CANCEL WALL STREET!

How Our State and Local Governments Can Save More Than $160 Billion a Year by Cutting Interest Payments to Investors

by Saqib Bhatti and Brittany Alston

ACRE
ACTION CENTER
ON RACE & THE ECONOMY

The Action Center on Race & the Economy (ACRE) is a campaign hub for organizations working at the intersection of racial justice and Wall Street accountability. We provide research and communications infrastructure and strategic support for organizations working on campaigns to win structural change by directly taking on the financial elite that are responsible for pillaging communities of color, devastating working class communities, and harming our environment. We partner with local organizations from across the United States that are working on racial, economic, environmental, and educational justice campaigns and help them connect the dots between their issues and Wall Street so that each of the local efforts feeds into a broad national movement to hold the financial sector accountable.

The Bargaining for the Common Good Network is made up of unions, community groups, racial justice organizations and student organizations that work together as equal partners to win bigger and broader demands at the bargaining table and in the streets. In these campaigns, labor and community groups work with a broad group of stakeholders acting in their own interest to demand that corporations and the wealthy pay their fair share so that our communities have what they need to prosper. Unions that have the right to bargain use contract fights as an opportunity to organize with community partners around a set of demands that benefit not just the bargaining unit, but also the wider community as a whole. These are campaigns for investing in our communities, not just settling a union contract.

How Our State and Local Governments Can Save More Than $160 Billion a Year by Cutting Interest Payments to Investors

As the nation adjusts to the new reality of life in a pandemic, it has become clearer than ever before that a robust social safety net is essential to the health and vitality of our communities. The COVID-19 pandemic has confirmed what we already knew: that we need to dramatically expand and fully fund public services like healthcare and education and public utilities like water, heat, electricity, and broadband internet access. Unfortunately, the economic impact of the pandemic has wreaked havoc on public budgets, leaving state and local governments across the country to face down staggering revenue shortfalls at precisely the moment when the urgency of massive public investment in our communities is most apparent.

Importantly, the pandemic did not create the need for a strong, robust social safety net. It simply magnified it. Similarly, the need for strong investment in our communities existed long before the pandemic and will continue to exist long after. In fact, our past failures to fully and equitably fund public services have helped create the systemic inequities and structural conditions that have made COVID-19 so deadly for Black, Indigenous, and Latinx communities in particular. In order to make our communities resilient enough to withstand all the future natural and manmade disasters that our extractive economic system will bring, we need to change the way our governments raise and spend their money. Full recovery requires robust public investment in our public goods and services. Instead of making more cuts to critical services in our public budgets, it's time we look to cutting the exorbitant profits Wall Street makes from our municipalities.

The ultra-wealthy and corporations have been starving our public budgets for decades, even before the COVID-19 pandemic. Following the failed theory of trickle-down economics, our federal, state, and local governments have showered corporations and the rich with lavish tax subsidies and tax cuts in exchange for broken promises of job creation and economic growth.[1] However, communities that have already experienced decades of rampant disinvestment can no longer afford to settle for forgone tax revenue as a result of failed market-driven solutions.

We need to raise progressive revenue by taxing billionaires like Jeff Bezos, Mark Zuckerberg, and Elon Musk, who have seen their wealth grow by leaps and bounds during the pandemic,[2] and large corporations like Visa, Microsoft, and Pfizer that have made windfall profits while most Americans have struggled to make ends meet.[3] We also need the federal government to provide direct aid and grants to our state and local governments to help them get back on their feet. But that is not enough. We also need to cut regressive expenses. This includes divesting from policing and investing that money back into community-based services. It also means eliminating our interest payments on municipal debt, which transfer more than **$160 billion every year** from taxpayers to wealthy investors and banks on Wall Street. This last idea is the focus of this paper.

We can do this by demanding the Federal Reserve make long-term zero-cost loans available to all state and local governments and government agencies in the United States. This would enable our governments to do two things. Firstly, they could take out new loans to pay for long-term capital projects to make our infrastructure more resilient without having to pay any fees or interest, dramatically reducing the cost of future borrowing. Secondly, they could refinance all their existing debt into new interest-free loans. Doing so would allow our cities, counties, states, territories, and government agencies to cancel nearly all of their existing interest payments and save more than $160 billion a year.

This would be particularly beneficial for state and local governments that serve higher concentrations of people of color, who are more likely to have to pay higher interest rates than governments that serve whiter communities. By eliminating interest payments to Wall Street, our public officials would be able to invest that money back into community services and infrastructure.

The Federal Reserve should offer state and local governments long-term, zero-cost loans, not only as an emergency pandemic response measure to help state and local governments get through the budget crises they are currently facing, but as a permanent, ongoing policy from this point forward. There is no reason for American taxpayers to pay banks and bondholders a dollar in fees and interest for every dollar that they borrow when the nation's central bank could offer them loans directly without charging any fees or interest.

What Could We Pay for with $160 Billion?

If the Federal Reserve made long-term, zero-cost loans to all state and local governments in the US, taxpayers could save more than $160 billion a year in interest payments. What could this money pay for? A lot.

- $160 billion could help 13 million families avoid eviction by covering their annual rent.[4]
- $151 billion could provide all 31.5 million unemployed workers $600 a week in Pandemic Unemployment Assistance for eight weeks.[5]
- $134 billion could make up the revenue shortfall that every city, town, and village in the US is experiencing in 2020 due to the pandemic.[6]
- $66 billion could cover childcare expenses for all 5.1 families in the US with children under the age of 5 that currently pay for childcare.[7]
- Just $11.4 billion could cover the cost of extending Supplemental Nutrition Assistance Program (SNAP) benefits to all undocumented immigrants in the US for one year.[8]
- Just $6.5 billion could provide internet for distant learning to all 9 million students who currently lack internet access.[9]

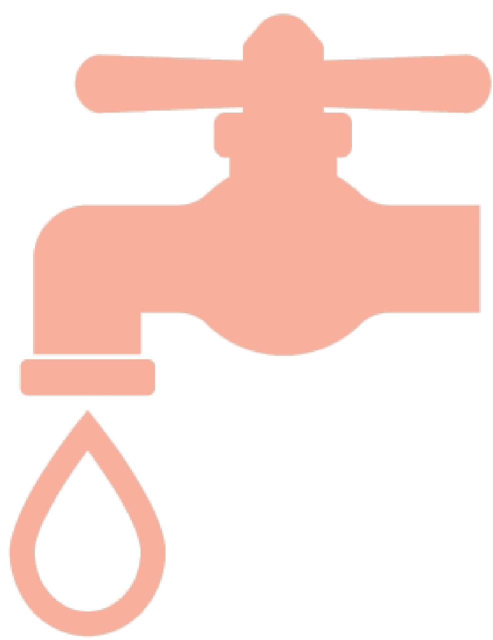
A BROKEN SYSTEM

The municipal finance system in the United States is irreparably broken by design. The big Wall Street banks that underwrite most municipal bonds have outsized power to set the terms of bond deals, and they typically do so in a manner that guarantees profits for themselves and for bondholders, at taxpayers' expense. Furthermore, banks like Bank of America, JPMorgan Chase, and Citigroup that are major bond underwriters also have a long record of breaking state and federal antitrust and securities laws to enrich themselves.[10] This means their profits are not merely unjustified, but that they are often also illegal.

However, financial staff for many state and local governments view and treat bond underwriters as de facto advisors, even though they are not legally required to put taxpayers' interests above their own bottom line. In fact, the provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act that required municipal advisors to put taxpayers' interests first created a loophole exempting bond underwriters.[11]

State and local governments pay a whopping $160 billion in interest payments on debt every year. Interest rates on debt are supposed to correlate with the borrower's default risk. In other words, borrowers that are more likely to default on their debt are supposed to pay higher interest rates to compensate lenders for the higher risk that they will not get their money back. However, the risk of state and local governments (i.e., municipal borrowers) of not paying back their debt is virtually nonexistent.

According to Moody's Investor Service, the cumulative ten-year default rate for municipal bonds between 1970 and 2019 was just 0.16%, compared with 10.17% for corporate bonds, meaning corporate bonds were a whopping 63 times more likely to default. In fact, the cumulative ten-year default rate for just Aaa-rated corporate bonds, which is Moody's top rating that only 3% of its corporate bonds have attained, was 0.36%, more than double the default rate for all municipal bonds.[12] In other words, municipal bonds as a whole were a safer investment than the safest 3% of corporate bonds.



One of the reasons that state debt is so safe is that federal bankruptcy law specifically prohibits states from filing bankruptcy, so bondholders of state debt are guaranteed repayment.[13] Furthermore, municipalities are only allowed to file bankruptcy if permitted by the state, and only about half of the states have laws authorizing municipal governments to file bankruptcy.[14] US municipal bonds are extremely safe investments, and the interest rates that most state and local government borrowers are forced to pay are unjustifiably high.

This is because Wall Street banks have found a way to commodify a basic piece of financial infrastructure that all state and local governments need to effectively manage their cash flow. Municipal borrowing is primarily intended to solve a liquidity problem: the government needs to spend a large sum of money now but wants to be able to space the payments out over a longer period of time, so it chooses to borrow. There is not a doubt that the money will eventually be there. It just does not have it on hand right now. The federal government could provide this financial infrastructure to state and local governments without spending a dime if the Federal Reserve would offer municipal borrowers long-term, zero-cost loans. However, because the Federal Reserve refuses to do this, taxpayers are at the mercy of the financial markets, which are designed to generate a profit for Wall Street banks and investors in municipal bonds.

Even if they are not legally allowed to file bankruptcy, rating agencies like Standard and Poor's, Moody's Investor Service, and Fitch Ratings will penalize cities and states for borrowing by giving them lower credit ratings. The major rating agencies have a long history of using credit ratings to push an austerity agenda and demand cuts to public services, and are rife with conflicts of interest that have made them bad at actually rating borrowers' likelihood of defaulting.[15] Moreover, they discriminate against municipal borrowers by giving them lower credit ratings than corporations that are significantly more likely to default.[16]

Bond Underwriters

If Capital City wants to borrow $100 million, Capital City Bank might agree to give the city $100 million, in exchange for 20,000 I.O.U. notes. Each I.O.U. note is worth $5,000 and has to be paid back over 30 years with interest, at set periods of time. Capital City Bank can then turn around and sell these I.O.U. notes to 15 other investors. Capital City now owes a total of $100 million, which has to be paid back with interest over 30 years to these 15 investors.

In this case, the I.O.U. notes are bonds. Capital City Bank, which bought all the I.O.U. notes from the city at the onset in exchange for the $100 million with the expectation of selling them to other investors, is the bond underwriter. The 15 investors who bought the I.O.U. notes from Capital City are the bondholders, or the investors in the bonds.

Bond underwriters hold a lot of power because, as the initial buyer of the bonds from government borrowers, they get to set the terms of the deal, including the interest rate on the bonds. They claim the interest rate is based on what they believe they will be able to sell to potential bondholders, but ultimately, it us up to their discretion. Bond underwriters also charge fees for their services, and these fees typically get tacked onto the bond itself, which means municipal borrowers end up paying interest on those fees.

The top ten municipal bond underwriters in the US in 2019 were Bank of America (which underwrote $63 billion in municipal bonds), Citigroup ($44 billion), Morgan Stanley ($42 billion), JPMorgan Chase ($36 billion), the Royal Bank of Canada ($26 billion), Goldman Sachs ($22 billion), Wells Fargo ($18 billion), Stifel ($16 billion), Barclays ($15 billion), and Raymond James($14 billion).[17]

Bond underwriters use these lower credit ratings to demand higher interest rates from municipal borrowers, claiming that they will be unable to market and sell the bonds to investors unless they get paid more to offset the risk of nonpayment that the lower credit rating implies. However, this ignores the fact the credit ratings themselves are artificially deflated to make the risk seem far greater than it actually is.

This drains money out of communities of color in particular. White flight into the suburbs in the 1950s and 1960s depleted the tax bases of major cities that came to have larger concentrations of people of color. This resulted in lower credit ratings for those cities.[18] Destin Jenkins, a history professor at the University of Chicago and author of the book, *The Bonds of Inequality: Debt and the Making of the American City*, describes the situation:

> In the 20 years after World War II, a period of relatively low interest rates, local governments borrowed billions through the bond market. And yet, black children in cities around the country continued to attend underfunded schools. Streets went unpaved, and adequate parks and recreational facilities in black neighborhoods were hard to come by. This as in part the result of credit analysts seeing suburban bonds as more appealing.
>
> By the late 1960s the will to address these inequities clashed with rising interest rates, outright racism, tax revolts and the power of credit rating analysts. New York City, Detroit, Boston, Baltimore and Cincinnati saw their bonds downgraded during the decade. Some thought the urban uprisings in these cities triggered a downgrade. Others stressed such long-term trends as white middle-class suburbanization and the urban concentration of low-income minorities.[19]

Today, state and local governments that serve above-average compositions of people of color are still more likely to get hit with lower credit ratings.[20] This means that cities and states with higher concentrations of people of color are also more likely to be charged higher interest rates, since bond underwriters tend to set higher interest rates for bonds from borrowers with lower credit ratings. This diverts money that should be invested in high quality services in Black and Brown communities to bondholders instead.

Often, bond underwriters tell borrowers that they can attain lower interest rates if they use a variable-rate structure for their debt, in which the interest rates will fluctuate over time. This can present some savings on the front end if rates in the variable-rate market are currently low, but there is a risk that rates could spike later. To offset that risk, the bond underwriters will suggest that municipal borrowers use credit enhancements like bond insurance, letters of credit, standby purchase agreements, and/or liquidity facilities, and enter into side deals like interest rate swaps. Each of these financial products comes with its own set of fees that eat into the potential savings from using a variable-rate structure in the first place.[21] Because variable-rate debt is typically resold at regular intervals when rates reset, borrowers also have to pay remarketing fees.[22] Additionally, because it is a more complex deal, the underwriter can also charge higher underwriting fees.[23]

The underwriters that present these different options to municipal borrowers often end up serving as de facto financial advisors. However, because their primary business is underwriting and not advising, under a legal loophole, they are not required to put taxpayers' interests above their firms'.[24] However, they are still legally required to deal fairly with municipal borrowers, and accurately represent all risks to them[25]—an obligation they often fail to meet, in violation of state and federal securities laws.

For example, there is ample evidence that bond underwriters knowingly and systematically misrepresented how risky variable-rate debt deals with interest rate swaps were, in violation of the Municipal Securities Rulemaking Board's fair dealing rule, costing taxpayers billions of dollars in losses when those risks materialized in the wake of the 2008 financial crash.[26]

Furthermore, the same banks that are major bond underwriters also have a record of collusion and bid-rigging in the municipal bond market. For example, several of the world's largest banks, including Bank of American, JPMorgan Chase, and Citigroup, illegally manipulated the London InterBank Offered Rate (LIBOR),[27] a benchmark interest rate that more than $300 trillion in financial instruments were based on, including the majority of municipal interest rate swaps.[28] Several banks, including JPMorgan Chase and Citigroup, have pleaded guilty to criminal charges and paid billions in fines to financial regulators.[29]

In light of information from a whistleblower, the City of Philadelphia has also filed an antitrust lawsuit against major banks for manipulating the interest rates on variable-rate demand obligations, a type of variable-rate debt that bond underwriters often market to municipal borrowers. The whistleblower has filed lawsuits echoing these charges on behalf of California, Illinois, Massachusetts, and New York.[30]

The municipal finance system that exists today serves to transfer hundreds of billions of dollars every year from Main Street to Wall Street. This leads to deep cuts in essential community services like education, healthcare, and assistance for people who are unhoused or unemployed. For political expediency, these cuts are typically targeted toward services and programs that affect Black and Brown communities and poor families the most.

CREATING A NEW SYSTEM

A financial system that was designed to ensure that state and local governments had the money they needed to provide for healthy, thriving, and resilient communities would look nothing like the bond markets we have today. Our current municipal finance system is intentionally broken. It allows banks and investors to profit from pain and suffering in communities of color and poor neighborhoods. This is wrong. We can create a system that works for the benefit of all the people, not just handful of wealthy elites.

The Federal Reserve can flip this system on its head by making long-term, zero-cost loans directly to all state and local government borrowers in the United States. By lending to state and local governments directly without charging interest or fees, the Federal Reserve would save them the expenses of hiring financial advisors, paying fees to bond underwriters, and, most importantly, making interest payments to bondholders. As explained in the previous section, debt financing is an important part of financial infrastructure that all governments and government agencies need to provide high-quality services to communities. There is no reason for banks and bondholders to be able to profit from this basic piece of infrastructure if the Federal Reserve could do it for free.

The Federal Reserve could easily adopt regulations to ensure repayment of these loans and discourage overborrowing. For example, as a condition of lending, the Federal Reserve could stipulate that any borrower that misses a payment must levy an automatic tax on residents above a set income threshold to make up the payment.

Similarly, concerns that municipal borrowers might overborrow if they had access to free credit could also easily be addressed by putting borrowing limits into place. The borrowing limits should be set high enough to allow borrowers to refinance all of their existing debt and meet the new debt financing needs of the current fiscal year, and they should go up every year that a borrower is able to make all its payments on time.

The Federal Reserve has expressed concerns that lending to municipal borrowers would politicize the central bank since decisions about whether to lend to a particular borrower would inherently be wrapped up in state and local politics.[31] The Federal Reserve could easily sidestep this issue by making loans indiscriminately to all state and local governments and government agencies that have not hit their borrowing limit.

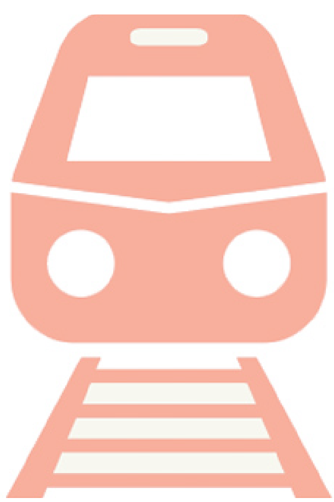
Importantly, the Federal Reserve should do this, not only as an emergency pandemic response measure to help state and local governments get through the budget crises they are currently facing, but as a permanent, ongoing policy from this point forward. There is no reason for American taxpayers to pay banks and bondholders a dollar in interest and fees for every dollar that they borrow when the nation's central bank could offer them loans directly without charging any interest or fees.

Long-term, zero-cost loans could save taxpayers across the United States and its territories more than $160 billion a year in interest payments. If California and New York State could refinance all of their existing debt into interest-free loans, it would save them more than $6 billion each and every year. Illinois, Massachusetts, and Connecticut would all save more than $1.5 billion a year. Texas, Washington State, and New Jersey would each save more than $1 billion a year.

The savings for major cities would also be large. New York City would save nearly $4 billion a year. Chicago and Los Angeles would each save more than $1 billion a year. Houston would save more than $550 million a year, Washington, DC would save $481 million a year, and Denver, Philadelphia, and Seattle would all save more than $200 million a year.

The potential annual savings for the complete list of states, counties, cities, school districts, public colleges and universities, and transit agencies that we have researched can be found in the Appendix.

These billions would go a long way towards funding essential services in communities across the country.



WHEN THERE'S A WILL THERE'S A WAY

The Federal Reserve has long had the statutory authority to lend to municipal borrowers for a period of up to six months under the Federal Reserve Act.[32] There is nothing preventing the Federal Reserve from rolling those loans over every six months to effectively mimic a long-term bond with a term of 30 or even 50 years. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) built on this by granting the Federal Reserve permission to make up to $500 billion in indefinite, long-term loans to municipal borrowers.[33]

The Federal Reserve has thus far refused to use this authority to the full extent permissible by law. After refusing to lend directly to cities, states, and territories for years, the central bank finally launched the Municipal Liquidity Facility (MLF) in response to the CARES Act. However, the Federal Reserve has severely limited the number of governmental bodies and agencies that are eligible to borrow from the MLF, it has arbitrarily chosen to limit the terms of those loans to no more than three years,[34] and it originally charged borrowers interest rates so high that by 97% of municipal borrowers could get lower rates on the open municipal bond market.[35] In response to criticism, the central bank has expanded eligibility criteria and lowered prices a little,[36] but the rules are so strict and pricing so high that, as of September 17th, three-and-a-half months since the MLF launched, it has only closed on two loans,[37] one to the State of Illinois and the other to the Metropolitan Transportation Authority in New York.

The current terms of the MLF are designed to discourage municipal borrowers from seeking loans from the Federal Reserve, but this ultimately undermines pandemic relief and economic recovery efforts. Long-term, zero-cost loans would allow more state and local governments to access loans from the Federal Reserve and make immediate investments into communities that have been battered by the heavy financial burden of the pandemic.

Meanwhile, in response to the pandemic, the Federal Reserve has offered the private sector more generous terms on corporate debt than it is offering to state and local governments on municipal debt. For example, through the Secondary Market Corporate Credit Facility, the Federal Reserve has offered to buy corporate bonds with terms of up to five years, compared to the three-year limit for the MLF.[38] Even though the central bank's programs to purchase corporate debt were intended to "limit the losses of jobs and incomes,"[39] the Federal Reserve failed to put in adequate oversight provisions to ensure corporations actually used the money to keep workers employed. As the Washington Post reported in April 2020,

> Unlike other portions of the relief for American businesses, however, this aid will be exempt from rules passed by Congress requiring recipients to limit dividends, executive compensation and stock buybacks and does not direct the companies to maintain certain employment levels.[40]

While the Federal Reserve has only made two loans to municipal borrowers under the MLF, it had purchased the bonds of more than 330 corporations as of July 10th, including Apple, Anheuser-Busch, Expedia, Verizon, AT&T, and Ford.[41]

Furthermore, in the aftermath of the 2008 financial crisis, the federal government made $10.4 trillion in bailouts and backstops available to the financial sector.[42] The size of the entire US municipal bond market is just $3.9 trillion.[43]

The Federal Reserve's actions clearly indicate where its priorities lie. But if the Federal Reserve wanted to extend this largesse to American taxpayers, it has all the authority it needs to fundamentally remake the municipal finance system into one that puts people before profit by making long-term, zero-cost loans available to all state and local government borrowers and government agencies.

CANCELING WALL STREET

Our existing municipal finance system is designed to extract wealth from communities of color and the poor. Debt financing is necessary for governments to be able to invest in long-term improvements like replacing lead water pipes, providing universal broadband internet access, and building new public schools and hospitals. However, when taxpayers pay a dollar in interest and fees for every dollar they borrow, the high cost of that debt becomes a burden on the Black, Brown, and poor communities that are forced to bear the greatest impact of cuts to public services.

Municipal finance is a critical piece of financial infrastructure. It is high time for the federal government to start treating it as such by providing all states, territories, local governments, and government agencies access to long-term, zero-cost loans. By taking Wall Street out of our municipal finance system, we could cancel our interest payments on bonds and free up more than $160 billion a year. Together with progressive revenue measures, this would give our governments the money they desperately need to ensure our communities can rebuild, thrive, and be ready for whatever the future may hold.

Appendix: Potential Annual Savings to Municipal Borrowers from Long-Term, Zero-Cost Loans from Federal Reserve

State or Local Government	**Interest Expense in Most Recent Fiscal Year Available**
STATES	
State of Alabama	$231 million (2019)
State of Alaska	$75 million (2019)
State of Arizona	$365 million (2019)
State of Arkansas	$64 million (2019)
State of California	$6.1 billion (2018)
State of Colorado	$109 million (2019)
State of Connecticut	$1.6 billion (2019)
State of Delaware	$123 million (2019)
State of Florida	$892 million (2019)
State of Georgia	$445 million (2019)
State of Hawai'i	$283 million (2019)
State of Idaho	$185 million (2019)
State of Illinois	$1.7 billion (2019)
State of Indiana	$46 million (2019)
State of Iowa	$138 million (2019)
State of Kansas	$303 million (2019)
State of Kentucky	$352 million (2019)
State of Louisiana	$339 million (2019)
State of Maine	$59 million (2019)
State of Maryland	$704 million (2019)
State of Massachusetts	$1.6 billion (2019)
State of Michigan	$260 million (2019)
State of Minnesota	$268 million (2019)
State of Mississippi	$231 million (2019)
State of Missouri	$228 million (2019)
State of Montana	$9 million (2019)
State of Nebraska	$3 million (2019)
State of Nevada	$135 million (2019)
State of New Hampshire	$49 million (2019)
State of New Jersey	$1.0 billion (2019)
State of New Mexico	$150 million (2019)
State of New York	$6.5 billion (2019)
State of North Carolina	$364 million (2019)
State of North Dakota	$20 million (2019)
State of Ohio	$102 million (2019)
State of Oklahoma	$53 million (2019)

State of Oregon	$581 million (2019)
State of Pennsylvania	$783 million (2019)
State of Rhode Island	$124 million (2019)
State of South Carolina	$103 million (2019)
State of South Dakota	$7 million (2019)
State of Tennessee	$141 million (2019)
State of Texas	$1.3 billion (2019)
State of Utah	$108 million (2019)
State of Vermont	$108 million (2019)
State of Virginia	$321 million (2019)
State of Washington	$1.2 billion (2019)
State of West Virginia	$142 million (2019)
State of Wisconsin	$572 million (2019)
State of Wyoming	$1 million (2019)
CITIES	
City of Arlington, TX	$49 million (2019)
City of Atlanta	$328 million (2019)
City of Austin	$254 million (2019)
City of Baltimore	$91 million (2019)
City of Boston	$40 million (2019)
City of Charlotte	$179 million (2019)
City of Chicago	$1.1 billion (2018)
City of Cincinnati	$48 million (2019)
City of Cleveland	$95 million (2018)
City of Colorado Springs	$141 million (2019)
City of Columbus	$153 million (2019)
City of Dallas	$258 million (2018)
City & County of Denver	$277 million (2018)
City of Des Moines	$23 million (2019)
City of Detroit	$117 million (2019)
City of Durham	$17 million (2019)
City of El Paso	$64 million (2019)
City of Fort Worth	$72 million (2019)
City of Fresno	$32 million (2019)
City & County of Honolulu	$216 million (2019)
City of Houston	$551 million (2019)
City of Indianapolis	$49 million (2019)
City of Jacksonville	$96 million (2019)
City of Kansas City	$105 million (2019)
City of Little Rock	$6 million (2019)
City of Las Vegas	$41 million (2019)
City of Lexington, KY	$20 million (2019)
City of Long Beach, CA	$75 million (2019)

City of Los Angeles	$1.1 billion (2019)
City of Louisville	$21 million (2019)
City of Memphis	$88 million (2019)
City of Mesa, AZ	$68 million (2019)
City of Miami	$25 million (2019)
City of Milwaukee	$55 million (2019)
City of Minneapolis	$26 million (2018)
City of Nashville & County of Davidson	$158 million (2019)
City of New Haven	$26 million (2019)
City of New Orleans	$60 million (2018)
City of New York	$3.8 billion (2019)
City of Oakland	$60 million (2019)
City of Oklahoma City	$37 million (2019)
City of Omaha	$51 million (2019)
City of Orlando	$35 million (2019)
City of Philadelphia	$246 million (2019)
City of Phoenix	$233 million (2019)
City of Pittsburgh	$21 million (2019)
City of Portland, OR	$110 million (2019)
City of Providence	$34 million (2019)
City of Raleigh	$58 million (2019)
City of Reno	$31 million (2019)
City of Sacramento	$54 million (2019)
City of San Antonio	$143 million (2019)
City of San Diego	$111 million (2019)
City & County of San Francisco	$640 million (2019)
City of San Jose	$111 million (2019)
City of Saint Paul	$21 million (2018)
City of Seattle	$203 million (2019)
City of St. Louis	$77 million (2019)
City of St. Petersburg	$28 million (2019)
City of Tampa	$24 million (2019)
City of Tucson	$38 million (2019)
City of Tulsa	$20 million (2019)
City of Virginia Beach	$55 million (2019)
City of Washington, DC	$481 million (2019)
COUNTIES	
Alameda County, CA	$101 million (2019)
Bergen County, NJ	$27 million (2017)
Clark County, NV	$266 million (2019)
Contra Costa County, CA	$31 million (2019)
Cook County, IL	$165 million (2018)
Dallas County, TX	$12 million (2019)

Harris County, TX	$198 million (2020)
King County, WA	$185 million (2019)
Los Angeles County, CA	$179 million (2019)
Maricopa County, AZ	$7 million (2019)
Miami-Dade, FL	$663 million (2019)
Milwaukee County, WI	$27 million (2019)
Montgomery County, MD	$161 million (2019)
Riverside County, CA	$79 million (2019)
Sacramento County, CA	$148 million (2019)
San Diego County, CA	$69 million (2019)
Santa Clara County, CA	$99 million (2019)
Wayne County, MI	$40 million (2019)
SCHOOL DISTRICTS	
Chicago Public Schools	$504 million (2019)
Clark County School District, NV	$131 million (2019)
Denver Public Schools	$134 million (2019)
Jefferson County School District No. R-1, CO	$27 million (2019)
Little Rock School District	$8 million (2019)
Los Angeles Unified School District	$421 million (2019)
Milwaukee Public Schools	$18 million (2019)
Montgomery County Public Schools, MD	$1 million (2019)
Oakland Unified School District	$47 million (2019)
San Diego Unified School District	$119 million (2019)
San Francisco Unified School District	$43 million (2019)
TRANSIT SYSTEMS	
Alameda County Transit	$4 million (2019)
Bay Area Rapid Transit	$31 million (2019)
Chicago Transit Authority	$193 million (2018)
Los Angeles County Metropolitan Transportation Authority	$195 million (2019)
Massachusetts Bay Transportation Authority	$236 million (2019)
New York Metropolitan Transportation Authority	$1.5 billion (2018)
Northeastern Illinois Regional Transportation Authority	$103 million (2018)
San Francisco Municipal Transportation Agency	$6 million (2019)
Santa Clara Valley Transportation Authority	$23 million (2019)
Washington Metropolitan Area Transit Authority	$36 million (2019)
HIGHER EDUCATION	
California State University	$283 million (2019)
City Colleges of Chicago	$13 million (2019)
City University of New York	$273 million (2019)
Florida State University	$18 million (2019)
Peralta Community College District, CA	$30 million (2019)
Rutgers University	$90 million (2019)

State University of New York	$517 million (2019s)
University of California	$767 million (2019)
University of Connecticut	$65 million (2018)
University of Florida	$41 million (2019)
University of Illinois	$63 million (2019)
University of Maryland	$43 million (2019)
University of Massachusetts	$116 million (2019)
University of Oregon	$32 million (2019)
Total US Municipal Bond Market (estimate)	$161 billion

Methodology

If the Federal Reserve made long-term, zero-cost loans available to all municipal borrowers, they would be able to refinance nearly all of their existing debt into new interest-free loans, thereby eliminating the interest they currently pay on debt. We calculated the potential savings from long-term, zero-cost loans from the Federal Reserve as the interest payments that each borrower made in the most recent year for which data was available in August 2020.

Sources:

We used the public entity's most recent (years vary) Comprehensive Annual Financial Report (CAFR) or Audited Financial Statements (AFS).

How We Selected Geographies:

In conducting our research, we included all 50 states, the District of Columbia, the 50 largest cities for which we were able to find data, and the 10 largest counties for which we were able to find data. Additionally, we selected several other major local governments, school districts, higher education systems, and transit agencies.

Including cities with a large population size and those with active campaigns against austerity budgets reflects our intention in covering a diverse set of geographies and public entities throughout the country.

How We Determined Interest Expenses:

For Government Wide Interest Expenses

We used the interest expense total from the Statement of Revenues, Expenditures and Changes in Fund Balances for all Government Funds from the CAFR or AFS as our first source. Because we were looking for what was paid in interest by the entire entity, we used the expenditures amount in the total governmental funds.

We used the Government Wide Financial Statement - Statement of Activities to find the interest expense amount listed, in the event that the Statement of Revenues, Expenditures and Changes in Fund Balances for all Government Funds (listed above) did not list interest payments or lumped them together under the more generic "Debt Service" line item.

For Proprietary Funds

In order to find the amount in interest paid for the entity's proprietary funds, we used the Statement of Revenues, Expenses and Changes in Fund Net Position for Proprietary Funds. Because we are looking across funds, we used the total interest expense figure for all listed proprietary funds, if that figure was listed.

For Component Units

In order to find the amount in interest paid for the entity's component units, we used the

Statement of Revenues, Expenditures and Changes in Fund Balances for Component Units. Some entities do not have component units listed in the CAFR. For those that did, we recorded the total interest paid by all component units.

Calculating the Total Amount for each Public Entity

When interest was **not** broken out in the Statement of Revenues, Expenditures and Changes in Fund Balances for all government funds, we calculated the sum of the interest expenses from the (1) Government wide- Statement of Activities, (2) the Statement of Revenues, Expenses and Changes in Fund Net Position for Proprietary Funds and (3) the Statement of Revenues, Expenditures and Changes in Fund Balances for Component Units.

In all other circumstances, we calculated the sum of the interest expenses from (1) the Statement of Revenues, Expenditures and Changes in Fund Balances for all Government Funds, (2) the Statement of Revenues, the Expenses and Changes in Fund Net Position for Proprietary Funds and (3) the Statement of Revenues, Expenditures and Changes in Fund Balances for Component Units.

It is important to note that the Statement of Revenues, the Expenses and Changes in Fund Net Position for Proprietary Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances for Component Units did not always list interest expenses. In those cases, we left those figures out and our numbers are conservative as a result.

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