

APRIL 2011

# MUNICIPAL BOND MARKET OUTLOOK: STAY THE COURSE, BUT BE PRUDENT

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## EXECUTIVE SUMMARY

- Investors are becoming increasingly concerned with the state of the municipal bond market and the potential for widespread municipal defaults. We believe that the dire headlines do not reflect reality.
- It would not be prudent to ignore the reports of weakening municipal fundamentals. We anticipate continued municipal budget stress and the potential for downgrades, but the scenario for widespread defaults is unlikely.
- It's important to understand the facts of the municipal bond market and how bondholders are amply protected from default losses. We believe that municipalities have both the ability and willingness to repay their debt obligations.
- The uncertainty in the municipal bond market highlights the need for experienced professional research and bond management. Understanding the complexities of municipal bonds and steering clear of unnecessary risk is a high priority.
- The municipal bond asset class still offers investors a high quality alternative to corporate bonds, attractive value relative to U.S. Treasuries and a history of protecting bondholders in difficult economic times.
- Continued monitoring of this asset class and managers' portfolio holdings for significant credit deterioration and interest rate strategies is appropriate given the market risks.

## MUNICIPAL BOND MARKET OVERVIEW

### Headlines Don't Match Reality in Municipal Market

Many prudent investors read the *Wall Street Journal*, *Barron's*, and other respected news outlets to stay apprised of market events that may impact their portfolios. For municipal bond investors, it's become an almost daily event that these news outlets portray a dire circumstance in store for the municipal bond market. Meredith Whitney captured attention with her prognostication that there will be "hundreds of billions of dollars' worth of defaults" as did a recent headline in the *New York Times* that stated, "A Path Is Sought for States to Escape Their Debt Burdens," amid speculation from Capitol Hill that there will be legislation introduced to allow states to file bankruptcy. How concerned should investors be?

Our view is "Stay the course, but be prudent." We believe it's important to read these articles, stay abreast of developments, and understand the issues. While much of what investors read may be speculation, combined with a bit of sensationalism, there are real concerns in the municipal bond market. However, our deeper understanding of these issues leads us to believe that investors should not panic and sell their municipal bond holdings. This is an important time for investors to understand the risks, facts, and fallacies surrounding the municipal bond market.

Let's take a brief look at some of the issues related to municipal bond market risk and provide insight into current market dynamics, both positive and negative.

## MUNICIPAL BOND FACTS

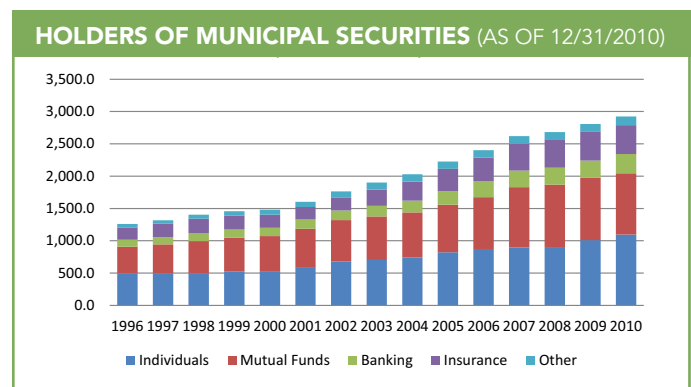
### A Complex and Diverse Market

The municipal bond market is a fragmented, complex marketplace, with more than 1.5 million securities from 50,000 distinct issuers, making it four times the size of the corporate market by number of issuers and more than 10 times as measured by specific issues. Its aggregate value of \$2.925 trillion is substantial, despite being a narrow slice of the \$35.7 trillion bond market in the United States.<sup>1</sup> This staggering number of issuers and securities challenges even the most seasoned credit research teams. Given the diversity of issuers, it would be

imprudent to paint the market with a broad brush. What affects municipalities in Southeast Michigan does not necessarily impact those in Southwest Michigan, and the factors affecting the state of California do not necessarily have an impact on the state of Virginia. The risks of investing in the bonds of each municipality are as unique as their locations and demographics.

### Who Owns Municipal Bonds?

Retail (individual) investors, through direct holdings or mutual funds, account for more than 70 percent of the municipal bond market. This breadth in ownership differs from other fixed income markets where institutions are the primary holders of debt. The chart below illustrates the holders of municipal bonds:



Source: Securities Industry and Financial Markets Association (SIFMA) Research<sup>1</sup>

"Headline Risk" tends to have a larger effect on retail investors, as seen from the negative reaction to the predictions of widespread municipal defaults, causing sales of billions of dollars in individual bond holdings and mutual fund shares. This puts pressure on the market to absorb a larger supply of bonds, causing a rise in municipal yields. Such selling of municipal bonds as a result of this "headline risk" can cause temporary supply-demand imbalances. On the other hand, professional municipal bond managers have a deeper understanding of the risks, particularly during difficult market conditions. Their knowledge of market dynamics can translate to longer term opportunities when technical imbalances are present.

There is a favorable byproduct of the retail concentration of municipal bond ownership. The fact that many municipal bondholders are also constituents of their respective states causes more direct political and economic implications of defaulting on outstanding bond issues held by voters. In addition, many individual municipal bondholders intend to hold their bonds until maturity. While this may indeed be the intention of many bondholders, municipal bond investors typically care about this more than others.

### Types of Municipal Bonds

Municipal bonds are generally issued to finance capital projects, not the day-to-day operations of government, and can generally be categorized into two different types based on their source of repayment: General Obligation bonds and Revenue bonds.

- **General Obligation (GO)** bonds are issued by a municipality, typically for capital projects such as buildings, roads, or other infrastructure. The principal and interest payments are backed by the full faith and credit and general taxing powers of the issuer. Two kinds of GO debt exist: Unlimited Tax General Obligations (UTGO) and Limited Tax General Obligations (LTGO). UTGO bonds are secured by the full faith and credit of the taxing authority without limit to the amount of taxes to be levied. In other words, the municipalities can raise tax rates to make up debt service shortfalls without the vote of its constituents. LTGO bonds are secured by the tax pledge of the taxing authority which is limited in rate or amount. The authority cannot increase the tax rate to an amount higher than originally voted on by the people.
- **Revenue bonds** encompass a broad range of issuers and structures. In general, the principal and interest payments for revenue bonds are backed by the revenues of the project being financed. Revenue bonds can be classified into three different types: essential purpose, non-essential purpose, and conduit. Essential purpose revenue bonds are typically secured by dedicated tax revenues, such as sales taxes, fuel taxes, or use taxes, while others are backed by water and sewer revenues. Non-essential purpose bonds are backed by revenues from municipal projects but considered amenities important to the community but not essential. Typical projects would include senior centers, sports arenas, or tax increment districts. Lastly, conduit bonds

are the riskiest type of revenue bond and are typically issued on behalf of a corporation or independent obligor. Examples of conduit bonds include industrial or economic development bonds issued on behalf of corporations, healthcare facilities, or universities. The revenues backing these bonds are only those of the obligor and not that of the municipality within which it resides.

When analyzing revenue bonds, one must look at the essential nature of the project or entity. For example, projects that fund facilities that deliver “essential” services like public utilities, water, and sewer services are considered less risky given their essential nature. If you want the benefits of running water, you pay your bill or it gets turned off, and the authorities have the ability to raise rates as needed. Other revenue bonds that have dedicated revenues from sources considered “non-essential” are perceived to be riskier. Historically, defaults within the municipal bond market have been concentrated in the riskier revenue bonds considered non-essential.

- There are many other types of municipal bonds. Pre-refunded (Pre-Re) or Escrowed-To-Maturity (ETM) bonds are issues that have been refinanced and collateralized by U.S. Treasury securities or an equivalent government security. Pre-Re bonds are usually called at the earliest call date while ETMs will be typically repaid at maturity. As these bonds are collateralized by U.S. Treasury securities, they are very unlikely to default. Some municipal bonds are still insured by municipal bond insurance companies. While the credit quality of bond insurance has significantly deteriorated in recent years, higher quality insurance companies can add an additional layer of credit protection. Other types of municipal bonds include housing bonds, revenue or bond anticipation notes, and Build America Bonds (BABs).

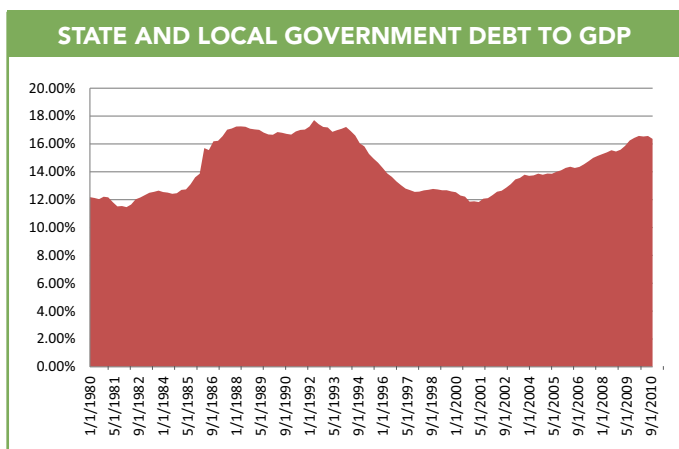
### Not a “Crushing” Debt Burden, But a Budget Problem

We believe that one of the primary misconceptions in the municipal bond market is that there is a growing debt crisis within state and local municipalities. Our view is that municipalities are generally not saddled with a crushing debt burden, but rather continue to be challenged with budget gaps as a result of lower revenues

combined with relatively fixed expenses. For states, the spike in unemployment coupled with lower aggregate income across their tax base resulted in decreases in personal income tax, corporate income tax, and sales tax revenues. For local municipalities, depressed real estate values have negatively impacted revenues to varying degrees.

We also believe that comparisons between state and local municipalities to Greece and other countries with large debt burdens are misleading. One of the reasons that municipal debt has such a long history of being a stable investment with low default rates is the fact that there are constitutional mandates that require balanced budgets. Conversely, many sovereign governments, including the United States, have run annual deficits for decades with limited exception and without immediate repercussions. According to the National Conference of State Legislatures, 49 states currently have balanced budget requirements, with Vermont being the only exception.<sup>2</sup>

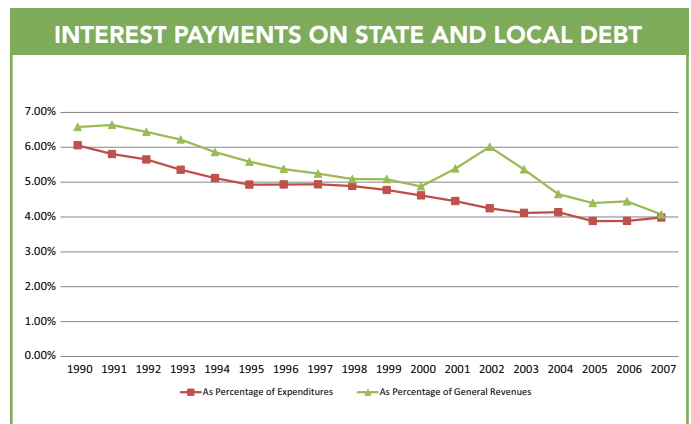
In addition, states have constitutional debt limits typically based on a percentage of assessed values of real estate. For example, the constitution in the state of Michigan sets forth limits on municipal indebtedness at 10 percent of assessed property values for counties, cities, and townships.<sup>3</sup> More than 75 percent of states have constitutional debt limits in some form.<sup>4</sup> This is intended to prevent haphazard spending of taxpayer money, but also provide protection for municipal bondholders by forcing governments to be fiscally responsible. The following table illustrates the recent debt picture for municipalities:<sup>5</sup>



Source: Federal Reserve Bank of St. Louis

The data shows the percentage of outstanding debt relative to the gross domestic product (GDP) of the United States. This ratio, one typical measure of the debtor government's ability to repay its debt obligations, has increased slightly in recent years but is still within historical ranges. By comparison, the 2010 debt to GDP ratio for the United States and Greece was approximately 59 percent and 144 percent, respectively.<sup>6</sup>

In the latest data available from the U.S. Census Bureau, municipal bond interest accounted for approximately 4.0 percent of expenditures for state and local governments (see chart below) and slightly more as a percentage of general municipal revenues. At the state level, interest expenses accounted for only 2.69 percent of expenditures, while interest at the local level was 4.16 percent. Clearly, debt service remains a very small part of the annual expenditures for state and local governments.<sup>7</sup>



Source: U.S. Census Bureau

### Budget Gaps and Shortfalls

2012 is shaping up to be another challenging year for state budgets. In total, states are thus far projecting a budget shortfall of more than \$125 billion on the heels of reported shortfalls in 2011 of \$130 billion. During 2009 and 2010, budget shortfalls were offset by funds from the American Recovery and Reinvestment Act of 2009 (ARRA), the \$787 billion stimulus package implemented that was intended in part to save government jobs and maintain social services. To date, \$619.1 billion or 78.7 percent of these funds have been disbursed, with \$179.4 billion allocated to entitlements to plug budget holes for schools, Medicaid, unemployment benefits, and food stamps. Today, funds from the ARRA are dwindling, with only \$59 billion available in 2011 and \$6 billion available in 2012 to help offset those shortfalls.<sup>8</sup>

With ARRA funds largely depleted, budget difficulties remain, forcing even more difficult decisions on bridging budget gaps through a combination of increased taxes and decreased spending. Given the current political dynamics in Washington, additional funding for aid to state and local governments seems unlikely.

However, despite the range of budget difficulties that exist across the nation, each municipality is unique in how it addresses such decisions, which is why it is so important to understand the underlying bond you own. It is also important to remember that budget deficits are cyclical in nature and expected to improve with economic recovery. It is expected that municipalities will see budget stabilization sometime after 2012.<sup>9</sup>

### **Bondholders Protected With Favorable Structures**

We recognize that the current challenges dwarf the comparatively benign budget challenges of other cyclical downturns in recent decades. We are not naïve in that regard, but we shouldn't overlook the precedents of the past. Municipalities have historically displayed both the ability and willingness to repay outstanding debt, and with very good reasons.

Generally, municipal bonds are structured to provide ample protection for investors. For example, the unlimited taxing power of municipalities provides strong backing for repayment of some general obligation debt service. Essential-purpose revenue bonds, such as water, sewer, and electric utilities, are backed by dedicated revenue streams that contain strong provisions and covenants that benefit the bondholders. Municipal issuers have greater revenue discretion compared to corporations through their ability to increase taxes, fees, and user charges along with strong enforcement policies to deal with non-payment.

In addition, the amortizing nature of municipal debt offers investors protection from the risk of having to repay or refinance lump sum maturing debts. For example, a typical municipal bond issue will amortize principal repayment over the life of the financing period, thereby forcing the municipality to allocate some portion of its budget to principal repayment each year (reducing "refinancing" risk). Bonds are typically issued as serial maturities, which can range from one to 30 years.

By contrast, corporate debt is typically issued with a bullet maturity (e.g., five years) that requires the issuer to either repay or refinance the entire amount at or prior to maturity. This "refinancing" risk continues to be an area of concern for corporations. During the credit crisis in 2008, markets became illiquid and access to new capital was limited and expensive, thereby making this "refinancing" risk very real. The amortization of principal for municipal debt helps to reduce this risk while also helping to smooth cash flow requirements in long-term budgeting. These factors, coupled with constitutional debt limits and the negative implications of default, provide protections to bondholders with respect to a municipality's ability to pay.

The ability to pay must also accompany the willingness of a municipality to repay its debt obligations. Simply put, the long-term negative implications of default typically far outweigh the short-term benefits of additional cash flow for operations. These negative implications may include vastly increased difficulty in accessing the capital markets for future capital projects. With a default in a municipality's past, financing would likely be subject to very high interest rates for many years, and may even then be difficult to access.

These incentives are why municipalities tend to place a very high priority on the payment of debt service. In fact, in most instances, the first priority line item in municipal budgets is the repayment of debt.

### **There Are Defaults and Then There Are Defaults**

The term "default" can be used rather freely when referring to certain municipal securities. It can cause panic among investors when we talk about the possibility of municipal defaults. However, there is a difference between what is termed a "technical" default and the default associated with missing interest or principal payments to bondholders. While the latter is clearly a worst case scenario, technical defaults occur when the municipality fails to meet certain legal obligations defined in the bond indenture, such as minimum loan covenants. Covenants are designed to protect bondholders and signal a need for action to bring finances under control and do not necessarily result in losses. In addition, it is important to point out that a default does not necessarily mean that the bondholder will not receive repayment

of their principal. In fact, in many historical instances of municipal default (including the famous Orange County, Calif., default of 1994), the bondholders received their entire principal, albeit over a period not as timely as the original terms at the point of issue.

In addition, due to the relatively infrequent default experience in the municipal bond market, there is some risk in how defaults are handled throughout the bankruptcy process. While Chapter 9 bankruptcy is one avenue of debt service relief for issuers, there are current proceedings, such as that related to Vallejo, Calif., that are being watched carefully by market participants. Each case may be handled in a different fashion and the potential for legal precedents that could adversely affect bondholders is a possibility.

### Bankruptcy Options Limited

Municipal bankruptcy has become a major topic of discussion, but comparatively little attention has been given to the difficulties associated with reaching the point of filing. The road to bankruptcy is not easy for local municipalities. A lengthy process is required before bankruptcy can even begin, including state conservatorship and drastic cost cutting. The state would typically investigate the distressed municipality's finances, and if enough evidence of mismanagement is found, may withhold state support. Given this process, even a severely distressed municipality can declare Chapter 9 bankruptcy only after a number of aggressive measures have been taken first.

While Chapter 9 bankruptcy is very uncommon, it does provide a municipality protection from creditors while it reorganizes and negotiates a more manageable debt structure. However, bankruptcy options are truly limited, as 49 states are currently prohibited from entering Chapter 9 bankruptcy, with only Vermont as the exception, and 26 states currently prohibit municipalities from filing for bankruptcy.<sup>2</sup> Of course, laws can, and do, change.

In addition, municipalities rely on access to capital markets to finance projects at reasonable interest rates. It's important for municipalities to preserve this access to future funding. While bankruptcy may ease short-term pain, there may be long-term negative implications for municipalities in the form of reduced capital market access, punitively high interest rates, and substantial legal expenses.

### Historically Low Defaults and Recoveries High

Despite the current law, recent talk on Capitol Hill of allowing states to file for bankruptcy sparked another wave of selling pressure from investors. Allowing states to file for bankruptcy protection would certainly be a "game changer," but not only for the bondholders. Bankruptcy protection may also allow for the renegotiation of contracts and entitlements that may be necessary to get on a more prudent fiscal track. With debt service being such a small portion of the overall budget of states and municipalities, it is very likely that bankruptcy would cause pain to other parties impacted by the budget, not just to bondholders.

It is also important to understand the historical record. During 2010, despite the continued challenges faced by municipalities, default rates were actually lower than in the two previous years. Through November 2010, only 72 issues totaling \$2.5 billion defaulted (0.086 percent), while 2009 and 2008 saw \$7.3 billion (0.26 percent) and \$8.2 billion in defaults (0.305 percent), respectively.<sup>10,11</sup> Relative to the overall size of the \$2.9 trillion municipal market, these numbers are small and generally confined to riskier types of bonds. In addition, these figures are based on dollar amount of defaults and do not account for any bondholder recoveries.

In the most recent default study conducted by Moody's that analyzed default data between the years 1970 and 2009, cumulative 10-year default rates for all Moody's rated municipal debt was 0.01 percent (1 in 10,000) for general obligation bonds and 0.19 percent for revenue bonds.<sup>11</sup> Of the 54 municipal defaults during this time period, 42 were in the multi-family housing and health-care sectors. There were only three local general obligation defaults. We can therefore conclude that revenue bonds of riskier projects have a significantly higher default rate while general obligation bonds have defaulted much less frequently. So, while there is certainly the possibility of "significantly higher defaults" in the municipal debt space, it is also possible that such an event would still affect a much smaller number of issuers than is currently being portrayed in the popular press.

### Municipal Bonds and Depression Era Defaults

Even during the Great Depression of the 1930s, one of the worst economic periods in the history of the United States, the default rate for municipal bonds

was relatively low with recoveries high. Since then, the municipal bond market and economy has significantly changed, but it's helpful to analyze the municipal credit risk during this era.

Many factors contributed to the municipal defaults of the Great Depression. The rapid economic expansion that occurred during the 1900-1929 period required capital expenditures for infrastructure and real estate development, taking outstanding municipal debt from \$2.0 billion in 1900 to approximately \$17.5 billion in 1932. When the stock market crashed in 1929 and the government refused to intervene, banks collapsed, investment values declined, and unemployment rose to 25 percent. A study conducted by Professor George H. Hempel of Washington University concluded that during the period of 1929 through 1937, outstanding municipal bonds defaulted at a rate of 1.8 percent per year (16.2 percent cumulatively), of which 96.9 percent was eventually repaid.<sup>12</sup> Reclamation districts, special districts, and real estate bonds accounted for one-third of the defaulted bonds. Among the lowest default rates were school districts and townships. We find it very informative that municipal bonds remained relatively safe and fared comparatively well during arguably the worst economic period in U.S. history.

Of course, while getting your money back upon maturity is the most important item for a bondholder, there may be periods of time during the holding period of the investment when pricing of the bond is negatively affected. Continued budget stress may cause ratings agencies to lower credit ratings, liquidity may dry up and bonds may trade less frequently, causing pricing on existing bonds to be dramatically affected. We saw this exact scenario play out in 2008 and 2009, when the pricing on almost all mortgage and higher risk credit issues reach a level that effectively priced in an economic depression. While many of these same bonds are now coming due and being paid, the interim pricing assumed they wouldn't. That is why it is critical for investors to understand their cash reserve and cash flow needs, even when investing in a generally safe asset class such as municipal bonds.

## MUNICIPAL MARKET OUTLOOK

### Default Outlook

We anticipate continued budget stress that may result in credit downgrades for some municipalities. There is even a likelihood that a higher than average number of local municipalities will default on debt, although it's more likely to occur in relation to riskier revenue bond projects. Despite these issues, we do not expect that the municipal market will experience widespread defaults. A low default outlook is still supported by fundamentals, but we will remain prudent (and often skeptical) in our analysis of the asset class.

### Fundamentals Improving

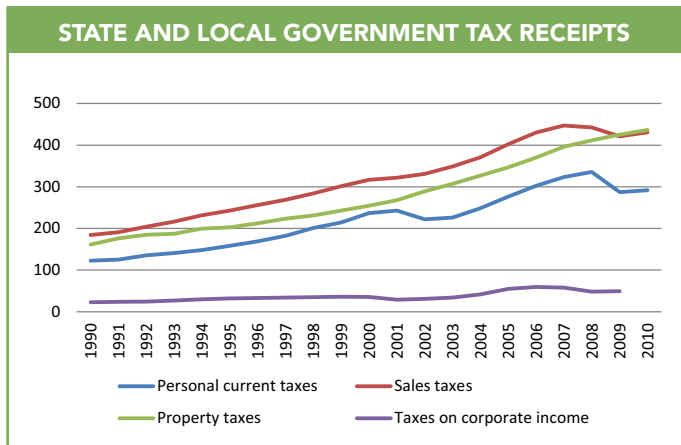
The attention being given to municipal budgetary challenges is not all bad, and current trends are not universally negative. The recognition that these problems need to be addressed are providing officials with both the motivation and varying degrees of support from their constituencies to make difficult decisions. At the same time, the economy continues to grow, which should have a positive impact on the finances of state and local governments with a lagged effect.

The positive impact of the improving economy has recently been reflected in higher taxes collected by state and local governments. The chart below shows the trend of income taxes collected by municipalities.<sup>13</sup> While still lower than their pre-recessionary peak, tax receipts are recovering.

### Public Pension and Retiree Benefits

Underfunded pension and post-retirement benefits for public employees and the associated long-term liabilities continue to be an area of concern and may potentially lead to credit deterioration over time. A study by the Pew Charitable Trusts estimated that the funding gap for these liabilities is a combined \$1 trillion.<sup>14</sup>

While many state pension plans are reported to be adequately funded others are considered inadequately funded (below 80 percent). According to the study, the aggregate funding level of state pension plans was 84 percent, almost \$452 billion underfunded. This is especially disconcerting since budget pressures have forced some states to forego required annual pension contributions, which only exacerbates the problem. In addition, the assumed rate of return between 7.25 percent



Source: Bureau of Economic Analysis

and 8.5 percent used to discount liabilities is considered by many to be higher than investment return expectations. If the discount rate were reduced in expectation of lower future investment returns, states would be required to make even larger contributions to meet their future funding obligations.

In addition to the pension gaps, liabilities for healthcare and other non-pension benefits for public retirees accounts for over half of the \$1 trillion gap. However, unlike pensions, there is very little set aside (approximately 5 percent) to pay for these future benefits. Increased healthcare costs and a surge in the number of retirees continue to compound the issue. Many states are simply paying for current benefits as expenses arise, which could cause that portion of annual budgets to increase at a rate well beyond the rate of inflation in the years ahead.

What is the solution? It's difficult to predict how states will address these liabilities. Most public pension benefits are constitutionally protected and therefore required to be funded. Solutions to address underfunded pensions may include some combination of reducing benefits or increasing the retirement age for new employees, along with transitioning employees to defined contribution plans. Municipalities can address post-retirement

benefits with greater flexibility since these are considered service obligations that can be modified as costs change and government finances are strained. States will continue to negotiate future retirement benefits in an attempt to alleviate some of the funding pressures with respect to rising healthcare costs and perceived generous benefit packages of public employees with outcomes that may be determined by a court of law. Currently, state pension plans have enough cash on hand to pay current pension benefits for some time. The potential for higher asset returns can also alleviate the funding gap. This is a long-term problem that is coming to the forefront of the public discourse and is likely to be a major source of political friction over the next several years.

### Other Factors

A range of other issues in the forefront of municipal finance may also impact the municipal bond market:

- Changing political forces in Washington and across the country continue to impact the outlook for the economy and municipal market. A shift in the balance of power toward a more fiscally conservative stance may impact how state and local government budget deficits are viewed. As part of the 2010 year-end legislation that extended the Bush era tax cuts, the highly successful Build America Bond (BAB) program was eliminated (although President Obama's recent budget brings it back with some limits). BABs allowed municipalities to issue taxable bonds with a federal subsidy of a portion of the interest which, in turn, offered a lower cost financing alternative for municipalities. With this recent change in sentiment in Washington D.C., the possibility of additional aid to municipalities is somewhat diminished.
- Headline risk may be the one of the biggest issues for the municipal market. Sensational headlines and extreme views are now afforded more attention in the aftermath of the credit crisis and recession. Negative reactions to such headlines by investors can cause short term market volatility. This headline risk can have an impact on investment flows and will most likely continue until municipalities can stabilize their budget gaps and the talk of default or bankruptcy subsides.

## MANAGER FOCUS AND OUTLOOK

Given the many factors discussed herein, we believe that the professional management of municipal bond portfolios is critical in this environment. Professional managers should be evaluated against a group of peers on the basis of their past performance, experience, and research capabilities to select and monitor the underlying credit quality of each issuer. Professional muni bond managers have experienced teams of dedicated municipal research analysts that utilize their own in-house credit rating system, rather than simply relying upon the ratings of the major ratings agencies. They also monitor ongoing changes to the overall market that may affect the quality of a state and local municipality and make investment decisions accordingly. These research teams seek to avoid the riskier issues that may be feeling the effects of strained budgets while buying high quality issues to protect principal. Currently, many managers continue to focus on favorable structures that will protect bondholders:

- General obligation bonds, which have historically been considered the safest type of municipal bonds at issuance, are explicitly backed by the full faith and credit of the taxing municipal authority.
- Pre-refunded issues that are backed by U.S. government securities which provide an additional degree of safety and liquidity.
- Essential purpose revenue bonds such as water, sewer and public utilities are considered very safe, backed by a dedicated stream of revenues from a customer base on whom the governmental authority has the ability to raise rates to meet debt service obligations.
- To a smaller degree, high quality, non-essential purpose revenue bonds backed by strong revenue streams.

While much uncertainty surrounds the municipal market, we believe that investors who maintain a high-quality, diversified portfolio should avoid unnecessary credit risk and be comfortable with the risk-return characteristics of their municipal bond allocation. There will be municipal bond defaults in the future, just as there will be corporate bankruptcies and defaults. Just as investors shouldn't avoid investing in stocks or corporate bonds out of fear that they might be exposed to a company that might go bankrupt, we do not believe that the municipal bond market should be avoided in response to a similar fear. In either circumstance, a prudent approach to investing in the asset class is appropriate and can mitigate that risk while still allowing the investor to participate. We are hopeful that a better understanding of the facts and current circumstances surrounding municipal finance and investing provides an added degree of comfort.

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