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Bank of America, Citi Risk Hit to Their Texas Businesses Over Gun Policies.

- **Texas bill could cut off banks from underwriting muni debt**
- **Legislation targets banks whose policies restrict gun industry**

Bank of America Corp. and Citigroup Inc., the top two underwriters in the \$3.9 trillion municipal bond-market, are at risk of getting shut out of Texas because of a push by Republican state lawmakers to punish the banks for their restrictive gun policies.

The legislation, Senate Bill 19, would block government entities from contracting with banks and other financial services providers that have policies that restrict business with the firearms industry. Under the bill, companies with 10 employees or more seeking a government contract worth at least \$100,000 would have to verify in writing that they do not have a policy or directive that “discriminates” against the firearms or ammunition industries.

It’s targeted at large banks and financial institutions that have attempted to “use financial pressure to infringe upon our Second Amendment rights,” according to a statement from the sponsors in an analysis of the bill. The legislation is in flux: it already passed the state Senate and is pending in the Texas House of Representatives. While a House companion bill includes language that would exempt debt sales and the “deposit or investment of funds,” the author in that chamber didn’t pursue adding that exemption in the Senate version.

“Any company that uses financial pressure in order to limit Texans’ ability to purchase guns or ammunition should not be tolerated,” Senator Charles Schwertner, an author of the legislation, said in a committee hearing on the bill earlier this month.

The Texas move to punish the banks comes as Republicans nationally have criticized companies for stepping into politics. Senate Minority Leader Mitch McConnell said corporate executives should “stay out of politics” in response to the backlash against a Georgia law that limits voting access.

If the Senate version is enacted, the law could hurt the banks’ municipal underwriting businesses in Texas, a huge market for state and local debt deals. Texas-based borrowers sold more than \$58 billion of bonds in 2020, the second-most of any state behind California, according to data compiled by Bloomberg. As part of bond offerings, borrowers often hire banks ahead of time and pay them a fee for underwriting the sales.

Elizabeth Reich, chief financial officer of Dallas, said the bill could have wide-ranging impacts on the city, including limiting competition for its debt sales. The bill could also affect banking relationships: Dallas had \$257 million in deposit with Bank of America at the end of February, she said.

“If I’m limited in who I can do business with and talk to and engage with, that’s going to raise my costs and increase the cost to the taxpayers,” she said.

The banks announced policies that set restrictions on the firearms industry in 2018 after a shooting

at Marjory Stoneman Douglas High School in Parkland, Florida, left 17 people dead. Citigroup said it would prohibit retailers that are customers of the bank from offering bump stocks or selling guns to people who haven't passed a background check or are younger than 21.

Bank of America also announced in 2018 it would stop making new loans to companies that make military-style rifles for civilian use. Its policy came after dozens of employees lost family members or suffered other trauma related to mass shootings in the past few years.

Gun-friendly Texas has become important to the National Rifle Association, which filed for bankruptcy protection this year and said it would move to the state. In an article this month, the Institute for Legislative Action, an NRA lobbying arm, celebrated "pro-Second Amendment" legislation in Texas, including the legislation targeting the banks.

BofA Says 151 Employees Were Affected by Mass Shootings in U.S.

'Discriminatory' Policies

It's unclear how wide-reaching the law would be, and there could be further changes to the language. The legislation would affect governmental entities, which Texas government code defines as state agencies, as well as political subdivisions like counties, municipalities and school districts — a potentially wide swath of muni borrowers.

Giovanni Capriglione, the lawmaker who authored the House bill, said in a written response to questions from Bloomberg News that he proposed the bill because of a shortage of ammunition in the state "caused by discriminatory policies implemented by banks."

"It is estimated that over 26,000 Texans are employed by this industry and they account for about \$4.5 billion in economic impact," Capriglione said. "If these businesses can't operate because banks refuse to provide them with access to essential services, then the state loses these jobs and the economic impact they provide."

Capriglione confirmed that banks' underwriting business would be affected by Senate Bill 19.

Dan Patrick, the lieutenant governor who wields strong influence in the Texas legislature, said in a statement this month that he's supportive of the Senate bill, citing the Second Amendment. A spokesperson for his office did not respond to a request for comment. The NRA lobbying arm's article said that the bill was prioritized by Patrick.

It's not the first time that Republican state officials have sought to punish the two banks for their gun policies. In 2018, Louisiana officials voted to ban Bank of America and Citigroup from working on a debt sale.

"No one can convince me that keeping these two banks in this competitive process is worth giving up our rights," Louisiana State Treasurer John Schroder said in a statement at the time.

Texas Impact

Texas offers big business in the \$3.9 trillion municipal bond market. The state's booming population makes it ripe for future sales as the need for new roads, schools and other infrastructure projects mounts.

The bill could cut off Texas muni issuers from the two biggest banks in the state and local debt market. Citigroup was the biggest underwriter of Texas muni-bond sales in 2020, credited with

managing more than \$6 billion of sales, and Bank of America was ranked as the fifth-biggest last year, credited with managing about \$3.8 billion of bonds, according to data compiled by Bloomberg.

Overall, Bank of America and Citigroup are the two biggest municipal underwriters, managing a combined 25% of long-term state and local debt sales so far this year, according to data compiled by Bloomberg.

Spokespeople for both banks declined to comment. SIFMA, a lobbying group for broker-dealers and investment banks, also declined to comment.

Kevin Lyons, a spokesperson for the Texas Comptroller of Public Accounts, said in an emailed statement that the office is following the legislation and reviewing its contracts to determine what impact it would have on its services.

He said the bill would require state agencies to include a new provision in contracts made after Sept. 1. "If banks (or other entities) do in fact maintain such a policy it will likely be difficult for them to sign off on such a contract in the future," he said in the statement.

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By Danielle Moran and Amanda Albright

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— *With assistance by Natalia Lenkiewicz, Lananh Nguyen, and Jennifer Surane*