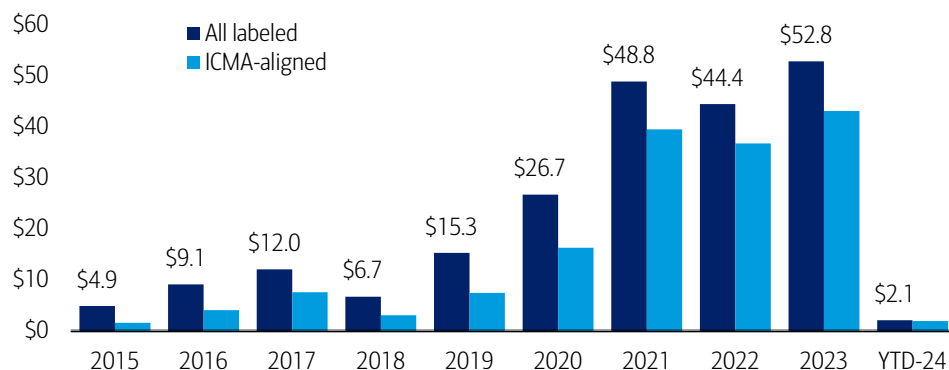
Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 9: Annual muni ESG issuance (\$bn)

New peak of \$53bn reached in 2023



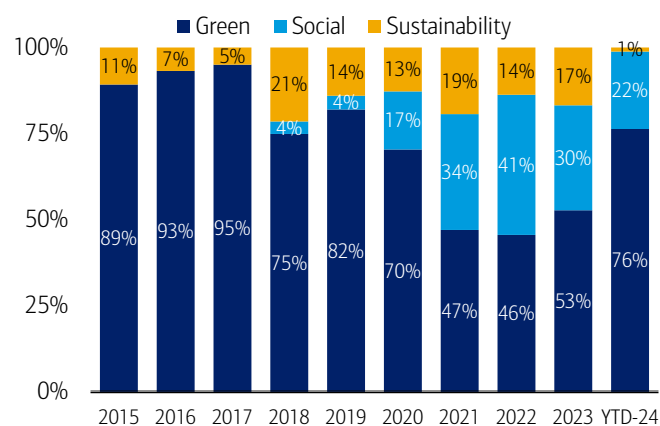
Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 10: Annual muni ESG issuance by type: all labeled bonds

The share of Green bond issuance continued to grow in January



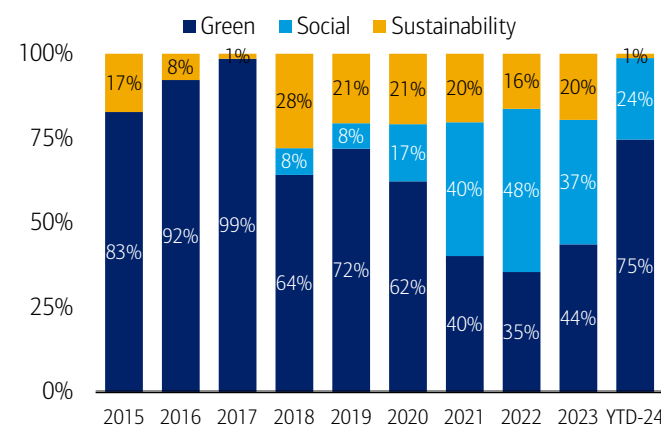
Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 11: Annual muni ESG issuance by type: ICMA-aligned bonds

The share of Social and Sustainable bonds are both down sharply for YTD-24



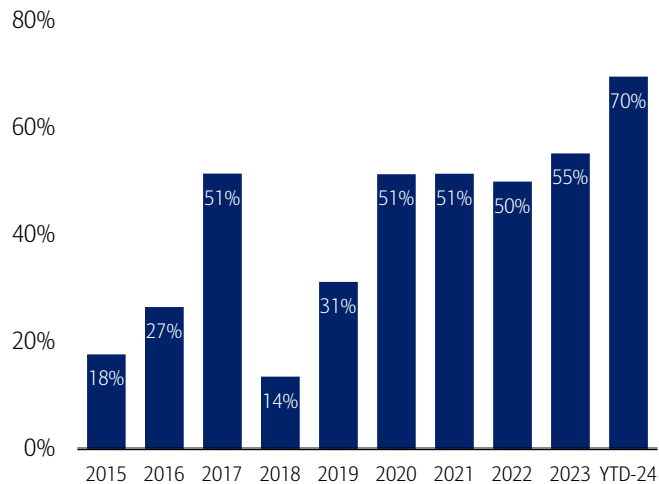
Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 12: Issuance w/ ESG assurance provider: all labeled bonds

70% of YTD-24 muni ESG issuance verified by an outside party



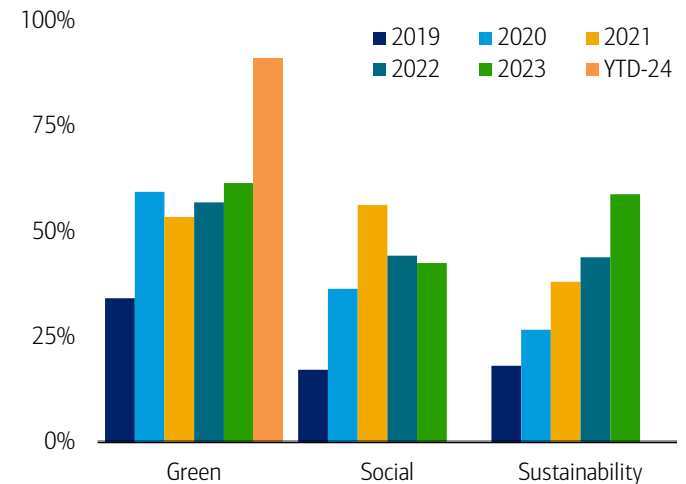
Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 13: Issuance w/ ESG assurance provider: all labeled bonds

Green bonds are the most likely to have an outside verifier



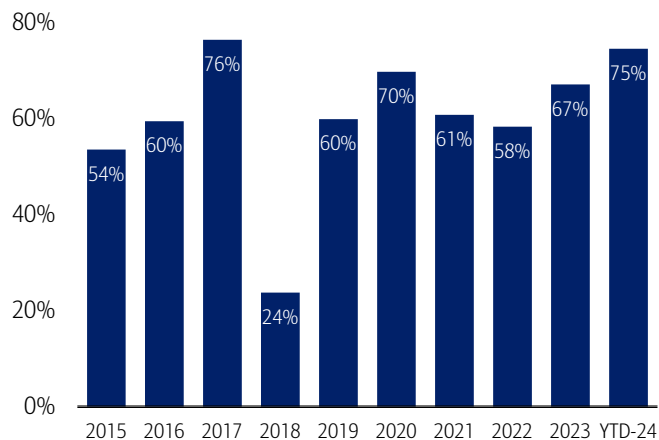
Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 14: Issuance w/ ESG assurance provider: ICMA-aligned bonds

75% of YTD-23 ICMA-aligned issuance verified by an outside party



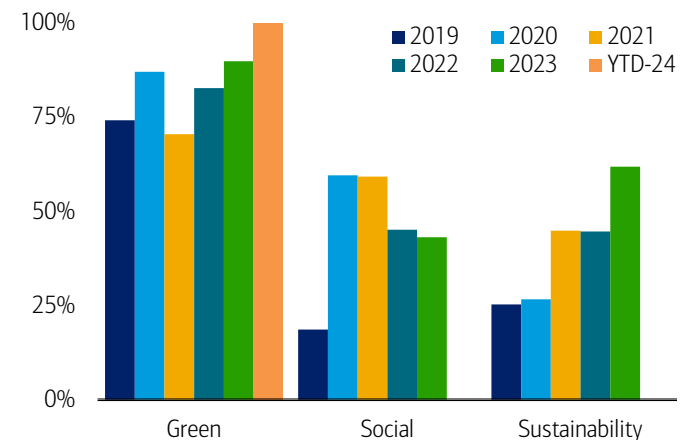
Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 15: Issuance w/ ESG assurance provider: ICMA-aligned bonds

The share of Social bonds with an external verifier has been trending down



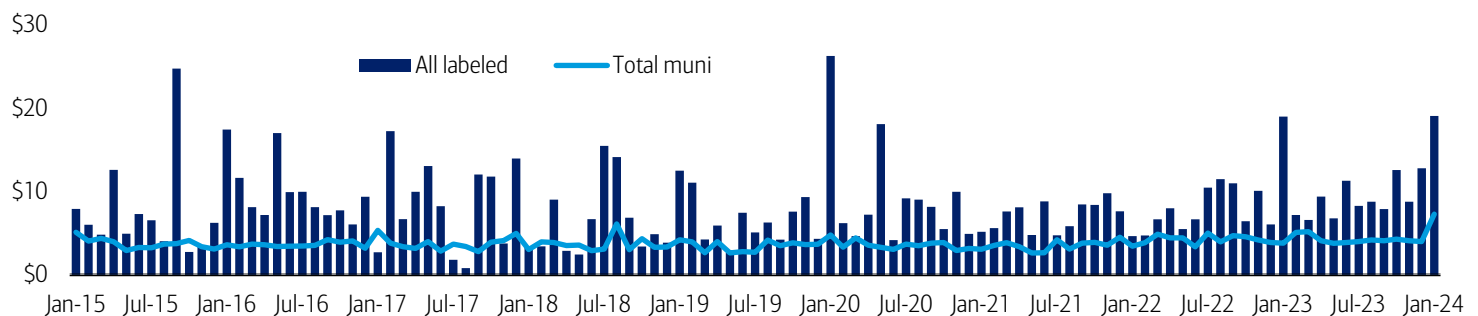
Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 16: Average cusip size of all labeled versus total muni bonds, monthly (\$mn)

In January, the average cusip size of all labeled bonds was \$19.1mn versus \$7.3mn for total muni bonds



Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 17: Top borrowers YTD-24: all labeled (\$mn)

CA Community Choice Financing Auth has the top spot at 52.5%

Borrower name	Issuance	% of total
California Community Choice Financing Auth	\$1,102	52.5%
State of Connecticut	409	19.5%
NY MTA Payroll Mobility Tax Revenue	296	14.1%
LADWP Power System Revenue	75	3.6%
City of Tacoma WA Water Revenue	64	3.0%
Howard County Housing Commission, MD	63	3.0%
Metropolitan Pier & Exposition Authority, IL	43	2.0%
Illinois Housing Development Authority	25	1.2%
Upper Eagle Regional Water Authority, CO	22	1.0%
Murray Independent School District, KY	3	0.1%

Note: Long-term bonds only. LADWP = Los Angeles Department of Water and Power. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 19: Top borrowers since 2015: all labeled (\$mn)

NYC Housing Development Corp has top spot at 5.3%

Borrower name	Issuance	% of total
New York City Housing Development Corp	\$11,759	5.3%
California Community Choice Financing Auth	9,806	4.4%
NY MTA	9,203	4.1%
New York State Housing Finance Agency	4,946	2.2%
New York State Revolving Fund	4,566	2.0%
NY MTA Payroll Mobility Tax Revenue	4,240	1.9%
OWDA Water Pollution Control Loan Fund	3,313	1.5%
Freddie Mac Multifamily ML Certificates	3,246	1.5%
SFPUC Water Revenue	2,718	1.2%
Pennsylvania Housing Finance Agency	2,543	1.1%

Note: Long-term bonds only. OWDA = Ohio Water Development Authority, SFPUC = San Francisco City & County Public Utilities Commission. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 21: Top issuance by sector YTD-24: all labeled (\$mn)

Top-3 sectors account for 86.0% of issuance

Borrower name	Issuance	% of total
Gas Forward	\$1,102	52.5%
State	409	19.5%
Miscellaneous Tax	296	14.1%
Multi-Family Housing	88	4.2%
Water and Sewer	86	4.1%
Electricity and Public Power	75	3.6%
Economic and Industrial Development	43	2.0%
Appropriation	3	0.1%

Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 18: Top borrowers YTD-24: ICMA-aligned (\$mn)

Top-3 borrowers account for 92.3% of issuance

Borrower name	Issuance	% of total
California Community Choice Financing Auth	\$1,102	56.3%
State of Connecticut	409	20.9%
NY MTA Payroll Mobility Tax Revenue	296	15.1%
City of Tacoma WA Water Revenue	64	3.3%
Howard County Housing Commission, MD	63	3.2%
Illinois Housing Development Authority	25	1.3%

Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 20: Top borrowers since 2015: ICMA-aligned (\$mn)

Top-10 borrowers account for 30.4% of issuance

Borrower name	Issuance	% of total
California Community Choice Financing Auth	\$9,782	6.1%
New York City Housing Development Corp	9,307	5.8%
NY MTA	9,203	5.7%
New York State Housing Finance Agency	4,870	3.0%
NY MTA Payroll Mobility Tax Revenue	4,010	2.5%
Pennsylvania Housing Finance Agency	2,543	1.6%
Freddie Mac Multifamily ML Certificates	2,398	1.5%
Illinois Housing Development Authority	2,293	1.4%
Massachusetts Housing Finance Agency	2,290	1.4%
SFPUC Water Revenue	2,248	1.4%

Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 22: Top issuance by sector YTD-24: ICMA-aligned (\$mn)

Gas Forward bonds account for 56.3% of issuance

Borrower name	Issuance	% of total
Gas Forward	\$1,102	56.3%
State	409	20.9%
Miscellaneous Tax	296	15.1%
Multi-Family Housing	88	4.5%
Water and Sewer	64	3.3%

Note: Long-term bonds only. Data as of 31 January 2024.

Source: Bloomberg

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Exhibit 23: Top issuance by sector since 2015: all labeled (\$mn)

Water and Sewer bonds account for 18.2% of issuance

Borrower name	Issuance	% of total
Water and Sewer	\$40,579	18.2%
Multi-Family Housing	35,839	16.1%
Single-Family Housing	28,476	12.8%
Farebox (Mass and Rapid Transit)	11,330	5.1%
Gas Forward	9,954	4.5%
Appropriation	9,575	4.3%
Miscellaneous Tax	9,367	4.2%
Bond Bank	7,670	3.4%
Sales Tax	6,838	3.1%
Economic and Industrial Development	6,342	2.8%

Note: Long-term bonds only. Data as of 31 January 2024.**Source:** Bloomberg

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Exhibit 24: Top issuance by sector since 2015: ICMA-aligned (\$mn)

Multi-Family Housing bonds account for 19.8% of issuance

Borrower name	Issuance	% of total
Multi-Family Housing	\$31,846	19.8%
Single-Family Housing	28,436	17.6%
Water and Sewer	15,324	9.5%
Gas Forward	9,781	6.1%
Farebox (Mass and Rapid Transit)	9,610	6.0%
Miscellaneous Tax	8,232	5.1%
Appropriation	6,222	3.9%
Sales Tax	5,604	3.5%
Local Authority	5,481	3.4%
Airports	4,418	2.7%

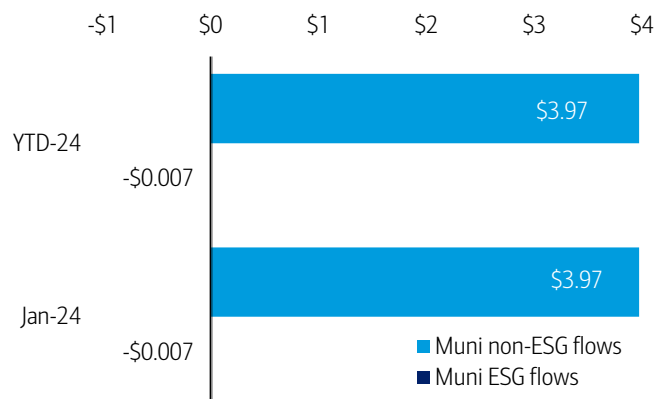
Note: Long-term bonds only. Data as of 31 January 2024.**Source:** Bloomberg

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Muni ESG fund flows

Exhibit 25: Muni ESG vs. Muni non-ESG fund flows (\$bn)

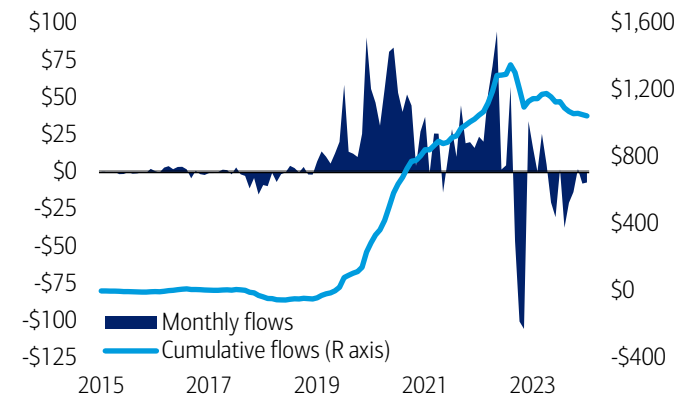
Muni ESG funds saw outflows as muni non-ESG funds saw inflows

**Note:** Includes funds that report daily, weekly, and monthly. Data as of 31 January 2024.**Source:** EPFR Global

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Exhibit 26: Muni ESG fund monthly fund flows (\$mn)

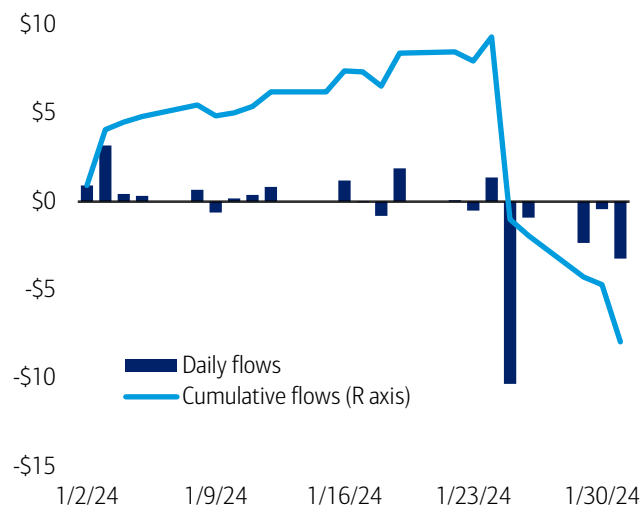
\$7.1 mn of outflows in January

**Note:** Includes funds that report daily, weekly, and monthly. Data as of 31 January 2024.**Source:** EPFR Global

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Exhibit 27: Muni ESG daily fund flows YTD-24 (\$mn)

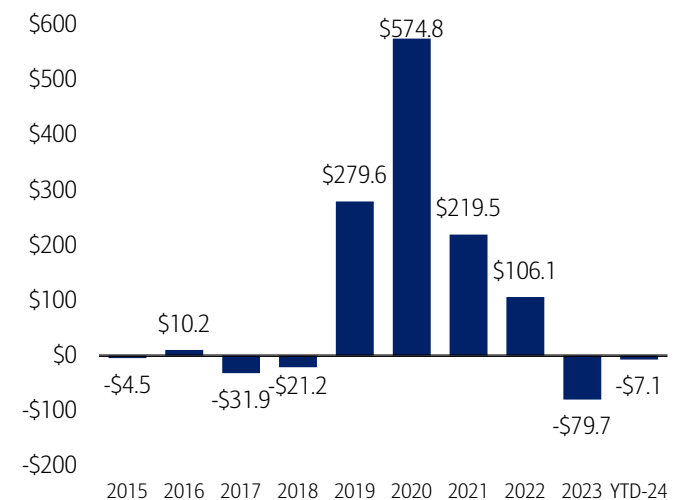
Muni ESG daily fund flows totaled -\$7.9mn in January

**Note:** Includes funds that report daily. Data as of 31 January 2024.**Source:** EPFR Global

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Exhibit 28: Annual muni ESG flows (\$mn)

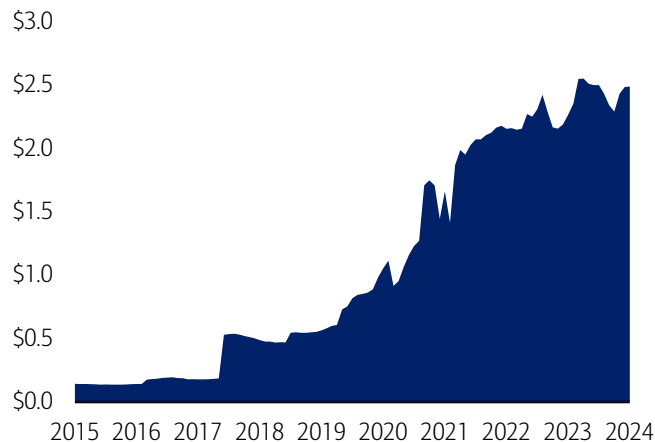
Inflows have been weakening since 2021; outflows for YTD-24

**Note:** Includes funds that report daily. Data as of 31 January 2024.**Source:** EPFR Global

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Exhibit 29: AUM in muni ESG funds (\$bn)

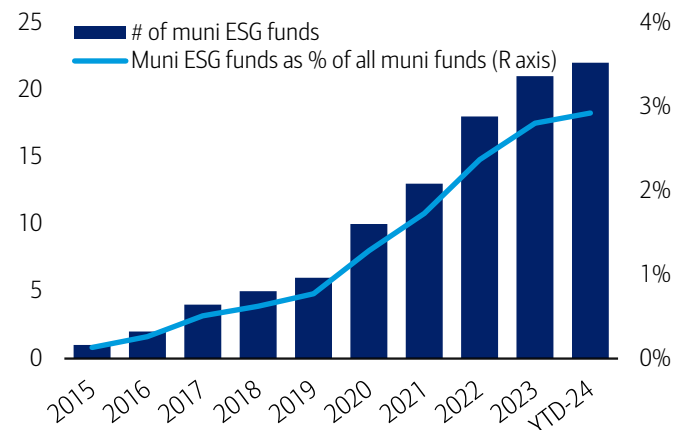
\$2.5bn of AUM in muni ESG funds as of January 2024

**Note:** Includes funds that report daily, weekly, and monthly. Data as of 31 January 2024.**Source:** EPFR Global

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Exhibit 30: Count of muni ESG funds

22 muni ESG funds for YTD-24, up from just one in 2015

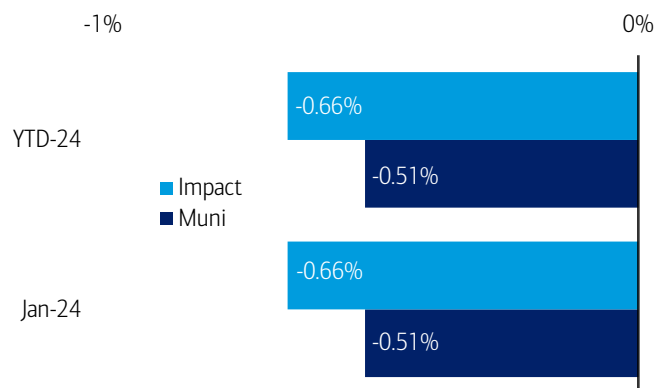
**Note:** Includes funds that report daily, weekly, and monthly. Data as of 31 January 2024.**Source:** EPFR Global

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Muni ESG returns

Exhibit 31: Muni index vs. Muni Impact index, total returns (%)

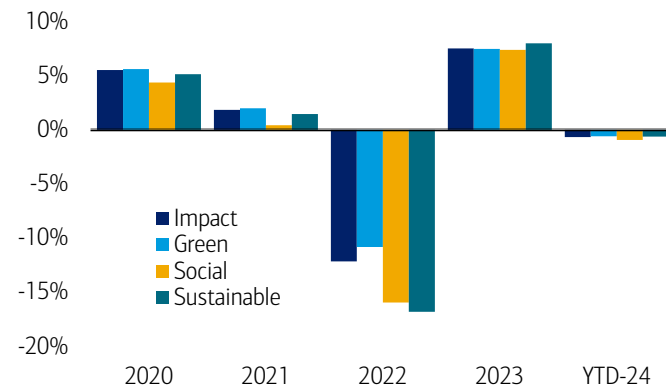
The Muni Impact index returned -0.66% for January

**Note:** Data as of 31 January 2024.**Source:** Bloomberg

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Exhibit 32: Muni Impact index vs. sub-indices, total returns (%)

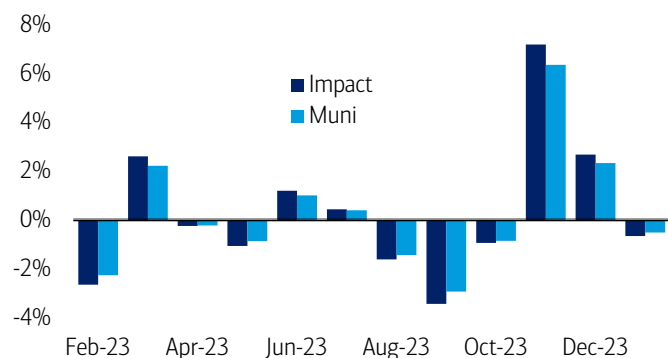
The Green index had the best January return of -0.59%

**Note:** Data as of 31 January 2024.**Source:** Bloomberg

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Exhibit 33: Monthly total returns, Muni vs. Muni Impact (%)

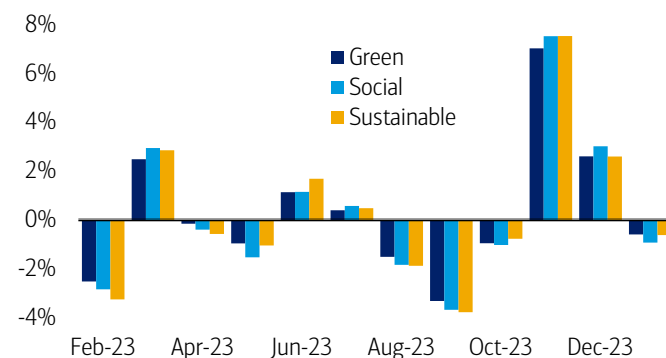
Negative returns to start the year

**Note:** Data as of 31 January 2024.**Source:** Bloomberg

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Exhibit 34: Monthly total returns, Muni Impact sub-indices (%)

The Green index tends to be the least volatile

**Note:** Data as of 31 January 2024.**Source:** Bloomberg

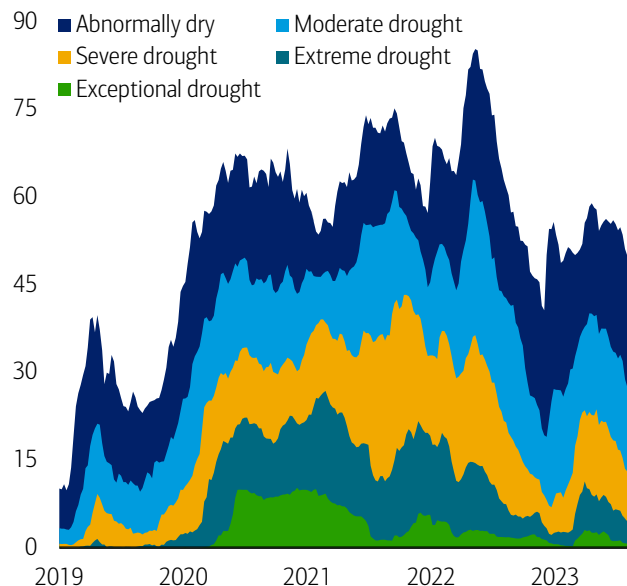
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Other muni ESG related data

US drought monitor

Exhibit 35: US drought conditions (% by area)

44.2% of the US is under abnormally dry conditions or worse



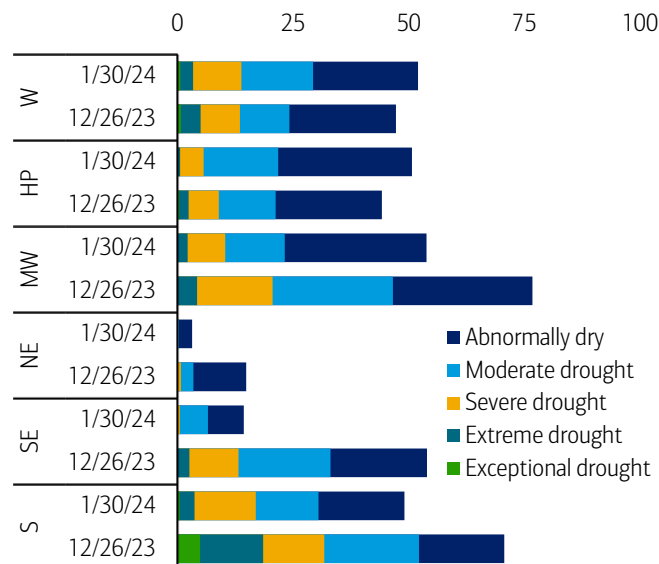
Note: Data as of 30 January 2024.

Source: US Drought Monitor

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Exhibit 36: Regional drought conditions (% by area)

Drought conditions worsened for the West and High Plains in January



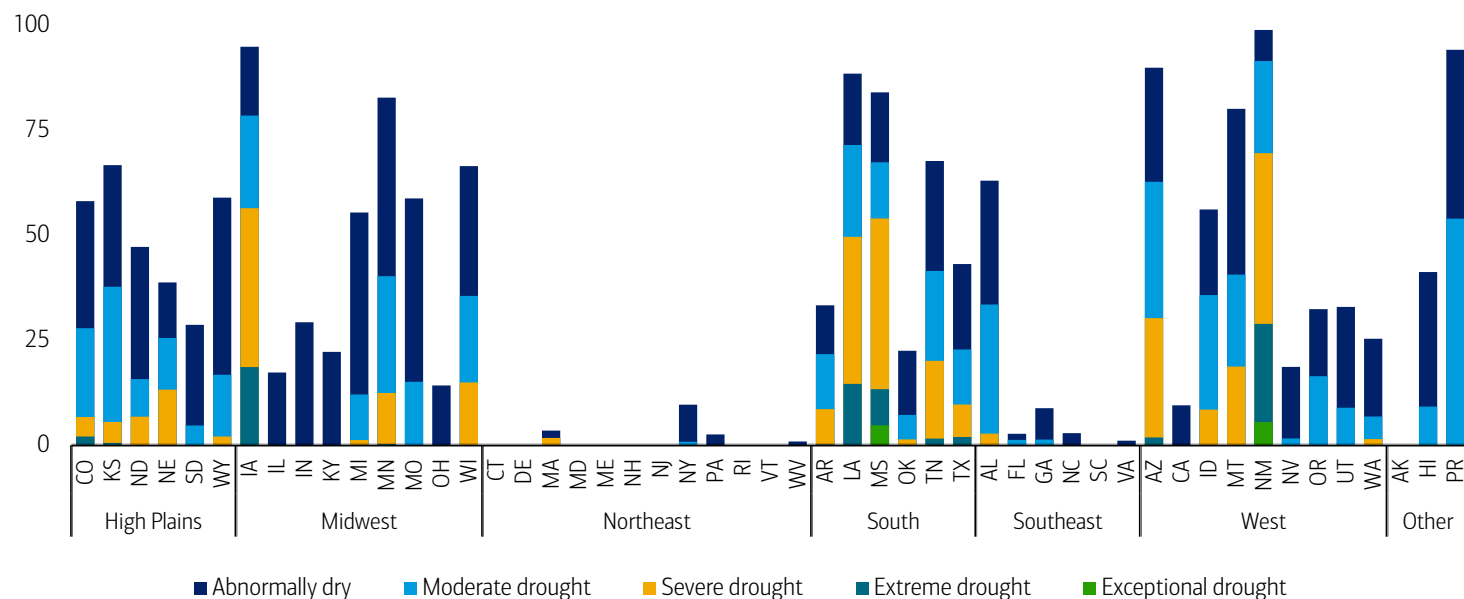
Note: W = West; HP = High Plains; MW = Midwest; NE = Northeast; SE = Southeast; and S = South.
Data as of 30 January 2024.

Source: US Drought Monitor

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Exhibit 37: US state drought conditions (% by area)

Two states have areas under the worst drought conditions: MS and NM



Note: Data as of 30 January 2024.

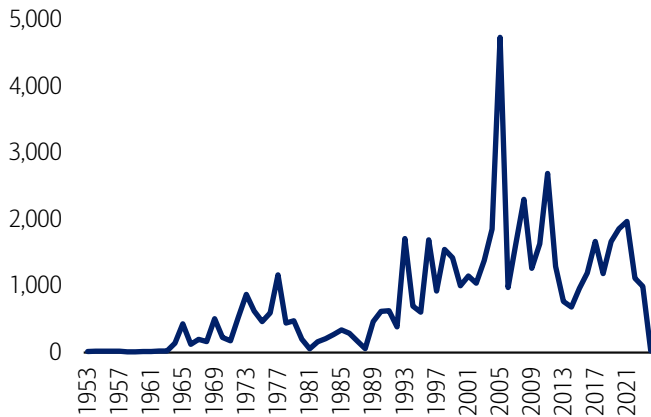
Source: US Drought Monitor

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FEMA disaster declarations tracking

Exhibit 38: FEMA disaster declarations count by calendar year

Since 1953, 24yrs had 1K+ events; 21 of those yrs occurred within past 25



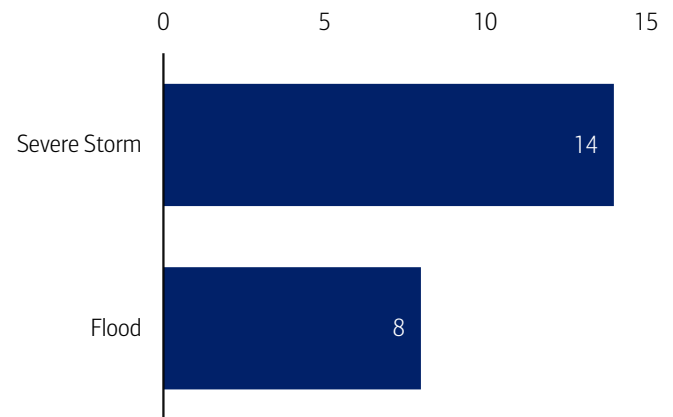
Note: Data as of 31 January 2024.

Source: Federal Emergency Management Agency

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Exhibit 39: FEMA disaster declarations by type, YTD-24

22 disaster declarations YTD; 14 driven by Severe Storms



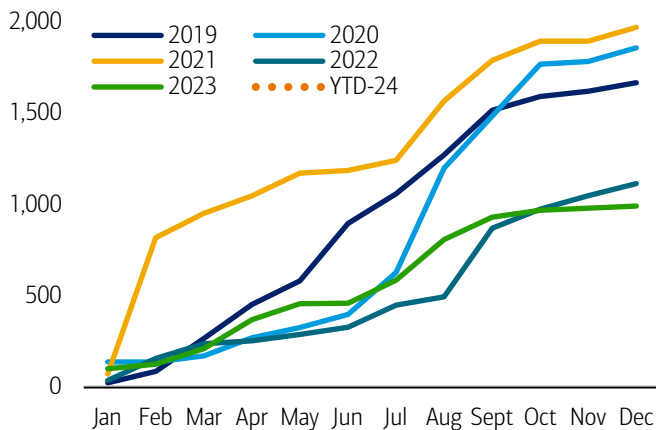
Note: Data as of 31 January 2024.

Source: Federal Emergency Management Agency

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Exhibit 40: Cumulative annual FEMA disaster declarations

YTD-24 disaster count is the lowest for at least the last six years



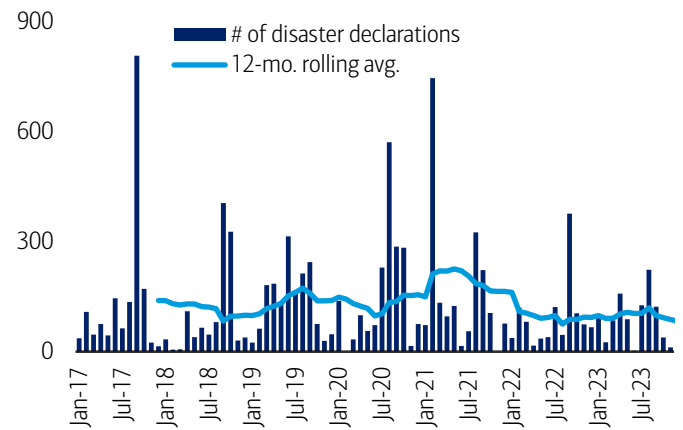
Note: Data as of 31 January 2024.

Source: Federal Emergency Management Agency

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Exhibit 41: Count of disaster declarations by month

Most disaster declarations generally occur around hurricane season



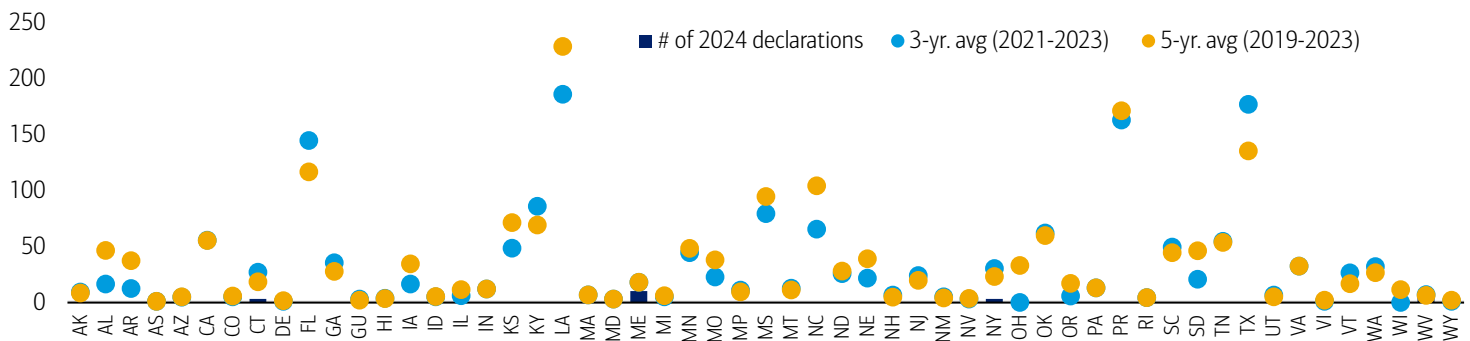
Note: Data as of 31 January 2024.

Source: Federal Emergency Management Agency

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Exhibit 42: Number of YTD-24 disaster declarations by state and territory

Maine has the most YTD-24 disaster declarations at 10, below its 3-year average of 18 and its 5-year average of 18



Note: Data as of 31 January 2024.

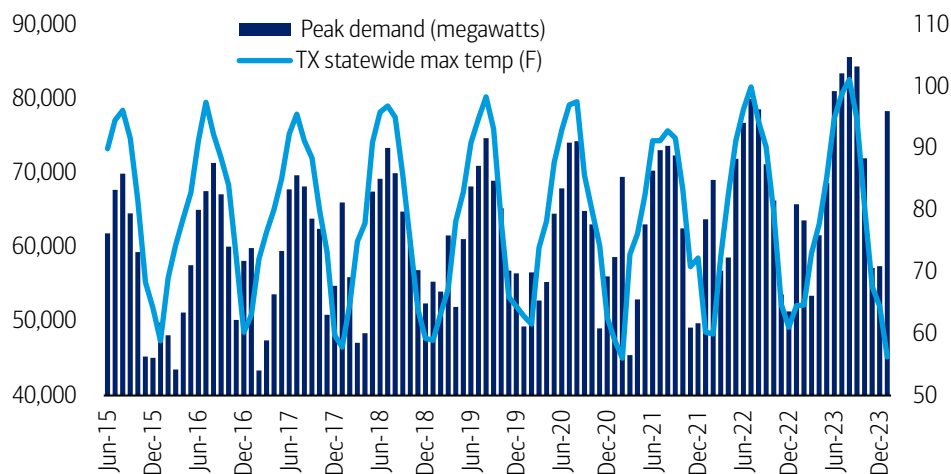
Source: Federal Emergency Management Agency

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ERCOT demand

Exhibit 43: ERCOT peak electricity demand & max TX temperature, monthly

Peak electricity demand was 78.3GW in January, up m/m but below the August 2023 record of 85.6GW



Note: ERCOT = Electric Reliability Council of Texas. F = Fahrenheit. Data as of 31 January 2024.

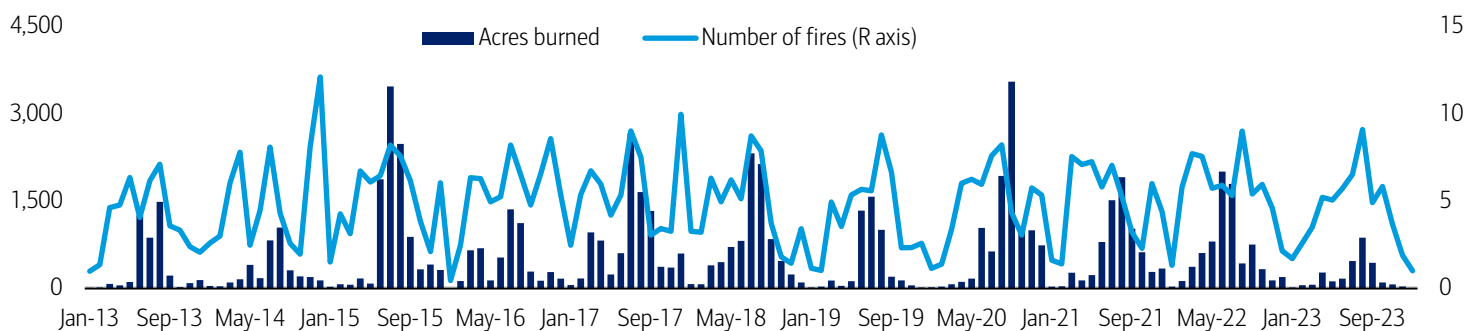
Source: Bloomberg, National Oceanic and Atmospheric Administration

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US wildfires

Exhibit 44: Number of US wildfires and acres burned, by month (000s)

Jan-24's 994 wildfires burned 4,969 acres or 61% less acres burned y/y



Note: Data as of 31 January 2024.

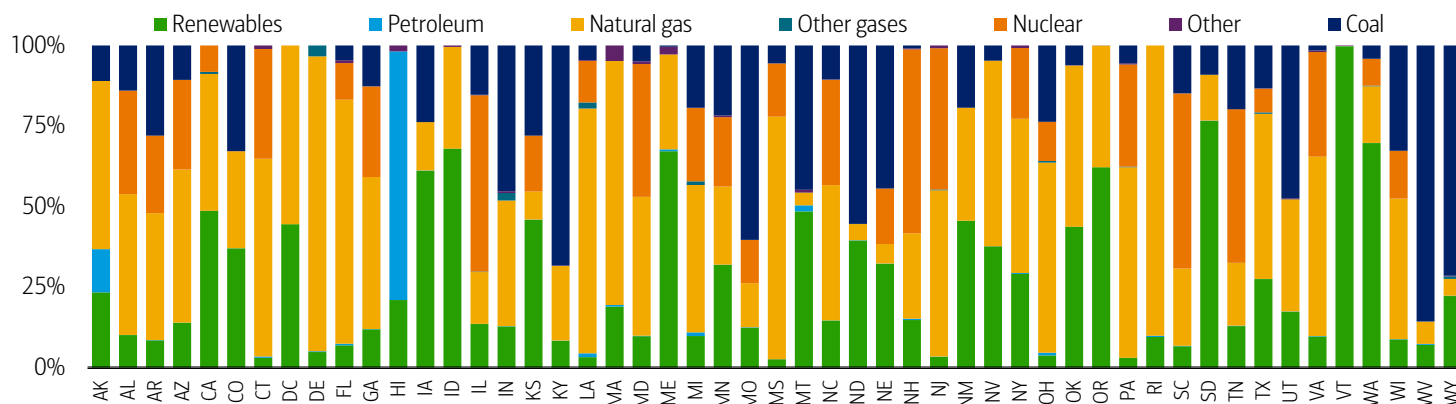
Source: National Centers for Environmental Information

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US state net power generation mix

Exhibit 45: Net power generation by energy source (YTD-23 through November)

7 states with more than 50% of net power generation through Renewables



Source: US Energy Information Administration

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Muni ESG research compilation

Below is a compilation of our muni ESG related discussions in January:

[Monthly Municipal ESG Monitor: December 2023 \(19 January\)](#)

- 2023 Muni ESG issuance: all labeled totaled \$52.8bn, up 18% y/y; ICMA-aligned totaled \$43.0bn, up 17% y/y.
- Muni ESG fund monthly flows totaled -\$7.8mn in December; 2023 flows totaled -\$79.6mn.
- Bloomberg's Muni Impact index returned 2.67% for December and 7.54% 2023.



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