POPE FLYNN
GROUP

Municipal Bonds: Past, Present, and Future

2026 GFOA Spring Conference

May 4, 2026

I. Introduction

- What is a municipal bond - Debt issued by state and local governments to finance public projects
- Why they exist - Infrastructure, public services, economic development
- Why history matters - Legal framework, investor confidence, and today's market structure all stem from past crises
- The Arc of History - From ad hoc borrowing → modern capital markets

II. Origins: Early Public Finance

- Ancient and medieval antecedents - City-states and sovereign borrowing (brief context only)
- Early American public borrowing - Colonial governments and public works
- The first true municipal bonds in the U.S. – Erie Canal

III. The 19th Century Boom and Bust

- Rapid expansion of municipal borrowing
  - Railroads, canals, utilities
  - Widespread use of general obligation pledges

- Speculation and weak oversight
  - Municipal support of private railroads

- The Panic of 1837 and its aftermath
  - Widespread defaults by states and municipalities
  - Investor backlash (especially from Europe)

III. The 19th Century Boom and Bust - continued

- The Panic of 1873 and its aftermath
  - One third of municipal bonds are in default

- Legal consequences
  - Constitutional debt limits
  - Voter approval requirements
  - Restrictions on lending credit to private enterprises

- Widespread debt repudiation
  - United States Supreme Court Bond Cases

IV. Professionalization & the Progressive Era

- Growth of cities and infrastructure needs in early 20th century
  - Water, sewer, schools, transit
- Emergence of:
  - Bond counsel
  - Professional public finance officers
- Rise of revenue bonds
  - Utility-backed debt as an alternative to GO bonds
- Investor base expands
  - Banks, insurance companies, wealthy individuals

V. The Great Depression & Response

- Collapse in municipal revenues
  - Property tax delinquencies
- Large-scale municipal defaults
- Federal response
  - New Deal programs
  - Federal support for local infrastructure
  - Market regulation
  - Municipal bankruptcy authority
- State Responses
  - Refinement of oversight mechanisms

VI. Post-War Expansion & the Modern Market

- Massive infrastructure investment
  - Highways, schools, hospitals
- Expansion of tax-exempt financing
- Growth of public authorities and special districts

VII. Turbulence, Reform & Innovation - 1970s-90s

- High-profile crises
  - New York City (1975)
  - Orange County (1994)
- Market reforms
  - Disclosure standards
  - SEC involvement (Rule 15c2-12)
- Growth of:
  - Variable rate debt
  - Derivatives and swaps
- Conduit and private-activity bonds

VIII. The 21st Century

- 2008 financial crisis
  - Liquidity failures
  - Collapse of bond insurers
- Federal response
  - Build America Bonds
  - Emergency liquidity facilities
- Recent developments
  - Pension liabilities
  - Detroit, Puerto Rico
  - COVID-era federal aid
- ESG and the future of munis

IX. Themes and the Future

- Recurring cycles:
  - Growth → leverage → crisis → reform

- Importance of:
  - Legal structure
  - Disclosure
  - Revenue reliability

- Why municipal bonds remain resilient
  - Essential services
  - Local control

X. Q&A

- Are current debt limits sufficient?
- Will federal involvement increase?
- How will sheer cost of infrastructure impact muni finance?

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Lawrence E. Flynn III
(803) 354-4902
lflynn@popeflynn.com

Gary T. Pope, Jr.
(803) 354-4917
gpope@popeflynn.com