

Texas university center focuses on municipal capital markets



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University of Texas at Austin

The role of capital markets in financing infrastructure is the focus of a university-based center recently launched in Texas to train future public finance professionals and produce research.

The [Center on Municipal Capital Markets](#) at the University of Texas at Austin's LBJ School of Public Affairs aims to address a "critical need for specialized training and research in leveraging government resources for infrastructure development and maintenance especially in light of recent federal initiatives aimed at revitalizing infrastructure after years of disinvestment," according to a statement from the university.

Martin Luby, the center's director and an associate professor of public affairs, said the center will focus on capital markets and capital market execution and financial instruments.

"Certainly municipal securities are a major component of how we finance our infrastructure in the country so we will focus on it, but we're going to want to be a little bit broader than that," he told The Bond Buyer, adding the center will also look at other options like federal financing and public-private partnerships.

Having an independent and academic-based center that shines a light on the \$4 trillion municipal bond market is a good thing for the public and for the industry, according to Luby.

"We hope to act as a resource to the industry, trying to provide some additional knowledge, research findings that can help the market," he said, adding he expects the center will collaborate with other groups like The Volcker Alliance and the University of Chicago's Center for Municipal Finance.

The Texas center will also offer continuing education for public finance professionals and participate in the development of future professionals. Starting next year second-year graduate students will rotate through three public and private public finance entities such as a local government finance department, a rating agency, and a financial advisory firm, according to Luby.

William Glasgall, senior director of public finance at The Volcker Alliance, called the educational program "a fabulous idea."

"There's a shortage of trained professionals who are going to have to deal with the (Financial Data Transparency Act) and all the financial record keeping and [a lot of technology](#)," he said. "They're having to deal with an incredibly complicated set of federal rules under the bipartisan

infrastructure law and the CHIPS and Science Act and the Inflation Reduction Act and these people in government really need to know the cost of financing, how to figure this out, what the alternatives are, and that's what they're learning at LBJ."

While the center's scope is national, it will also be involved with Texas' robust municipal bond market, where a growing population and demand for schools, roads, health care facilities, water systems, and other infrastructure has fueled debt issuance.

In 2023, Texas issuers sold \$59 billion of debt, [edging out perennial bond giants](#) California and New York to become the biggest volume state for the first time since 1981.

The issuance surge comes as Texas anti-environmental, social, and governance laws led to Barclays, UBS, and Citigroup [being banned](#) from muni underwriting.

Bank of America, JP Morgan Chase, Morgan Stanley, RBC Capital Markets, and Wells Fargo were placed under a review launched last year by Texas Attorney General Ken Paxton's Office over their involvement with [the Net Zero Alliance](#), which seeks a transition to net-zero greenhouse gas emissions by 2050.

Luby said the center will tap into faculty expertise at the university to focus on financing energy systems to address power availability challenges in Texas during periods of extreme weather.

The center is helping [emergency services districts](#) in Texas, which provide fire protection and emergency medical services, to establish best practices such as the sizing of their financial reserves to ensure their access to capital markets and enable them to withstand natural disasters, he added.

The hunt is on for an executive director with industry expertise and contacts to direct the center's activities and teach, according to Luby.

An [advisory council for the center](#) includes Municipal Securities Rulemaking Board CEO Mark Kim, Bond Dealers of America CEO Michael Nicholas, as well as Texas local and state finance officials, and representatives from investment banks, financial advisory and buy side firms, and a rating agency.