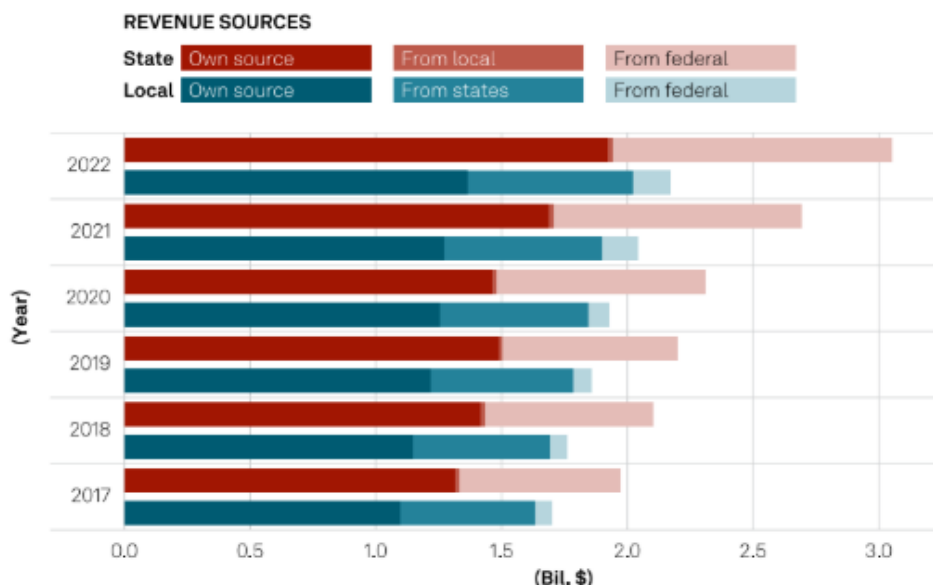


Federal Policy Changes May Negatively Impact Local Governments and School Districts

Rating agencies continue to monitor the ever-changing landscape of federal policies and warn that uncertainty could pose challenges for some local governments and K-12 school districts as recently discussed by S&P.

On average, local governments receive less than 5% of their operating revenue from the federal government; however, approximately 30% of local government revenue comes from state sources and, in turn, the state receives more than 30% of its operating revenue from the federal government. As a result, any changes in federal policy may indirectly affect local government operations.

**States average 30% of total revenue from federal sources;
local governments average 30% from states**
State and local government annual revenue sources



Source: U.S. Census.
Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

Local governments have historically shown resilience in absorbing short-term revenue disruptions or adjusting to unexpected expenditure requirements. However, significant or long-term changes in federal policies—such as tariffs or tax laws—could have lasting effects on local government operations, requiring proactive management of budgets and resources. Local governments struggling with persistent high labor costs, slowing economic growth and the conclusion of federal pandemic stimulus may feel pronounced effects.

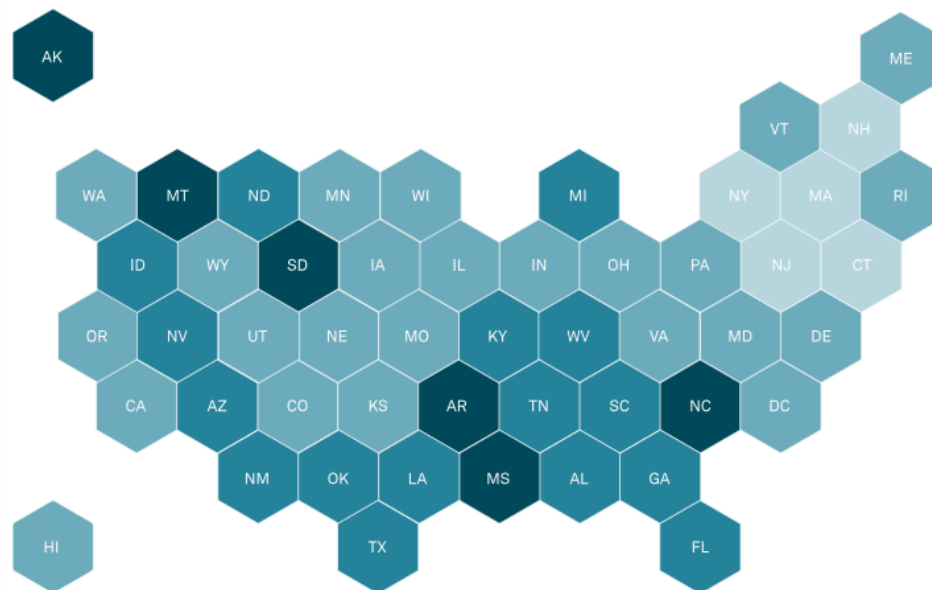
(Continued on next page.)

RECENT CMA CLIENT SALE RESULTS

<u>Issuer/Underlying Rating</u>	<u>Issue Type</u>	<u>Par Amount</u>	<u>Sale Date</u>	<u>Term</u>	<u>Rate</u>	<u>Purchaser</u>
New Rochelle City SD (Aa2)	BAN	\$17,415,000	25 - Mar.	1 yr.	2.92%	Jefferies LLC
New Rochelle City SD (Aa2)	BAN (Txbl.)	\$5,315,000	25 - Mar.	1 yr.	4.84%	Oppenheimer & Co.
Edgemont UFSD (Aa3)	Bonds	\$11,485,000	12 - Mar	14 yrs.	3.36%	Roosevelt & Cross, Inc.
Bay Shore UFSD (Aa3)	BAN	\$35,000,000	6 - Mar	4 mos.	2.98%	Jefferies LLC

Federal support for K-12 education varies significantly by state

Share of total funding coming from federal sources, 2025



Source: Educationdata.org
Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

School districts receive approximately 13% of total student funding from the federal government, however, this percentage varies widely by state from just 7% in New York to 23% in Mississippi. School districts serving economically disadvantaged students receive the largest portion of federal funding. Due to these disparities, rating agencies expect that any credit impacts to school districts will be evaluated on a case-by-case basis.

CMA believes that the uncertainty as to the timing and amount of federal funding to be received, or not, may necessitate some clients to issue cash flow notes. Please contact your Financial Advisor at CMA if you'd like to discuss your jurisdiction's cash flow needs.

Muni Debt Issuance High in 1st Quarter of 2025

2025 is on track to break the debt issuance record established last year in the municipal market. Tax-exempt issuance in March was up 4.3% over the same period last year to \$37.6 billion. This high level of post-COVID debt activity in the first quarter is reflective of growing infrastructure needs, rising construction costs and pandemic aid coming to an end. Of concern to issuers and investors alike is the ongoing chatter coming from the Trump White House about the possible elimination of tax exemption on municipal debt. Some issuers have been accelerating their issuance plans to avoid the higher interest rates, perhaps as much as 1% or more, that would come with taxable debt. Others are planning to issue debt to fill the void that would result from reductions in federal aid that primarily passes to local governments through the state. 2025 is shaping up to be a challenging year and the municipal markets don't look to be immune to the potentially seismic changes to come.

GENERAL OBLIGATION TAX-EXEMPT INTEREST RATES

Term	April 1, 2025					1 Month Ago - March 3, 2025					1 Year Ago - April 1, 2024				
	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	2.61%	2.64%	2.72%	2.70%	3.08%	2.54%	2.57%	2.65%	2.63%	3.01%	3.22%	3.23%	3.31%	3.29%	3.68%
5	2.81	2.85	2.97	3.01	3.40	2.63	2.67	2.79	2.83	3.22	2.54	2.56	2.68	2.69	3.12
10	3.21	3.32	3.46	3.56	4.04	2.87	2.98	3.12	3.22	3.70	2.51	2.58	2.76	2.82	3.34
15	3.56	3.75	3.89	3.98	4.02	3.20	3.39	3.53	3.62	4.06	2.98	3.13	3.31	3.36	3.85
20	4.01	4.22	4.37	4.45	4.89	3.71	3.92	4.07	4.15	4.59	3.36	3.53	3.72	3.76	4.26