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Washington Outsiders Learn Hard Way That Swamp Is Alive And Well.

- **Bond advisers went to capital to promote infrastructure idea**
- **Six-figure lobbying bills and proposed donation prompt 'pivot'**

Larry Kidwell and Robbi Jones didn't agree on the 2016 election. But the two financial advisers found common ground over President Donald Trump's pledge to rebuild America's aging highways, bridges and airports.

In the weeks following Trump's victory, they decided to go to Washington to push a bold idea for funding the president's infrastructure program: The federal government could package some \$2 trillion in student loans and other debt it keeps on its books and sell it to Wall Street investors. They hope to profit, too, as advisers on the transactions.

"This is something that I think Donald Trump would understand in two-tenths of a micro-second," said Kidwell, a Republican from Brentwood, Tennessee. He's known Jones, a Houston Democrat, for years through their work in the municipal bond business.

Instead of quick results, the pair have gotten a sobering lesson in the slow, tedious and expensive way Washington works. The out-of-towners have been eagerly embraced by Washington pros touting Trump connections, but after seven months they have little to show for their efforts except for some meetings and a six-figure lobbying bill.

Kidwell and Jones, who have spent decades helping state and local governments finance sewer systems, hospitals and other major projects, thought their experience could help provide a market-based fix for a big problem. They were also motivated by the notion that Trump was draining the swamp, ushering in a new era that would empower small-business owners like themselves.

"We thought it would be easier," Jones said.

Tough Sell

In reality, it's no simple task to get any idea into the hands of congressional leaders and top White House officials, and even harder to persuade them to get behind it. Kidwell and Jones's notion would seem a particularly tough sell, since it calls to mind the disastrous securitized mortgages that fueled the 2008 financial crisis. Some lawmakers would certainly be wary of giving private investors control over government loans and enriching the big banks that would handle the deals.

The proposal "seems catastrophically stupid, and it seems ripe for abuse," said Kevin DeGood, director of infrastructure policy at the left-leaning Center for American Progress. "I don't see it going anywhere."

In January, Kidwell and Jones hired K&L Gates lobbyist Daniel Crowley, a former general counsel for House Speaker Newt Gingrich, to help them make contacts in the capital. Crowley and Kidwell knew

each other from the 1990s when they were in the leadership of the Young Republican National Federation.

Crowley, an equestrian and fox hunting enthusiast, added another six of his firm's lobbyists to the project, including two ex-congressmen, according to federal filings. They charged \$20,000 a month.

\$1 Trillion

The K&L Gates team wrote talking points for Kidwell and Jones and set up meetings with lawmakers, congressional staff and administration officials.

The pitch went like this: The government directly lends money to students, farmers, veterans, small business owners and others. Those loans could be pooled and sold to pension, hedge and mutual funds. Even at a discount, because the loans are considered riskier, sales could raise about \$1 trillion, Kidwell and Jones estimated. That would be enough to pay for Trump's infrastructure plan without adding to the national debt or raising taxes.

They'd also install safeguards to protect borrowers, such as giving them a chance to pay off their loans at a discount before the debt is sold. And while the idea may seem novel, it isn't entirely new. In the late 1980s, Congress passed legislation requiring the sale of various government loans to pay for some of President Ronald Reagan's tax cuts.

'No-brainer'

"This is one of those ideas that is literally a no-brainer, it just needs oxygen and room to grow," said Jones.

Over the course of several months, Kidwell and Jones have met with officials from the Office of Management and Budget, leadership aides in the House and Senate, senior staff of the budget committees and outside interest groups. While many saw the benefits of packaging and selling the debt, they had different ideas about how the proceeds should be spent. Often it had nothing to do with infrastructure.

One lawmaker, for example, thought it would be a good way to get the government out of the student loan business; others thought the plan could be used to fund tax cuts. Kidwell and Jones also met with Grover Norquist, the anti-tax crusader, who was very enthusiastic but told them they should use the money to pay down the national debt, they said. Norquist declined to comment. In all, they've had about a dozen meetings across Capitol Hill, but nobody has signed on.

"We had no problems getting to see people. We had no problems informing people," Jones said. "We ran into problems identifying a champion."

'Loss Leader'

In an interview, Crowley said the firm had made significant progress for Kidwell and Jones. He said he understands their frustration, but pushing such an ambitious proposal through Congress and the administration could easily take two years. Still, he said he thinks it's a great idea and is optimistic they can get it done.

"These things take a while to socialize, particularly big ideas coming from Main Street like this," he said. He said the \$20,000 monthly fee was more than reasonable, and with all the hours the firm has logged, the account is "clearly a loss leader for us."

To generate interest in the idea, Crowley counseled his clients to form a coalition with like-minded firms.

Crowley called it “Great Again,” an acronym for Government Refinancing Enabling Alternative Transactions And Generating American Income Now, and gave it a star and stripes logo. The full name was so long it didn’t fit on the lobbying registration form.

Kidwell and Jones tried to persuade Wall Street’s biggest banks and the Securities Industry and Financial Markets Association to join their group. The firms, they said, privately endorsed the idea but took a pass on becoming part of the Great Again coalition, concerned their public support would be politically damaging.

Other potential champions were available, but at a cost.

Think Tank

A think tank called the Alliance for Innovation and Infrastructure was willing to educate lawmakers and administration officials on the plan. The backing, it noted in a three-page proposal in June, would include “a well-written white paper, a roundtable discussion at the U.S. Capitol and strong media outreach.”

The document touted the think tank’s chairman Brigham McCown and his work advising Transportation Secretary Elaine Chao. It said he was one of the “core infrastructure policy architects” for the Trump transition, “frequently quoted by all Tier-1 media outlets.” The proposal, which was written on the group’s letterhead, suggested a \$125,000 donation to fund the work. Kidwell and Jones haven’t taken up the offer.

In an interview, McCown said the memo was prepared by an outside contractor and it wasn’t approved by anyone at the organization before it was sent to Kidwell. The non-profit doesn’t take donations in exchange for work, McCown said. “We don’t do pay-to-play white papers.”

Making Changes

Now, after seven months in Washington, Kidwell and Jones say they’re frustrated but not giving up. They are making some changes.

They told Crowley and the K&L Gates team to stop billing them at the end of May. Kidwell said he is re-evaluating the arrangement. Jones last week formally cut ties with the firm.

Meanwhile, the two have been getting advice on alternative approaches from Michael Williams, a Democrat who has deep roots in the bond industry. Williams, who’s not formally lobbying on their behalf, has told them to be open to Congress using their idea for other policy initiatives, like tax reform, that could come before an infrastructure deal.

“It’s a great idea, but there are a lot of great ideas that have never been implemented in D.C.,” Williams said. “They need to be flexible.”

Kidwell and Jones have also ditched the Great Again coalition and the attempt to align with Wall Street firms. They’re going it alone for now, relying on their small business bona fides and on-the-ground expertise.

“There’s obviously been some learning as we go along here,” Kidwell said. “We’re pivoting.”

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By Robert Schmidt

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