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JPMorgan Made Surprise Bid to Underwrite Mega Texas Muni Deal.

For months, JPMorgan Chase & Co. has been largely absent from the Texas municipal-bond market because of a new GOP state law targeting Wall Street banks for their gun policies.

But the bank raised its hand when a Texas financing authority put out a request for proposals last month for a \$3.4 billion muni deal it's aiming to sell by August to cover costs incurred by utilities during a deadly 2021 winter storm. The offering is poised to be the largest muni sale ever in the state.

JPMorgan was one of the roughly 40 banks that submitted a proposal, according to Lee Deviney, executive director of the Texas Public Finance Authority, which formed the entity that's selling the bonds.

The New York-based bank didn't make the cut Friday when the Texas Natural Gas Securitization Finance Corp. named the underwriters. Some 30 firms didn't get picked, Deviney said. Jefferies Financial Group Inc. was tapped as the senior manager, with Morgan Stanley and Hilltop Securities as co-managers.

Patricia Wexler, a spokesperson for JPMorgan, declined to comment.

JPMorgan hasn't underwritten any municipal-bond sales by the state or its cities since the law, known as Senate Bill 19, went into effect in September, according to data compiled by Bloomberg. It has underwritten two small Texas transactions — both under \$20 million — since the measure took effect. Those deals were sold by nonprofit industrial development corporations, a category that appears to be outside the the scope of the law, which targets governmental entities.

The GOP law doesn't allow governments to enter into contracts of over \$100,000 with companies unless they provide a written verification that they don't "discriminate" against firearms entities.

In September, JPMorgan told Bloomberg News its business practices should permit the bank to certify compliance with the law. But it said the legal risk of the "ambiguous law" prevented it from bidding on most transactions with Texas public entities.

It's unclear whether the bank has now certified compliance with the law, but its response to the request for proposal suggests it may have. Banks submitting proposals for the storm-bond transaction had to certify they're in compliance with Texas laws, including Senate Bill 19, according to the request for proposals.

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