

- **Ed. Note:** Firms across the country have been posting state-specific summaries of Covid-19 rules and regs. As these are too voluminous for individual inclusion here, please visit [this site](#) and search for your jurisdiction.
- [SEC Provides Additional Temporary Regulatory Relief and Assistance to Market Participants Affected by Covid-19.](#)
- [Fitch Ratings Updates Public Sector, Revenue-Supported Entities Rating Criteria](#)
- [NABL Asks IRS to Help with TEFRA, Debt Repurchase Problems: Squire Patton Boggs](#)
- [NABL Pushing for Municipal Bond Relief Measures in Response to COVID-19: McNeese](#)
- [Muni Market Gets Support from Fed as Part of Wide Effort to Curb Virus Fallout, Self-Regulator Warns to Review Compliance.](#)
- [Federal Reserve Considering Additional Support for State, Local Government Finance.](#)
- [Senate Stimulus Takes Steps to Add Liquidity to Municipal Market.](#)
- [The Fed Enters the Municipal Bond Market to Lend Cities a Hand, but Will It Be Enough?](#)
- [CARES Act: Municipalities - Miller Canfield](#)
- [Webinar: Rating Agencies Speak on COVID-19](#)
- And finally, Swimming With Salmon is brought to us this week by [County of Cedar v. Thelen](#), in which a rancher had the genius idea of expanding his pasture land by “erecting electric fence within ditch right-of-way along county road.” The rancher had “erected the same type of fence in the same location at least seven times” and had already been convicted of three misdemeanors by the time the Supreme Court of Nebraska was called into action. One might think that multiple criminal convictions would serve as a deterrent. One would be wrong, as rancher “has indicated that he will continue to disregard notices in the future because the fine is only \$25.00, indicating cheap pasture rent.” But - having discovered this magic loophole - why stop there? Aquaculture in the county pool! Drop the kids off for daycare at the county jail! The possibilities are delightfully endless.

EMINENT DOMAIN - CALIFORNIA

[Pakdel v. City and County of San Francisco](#)

United States Court of Appeals, Ninth Circuit - March 17, 2020 - F.3d - 2020 WL 1270732 - 20 Cal. Daily Op. Serv. 2369 - 2020 Daily Journal D.A.R. 2350

Co-owners of multi-unit building owned through tenancies-in-common brought § 1983 action asserting federal regulatory takings claim against city/county, its board of supervisors, and its department of public works, relating to city/county ordinance’s requirement, for expedited conversion program to clear a backlog in lottery system for converting tenancy-in-common property to condominium property, that conversion applicants agree to offer any existing tenants lifetime leases in converted property.

The United States District Court granted defendants’ motions to dismiss for lack of subject matter jurisdiction and for failure to state a claim. Plaintiffs appealed.

The Court of Appeals held that:

- Co-owners' belated request for exemption did not satisfy finality requirement for ripeness for federal court's adjudication of federal regulatory takings claim, and
- Discretion to excuse noncompliance with prudential finality requirement would not be exercised.

City/county ordinance imposing requirement, for city/county's expedited conversion program to clear a backlog in lottery system for converting tenancy-in-common property to condominium property, that conversion applicants agree to offer any existing tenants lifetime leases in converted property, was not an "exaction," as would be subject to rough proportionality test for Fifth Amendment taking; lifetime lease requirement was a general requirement imposed through legislation, rather than an individualized requirement to grant property rights to the public imposed as a condition for approving a specific property development.

City/county ordinance imposing requirement, for city/county's expedited conversion program to clear a backlog in lottery system for converting tenancy-in-common property to condominium property, that conversion applicants agree to offer any existing tenants lifetime leases in converted property, was not a physical taking, for purposes of Fifth Amendment taking claim asserted by plaintiff co-owners of multi-unit building owned as tenancies-in-common, where plaintiffs voluntarily applied for conversion under the program.

Co-owners of multi-unit building owned through tenancies-in-common failed to show final decision by city/county applying the challenged ordinance to co-owners' property, as would be required for ripeness for adjudication, in federal court, of federal regulatory takings claim asserted in § 1983 action against city/county, where a final decision was made before co-owners belatedly sought an exemption, from city's department of public works, from being required under the ordinance to offer any existing tenants post-conversion lifetime leases, which requirement was part of city/county's expedited conversion program to clear a backlog in lottery system for converting tenancy-in-common property to condominium property.

Federal court of appeals would not exercise its discretion to excuse co-owners of multi-unit building owned through tenancies-in-common from nonjurisdictional prudential requirement, for ripeness for federal court's adjudication of federal regulatory takings claim, of showing final decision by city/county applying challenged ordinance to co-owners' property, on co-owners' appeal from dismissal of § 1983 action challenging ordinance's requirement, for expedited conversion program to clear a backlog in lottery system for converting tenancy-in-common property to condominium property, that conversion applicants agree to offer any existing tenants lifetime leases in converted property, where there were no concerns about different claims proceeding simultaneously in state and federal court, and city/county raised ripeness issue at first opportunity.

OPEN MEETINGS - GEORGIA

[Williams v. DeKalb County](#)

Supreme Court of Georgia - March 13, 2020 - S.E.2d - 2020 WL 1227278

County resident brought action against county, chief executive officer, and members of the board of commissioners, setting forth claims for mandamus, declaratory, and injunctive relief, and criminal and civil penalties, based on allegations that commissioners violated the Open Meetings Act by not giving proper notice of their intent to pass ordinance increasing their pay and that statute giving commissioners authority to increase their own pay violated the state constitution.

The Superior Court dismissed the action. Resident appealed.

The Supreme Court held that:

- Plaintiff lacked standing to seek declaratory relief;
- Plaintiff lacked citizen standing to seek relief under the mandamus statute;
- Plaintiff lacked taxpayer standing;
- Remand was required to determine if plaintiff had standing to pursue claim against chief executive officer;
- As matter of first impression, plaintiff had standing to request civil penalty for violations of the Open Meetings Act;
- Plaintiff stated claim for violation of the agenda requirements of the Open Meetings Act; and
- Commissioners were not entitled to official immunity from Open Meetings Act claims.

LEASES - INDIANA

[City of New Albany v. Board of Commissioners of County of Floyd](#)

Supreme Court of Indiana - March 23, 2020 - N.E.3d - 2020 WL 1332950

County brought action against building authority, which had been formed by county and city and from which county had been leasing a criminal justice center, for a declaratory judgment and specific performance as to county's alleged right under turn-over provision in lease to demand that building authority transfer title to the center.

After intervention in the action by city, which had been subleasing space in the center from county, the Superior Court entered a declaratory judgment in county's favor and ordered that title to the center be vested in the county. City appealed. The Court of Appeals affirmed, and adhered to that determination on rehearing. Parties petitioned for transfer, which the Supreme Court granted.

The Supreme Court held that turn-over provision in lease was valid under statute governing transfer of property between governmental entities.

Turn-over provision in lease for criminal justice center between lessor building authority, which had been created by city and county, and lessee county, providing that, upon expiration of term of lease, the authority would convey title to the center to the county upon the county's request, was valid under statute providing that governmental agencies could "transfer or exchange...property," though authority asserted that turn-over provision was inconsistent with statute granting authority power to "acquire real or personal property by gift, devise, or bequest and hold, use or dispose of that property," as property had not been gifted, devised, or bequeathed; transfer statute applied to governmental agencies, including but not limited to municipal corporations like building authority, and the statutes were not in conflict.

There was no conflict between the statute granting building authorities power to acquire property by "gift, devise, or bequest and hold, use, or dispose of that property," and statute providing that governmental agencies, including a building authority, could "transfer or exchange...property"; there was nothing to suggest that statute regarding powers of building authorities provided the sole manner for disposing of property belonging to an authority, fact that there were multiple statutes that gave authorities ability to transfer property did not mean statutes were inconsistent, absent some language indicating as much, statutes could operate under their separate requirements, and statutes were adopted during same legislative session, such that neither was supplemental to or overwritten by the other.

HIGHWAYS - NEBRASKA

[County of Cedar v. Thelen](#)

Supreme Court of Nebraska - March 20, 2020 - N.W.2d - 305 Neb. 351 - 2020 WL 1321467

County filed civil complaint for a permanent injunction at same time as a criminal complaint charging landowner with obstructing a public road based on his repeated instances of erecting electric fence within ditch right-of-way along county road.

The District Court granted injunction following bench trial. Landowner appealed.

The Supreme Court held that criminal prosecution of landowner did not provide an adequate remedy at law that would preclude injunctive relief for county.

Criminal prosecution of landowner for obstructing public road based on his repeated instances of erecting electric fence within ditch right-of-way along county road did not provide an adequate remedy at law that would preclude permanent injunctive relief for county, where multiple criminal prosecutions did nothing to curb landowner's behavior, and landowner expressed opinion that fines associated with repeat misdemeanor convictions were "cheap pasture rent."

EMINENT DOMAIN - NEW HAMPSHIRE

[Torrimeo Industries v. State](#)

Supreme Court of New Hampshire - March 13, 2020 - A.3d - 2020 WL 1237205

Property owner sought judicial review of determination of Board of Tax and Land Appeals (BTLA) ordering \$35,000 in just compensation for state's taking of owner's land by eminent domain.

The Superior Court awarded property owner \$70,800 in condemnation damages. After state's motion for reconsideration was denied, state appealed.

The Supreme Court held that:

- There was no evidence supporting determination that before taking value of residential lot was the same as its after taking value under sales comparison approach;
- Finding that there had been no change to rental income from residential lot following the taking was not dispositive with regard to whether lot changed value under income capitalization approach; and
- Even if there were evidence supporting determination that value of residential lot remained the same before and after the taking under the income capitalization approach, trial court's determination would not be affirmed on that basis.

LIABILITY - WASHINGTON

[Schulz v. State](#)

Court of Appeals of Washington, Division 3 - March 17, 2020 - P.3d - 2020 WL 1268991

Landowners brought action against the Department of Natural Resources (DNR) to recover for property damage caused by forest fires, alleging the DNR was negligent in its efforts to suppress the

fires on DNR managed lands, allowing the fires to spread to neighboring properties.

The Superior Court granted summary judgment for the DNR, and landowners appealed.

The Court of Appeals held that:

- Landowners failed to allege that the DNR failed to use due care to prevent the spread of fire from its land to neighboring properties, as required to state a claim for negligence based on a breach of the DNR's duty as a landowner, and
- The public duty doctrine applied to landowners' claims.

[Fitch Ratings Updates Public Sector, Revenue-Supported Entities Rating Criteria](#)

Link to Fitch Ratings' Report(s): [Public Sector, Revenue-Supported Entities Rating Criteria](#)

Fitch Ratings-New York-27 March 2020: Fitch Ratings has made minor updates to its "Public Sector, Revenue-Supported Entities Rating Criteria" (the Revenue Master) as part of the routine criteria review process.

Primary revisions to the criteria are: introducing the use of Stand-alone Credit Profiles (SCPs) to assess the stand-alone credit quality of U.S. enterprises that are related to a municipal government; clarifying when issue ratings may be capped by the related government's Issuer Default Rating (IDR); specifying the use of cash operating expenses in calculating liquidity cushion; and defining healthcare-related entities for which sector specific attribute assessments may be used in assessing Revenue Defensibility.

There is no impact on existing ratings from this update; however, Fitch did place three utility ratings on Rating Watch Negative and one Under Criteria Observation following the January revision of the "U.S. Public Finance Tax-Supported Rating Criteria" outlining the aforementioned related government rating cap. See 'Fitch Places 17 USPF Ratings on RWN/UCO Following Release of Revised Tax-Supported Rating Criteria' dated Jan. 17, 2020 for additional information.

This report replaces the criteria report of the same name dated Nov. 7, 2019.

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Impact of COVID-19 on Municipal Finance: Restructurings Inevitable (Part 1): Sheppard Mullin

“Only when the tide goes out do you discover who’s been swimming naked” – Warren Buffet

The tide has gone out on the municipal finance market.

While much of the discussion about the financial fall-out of the COVID-19 virus has focused on the massive wealth destruction in stock markets and pressure on corporates around the world, the impact on the largest financial market in the world- the \$3 trillion US municipal finance market- cannot be ignored. Simply put, the market is imploding.

In a market primarily driven by mammoth mutual funds and institutional investors, the “flight to cash” is clearly on. Selling pressure this week has pushed muni prices into free-fall, particularly on the short end of the curve. The primary market (where states, cities and other municipal issuers borrow and refinance) is essentially closed.

This is not a short-term correction. The longer-term implications of COVID-19 on the market and municipalities is daunting. Consider:

- many states and cities are dependent on sales and use taxes to fund their budgets. Florida and Nevada for example, depend on these taxes for 60% of their revenues. Curtailment of travel and leisure activities and consumer activity in general will quickly reduce these revenues.
- budgets in states like North Dakota, New Mexico and Oklahoma will be decimated by plunging oil prices
- financings dependent on project revenues will be at risk in numerous sectors such as sports stadiums, airports, toll roads, senior living facilities and student housing, to name a few.

Municipal reserves, where available, will help, but funding pressures will force many states and cities to turn to the Federal Government to maintain essential services. Recently announced Federal stimulus programs, including the expansion of the Federal Reserve’s Money Market Mutual Fund Liquidity Facility to include purchases of certain types of municipal securities, may help in the short-term.

But the challenges will be daunting and will reveal themselves only gradually. States and cities with strong reserves, a diversified tax base, well-funded pension and employee benefit plans and low debt will undoubtedly weather the storm. Other municipalities without those virtues will be pressured to adopt debt restructuring strategies, including debt adjustments under Chapter 9 of the Bankruptcy Code, on a scale that could eclipse the wave that followed the “Great Recession” of 2008-09.

Monday, March 23, 2020

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[MSRB Suspends Price Variance Alerts for Dealers.](#)

Board Also Extends Comment Date for Proposed Governance Enhancements

Today (March 23, 2020) in response to the significant impact that the spread of the Coronavirus Disease (COVID-19) is having on regulated entities, the MSRB is temporarily suspending the transmission of the price variance alerts for trades reported to MSRB's Real-Time Transaction Reporting System (RTRS) effective immediately.

As background, as of March 2019, the MSRB sends a price variance alert via email to a dealer when a transaction reported to RTRS by the dealer is at a price that is notably different (i.e., notably lower or higher) than the price reported to RTRS by other dealers in the same security within a specified time period. The price variance alert was designed as a tool to assist dealers in identifying transactions that may warrant review to ensure the information reported to RTRS reflects the trade price as intended. While dealers remain obligated under [MSRB Rule G-14](#) to ensure that the information being disseminated by RTRS is accurate, the price variance alert tool does not, in these current market conditions, serve its intended purpose of assisting firms in their efforts to comply with Rule G-14. Accordingly, the MSRB is temporarily suspending reporting on price variance alerts.

A-3 Deadline Extended

The MSRB has extended the comment deadline on amendments to [MSRB Rule A-3](#) for an additional 30 days to April 29, 2020. [MSRB Notice 2020-02](#) requests comment on draft amendments to MSRB Rule A-3, on membership on the Board, designed to improve Board governance.

The BDA continues to draft comments and will provide to membership for review in the coming weeks.

The notice can be viewed [here](#).

Bond Dealers of America

March 24, 2020

[U.S. Income Tax Delay to Strain States.](#)

Many state budgets run from July 1 to June 30, so new July 15 filing date means officials can't count on that money for current fiscal year

The Trump administration's decision to move the deadline for filing income taxes to July 15 because of the new coronavirus crisis is creating a cash crunch for state governments that were counting on an infusion of state income-tax revenue next month to pay bills.

Many state budgets run from July 1 through June 30, so the new filing date—instead of April 15—means state officials can't count on that tax money for the current fiscal year. States could have to borrow in volatile financial markets or cut into their budgets between now and the end of June. The agreement reached early Wednesday between lawmakers and the Trump administration could also help if it includes general aid for state governments. Unlike the federal government, states must balance their budgets.

So far this week, states including Delaware, Colorado and Alabama have announced they would extend their filing deadline in line with the federal shift.

“You can have unintended consequences with the best of intentions,” said Verenda Smith, deputy director of the Federation of Tax Administrators. “The choices that it left the state officials are all so gruesome,” she said.

The Treasury Department’s decision caught states by surprise. Although the move was intended to help struggling households and businesses, it left state officials in a bind, she said.

In most cases, taxpayers need to know how much they will pay in federal income tax before filing their state income taxes—and many states tie their deadlines to the federal government calendar. So postponing the federal filing deadline effectively postpones the filing deadline for state income taxes as well.

That means states can no longer count on that tax revenue coming in before the fiscal year ends on June 30. Last year, states collected \$65 billion in income tax revenue in the month of April, almost 18% of the annual total.

Income-tax dollars make up about a third of total state and local tax collections in California, New York and Massachusetts and even more in Oregon and Maryland, according to a Tax Foundation analysis. Overall, about 23.5% of total state and local tax dollars came from income taxes in 2016, the most recent year for which data was available. Roughly the same amount came from sales taxes, which analysts also expect will be hit hard amid the slowdown in consumption. A handful of states—including Florida, Texas and Nevada—don’t have a state income tax.

Over the past few days, states have been scrambling to figure out how to relieve that budget pressure. One option is to cut programs or furlough state workers, something officials are loath to do, especially now that so many people are out of work due to the coronavirus-related layoffs. Another option would be to issue short-term debt.

“April 15 is just around the corner, that’s when they would have counted on a big infusion of cash from income taxes, that’s going to be pushed off for three months so that puts them in a big bind,” said Don Boyd, co-director of the State and Local Government Finance Project at Rockefeller College.

The income-tax dollars most states and some big cities collect on a continuing basis from workers’ paychecks are likely to begin declining even sooner, Mr. Boyd said, as companies lay off employees and workers’ income falls. He expects the sales taxes that states and many cities rely on will also fall beginning in April when vendors generally send in taxes collected on transactions in March.

“They are going to be strapped for cash,” he said.

Borrowing against future revenues could also be costly. Prices have jumped in the municipal-bond market as investors have fled to cash and Treasuries, causing a spike in short-term interest rates last week. Rates fell somewhat after the announcement of a Federal Reserve liquidity program Monday but remained well above normal levels.

Compounding the problem is the fact that many state legislatures, whose approval is often required to make major spending decisions, have been sent home as a precautionary measure. So far, statehouses in 22 states have shut down due to coronavirus concerns.

The new filing deadline means Rhode Island could run out of cash in weeks, said Seth Magaziner,

the state's treasurer. State officials are exploring short-term borrowing and moving pots of money from one state account to another to make up the shortfall, Mr. Magaziner said.

Since Rhode Island lawmakers aren't meeting because of the virus, a special emergency board will convene this week to authorize the moves.

"Our immediate concern is on solving our cash flow issues in the coming weeks and months and then we will turn our attention to those longer-term issues," Mr. Magaziner said.

Last year, about 16.4% of the state's personal income tax revenue came during the month of April.

Pennsylvania is also anticipating that the tax-filing delay will push "a significant amount" of revenue out of this fiscal year into the next, said Matthew Knittel, director of the state's Independent Fiscal Office. The office anticipates an immediate, large reduction in motor vehicle sales tax following the closure of car dealerships.

The Wall Street Journal

By David Harrison and Heather Gillers

March 25, 2020 9:42 am ET

[S&P: U.S. State Unemployment Insurance Claims Are Not An Immediate Challenge To State Liquidity](#)

NEW YORK (S&P Global Ratings) March 23, 2020—While the economic fallout from potentially massive unemployment levels will be a credit challenge for U.S. states, S&P Global Ratings does not believe that near-term state liquidity pressure will stem directly from payments on unemployment insurance claims that have recently spiked because of the coronavirus pandemic.

This is because the program structure allows states to receive federal loans, if necessary, to cover state unemployment insurance trust fund deficiencies, if any, under current law. These federal loans must eventually be paid back to the federal government, however, through higher taxes on businesses or through other means.

During the Great Recession, some of these federal loans became quite substantial (see "Unemployment Insurance Fund Bonds Help States Pay Off Federal Unemployment Loans," published Sept. 6, 2012, on RatingsDirect) and in some cases prompted states to issue bonds carrying lower interest rates to pay off higher-interest federal unemployment insurance loans. In the first quarter of 2012, loans from the federal unemployment account reached \$40.7 billion. In 2011, California's unemployment loan from the federal government peaked at \$11.0 billion alone. As of Dec. 31, 2019, federal unemployment account loans were only \$63.3 million, attributable entirely to the Virgin Islands, and aggregate state unemployment trust fund balances were \$75.7 billion. While the federal government has indicated that certain states have below-optimal levels of state trust fund balances (such as California at \$3.3 billion as of Jan. 1, 2020), we believe the ability to tap into federal loans relieves short-term unemployment trust fund liquidity pressures for any particular state.

If states meet certain technical requirements and maintain a certain threshold of unemployment insurance tax rates on businesses over time, they can initially receive these federal unemployment

trust fund loans interest-free. Qualifying states receive interest-free federal unemployment loans if a state takes a federal advance after Jan. 1, and repays it by Sept. 30, of the same year. After that, interest charges are imposed and if the state continues to fail to repay the loan by Nov. 10, of the year in which a second Jan. 1, has passed, then all taxable employers in a state will be subject to a reduced credit of 0.3% on the Federal Unemployment Tax Act tax, for which the credit reduction grows in subsequent years depending on state tax rates and changes in state law. For 2020, 31 states meet the eligibility criteria for interest-free borrowing.

The Louisiana Workforce Commission announced on March 19 that employers within the state will get a temporary deferral from paying their first-quarter 2020 unemployment taxes to June 30. If similar deferrals spread to other states, it could cause the amount of federal unemployment loans to rise higher than what they might be otherwise, but again would be unlikely to cause near-term state liquidity issues. These funds would still need to be repaid to the federal government from later business taxes, but potentially at a higher tax rate.

S&P Global Ratings will continue to monitor unemployment insurance trust funds and the extent to which higher taxes that are imposed on businesses to replenish these funds could reduce economic competitiveness, or cause a state to issue tax-backed debt to repay federal loans. However, we believe the short-term credit effects are limited.

This report does not constitute a rating action.

[S&P: Mass Transit Agencies' Priority Lien Revenue Bond Outlooks Revised To Negative On Anticipated COVID-19 Pressures](#)

CENTENNIAL (S&P Global Ratings) March 27, 2020—S&P Global Ratings revised its outlook to negative from stable on several long-term and underlying ratings on bonds issued by mass transit agencies and secured by priority lien tax revenue pledges. The negative outlooks provide notification to market participants that the affected credits face at least a one-in-three likelihood of a negative rating action over the intermediate term (generally up to two years).

This action applies to the ratings of approximately 20 issuers, and 215 unique ratings.

We simultaneously published an outlook revision for all ratings in scope of our Mass Transit criteria (see our article published March 26, 2020). We believe that there is at least a one-in-three chance that the general creditworthiness of the transit obligors could be downgraded in the intermediate term, which could pressure the associated priority lien ratings on bonds issued by mass transit agencies.

As the COVID-19 virus spreads and social distancing efforts intended to slow the infection rate and flatten the curve of the virus slows local economies to a virtual halt, S&P Global Ratings is of the view that the nation and world have entered a recession, with firmer projections under our base case forecasts for a slowdown in global GDP growth, and 1.3% decline in U.S. GDP in 2020 (please see our articles “It’s Game Over For The Record U.S. Run; The Timing Of A Restart Remains Uncertain”, published March 27, 2020 on RatingsDirect, and “Global Macroeconomic Update, March 24: A Massive Hit To World Economic Growth”, published March 24, 2020 on RatingsDirect.) The outlook revisions reflect our view that the emerging recession and social distancing-driven declines in activity levels will likely place material pressure on the credit profiles of priority lien tax revenue bonds issued by mass transit operators.

Per our priority-lien criteria, we assign issue ratings based on both the strength and stability of the pledged revenue, as well as the obligor's general credit quality. For the credits included in this outlook revision, we assess the obligor's general credit quality by applying our criteria, Mass Transit Enterprise Ratings: Methodology and Assumptions.

The mass transit operators that we rate under "priority-lien" criteria derive a significant share, and often a substantial majority of total revenue from taxes, typically locally levied sales with a minor portion from other dedicated taxes. We believe potential rating actions or outlook revisions may occur and will likely be driven by the magnitude of several factors, each of which may pressure pledged revenue streams and obligors' general creditworthiness. These may include:

- Significant declines in pledged tax revenue caused by the abrupt and sharp decline in economic activity driven by COVID-19 and related social distancing efforts;
- Extreme declines in mass transit ridership levels, with an uncertain timeline for a resumption of normal activity;
- Expenditure pressure, as many transit operators incur unexpected additional costs for intensive cleaning of buses and rail cars;
- Budgetary strain as many operators have reduced or eliminated fares, while maintaining normal or near-normal service levels in the first few weeks of declining ridership.

The prospect for state and federal aid, in addition to these issuers' generally strong credit profiles may limit downside pressure for some or all of these credits. In addition, we view favorably the \$2 trillion federal stimulus package, which identifies a total of \$25 billion for transit operators expected to be administered through existing Federal Transit Administration using fiscal 2020 formula funding mechanisms. While there is potential that the stimulus bill could positively affect this portfolio, we will be evaluating the implications for individual transit operators as part of our ongoing reviews.

[S&P Ratings Outlooks On U.S. Transportation Infrastructure Issuers Revised To Negative Due To COVID-19 Pandemic.](#)

BOSTON (S&P Global Ratings) March 26, 2020—S&P Global Ratings today revised to negative the outlooks on nearly all long-term debt ratings in the U.S. transportation infrastructure sector due to the severe and ongoing impacts associated with the COVID-19 pandemic. We believe the dramatic contraction of the global and U.S. economies and virtual collapse of travel and mobility across the transportation subsectors is a demand shock without precedent, with no definitive indication at this time regarding its duration and severity as well as the follow-on effects of an economic recession. The outlook revisions to negative of each issuer and issuer credit rating follows on our updated overall view of the sector (see "U.S. Transportation Infrastructure Sector Outlook Update: Now Negative For All Sectors" published March 16, 2020, on RatingsDirect).

We are affirming the ratings and outlooks for transportation infrastructure issuers with existing negative outlooks and not modifying the ratings or outlooks of debt secured by federal transportation grants.

The expected passage into U.S. law of an approximately \$2 trillion federal stimulus package that includes direct financial aid to airport operators (\$10 billion) and transit authorities (\$25 billion) is viewed favorably and will alleviate immediate liquidity pressures, as well as assist with near-term operational funding requirements including debt service. Aid to the airline industry, in the form of

loans and loan guarantees, should also support payments from airline tenants to airport operators. However, long-term credit implications across all sectors have yet to unfold, and we expect greater visibility on the broader impacts on issuers' financial and business profiles in the coming months.

[Continue reading.](#)

Empty College Dorms Pose Payback Dilemma for Bond Issuers.

- **Refunding housing fees cuts revenue backing bond debt**
- **S&P Global Ratings cut its private student housing outlook**

Students and professors at universities aren't the only ones wondering when schools will re-open. Bondholders and stockholders also have a vested interest in getting them back on campus.

As colleges across the country send students home and transition to online learning amid the coronavirus pandemic, managers of student housing that rely on dorm-room revenue are rushing to figure out whether or not students can terminate their leases and how to pay back bondholders financing those projects.

"When the schools will reopen again with normal occupancy schedules remains a question for bondholders," Eric Kazatsky, senior municipals strategist at Bloomberg Intelligence, said in a recent report.

S&P Global Ratings cut its outlook for the private student housing sector to negative on Wednesday, citing expected challenges from the sudden and potentially prolonged decline in student housing occupancy and associated loss of rental revenue.

Student housing projects that are lower-rated or have "cash cushions" of less than 90 days are most at risk, Kazatsky said. Of 252 student-housing projects, 144 have cash-on-hand levels of less than a year and 32 have less than 90 days of cash available, he added. About 67% of those student-housing projects are backed by an entity not related to the university while the rest are supported by the colleges.

Refunds

Some of the richest schools have already said they would refund room and board, including Harvard, Amherst and Princeton. Brown University said students will receive a credit if they return when school resumes or they will get a prorated refund if they graduate.

But for some colleges like West Chester University outside Philadelphia, Pennsylvania, issuing refunds threatens the cash flow backing debt.

"Refunding or crediting rents would have an adverse impact on (university student housing) cash flow, and savings from reduced operating expenses would not be sufficient to make up for the revenue reduction," the Chester County Industrial Development Agency said in notice to bondholders March 16.

Companies that build and manage student housing are scrambling to figure out what do now that students have fled home. American Campus Communities Inc., the largest owner, manager and developer of student housing in the U.S., said it will temporarily waive all late fees and financial-

related eviction proceedings and said it will work with residents and families who endure financial hardship on a case-by-case basis.

The company's stock price rebounded Monday after it said it wouldn't offer lease terminations and refunds at its private off-campus apartments as students leave colleges. It rose 5.4% to \$29.84 on Thursday.

Provident Resources Group, with more than 21,000 beds of student housing across country, has been "inundated with inquiries about the impact of COVID-19," Steve Hicks, chairman and chief executive officer, said in an interview.

Hicks said Provident is not in the position to unilaterally decide that it can issue refunds, adding that it's the universities that are making the decisions to close the schools, sometimes due to government guidelines.

"They're making the decision and we would expect the university, which has a lot more resources than one student housing property, to make the refund to the students through the student's account at that one particular campus," Hicks said.

Hicks said any decision on refunds needs to be made in concert with its bondholders, investors and the universities.

Around \$14 billion of the stimulus package passed by the Senate would go to colleges and universities as they respond to the pandemic.

It is too early to tell what relief Provident's higher education projects might be able to obtain as a result of this legislation, Hicks said. As of Thursday afternoon, Provident's chief legal officer and outside counsel were reviewing the bill to determine which projects might be eligible for financial assistance.

"We are focusing on which of the projects, if any, might qualify for a loan or an SBA loan to assist in some of the challenges we are facing from COVID-19," Hicks said.

Still, there will probably be some leniency on bond payments, said Steven Agran, managing director at Carl Marks Advisors, where he leads the restructuring firm's higher education practice.

"This is really extraordinary so I think extraordinary responses will be the norm more than you'd usually expect," Agran said.

Bloomberg Markets

By Mallika Mitra and Janet Lorin

March 27, 2020, 6:30 AM PDT

— *With assistance by Amanda Albright*

[Fitch Ratings Updates U.S. Public Finance College and University Rating Criteria.](#)

Link to Fitch Ratings' Report(s): [U.S. Public Finance College and University Rating Criteria](#)

Fitch Ratings-Chicago-26 March 2020: Fitch Ratings has published the following updated report: "U.S. Public Finance College and University Rating Criteria." This report updates the prior report published on June 3, 2020. The key elements of Fitch's college and university rating criteria remain consistent with those of its prior criteria report (which has been retired), and include an update to two appendices related to sector scenario analysis. This update will not impact ratings.

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Hospitals Putting Bond Issues on Hold Amid COVID-19 Outbreak.

A number of not-for-profit health systems have postponed sizable new bond issuances given the significant uncertainty COVID-19 has thrown into the municipal bond market.

It's not just healthcare—the trend is happening across the municipal market. Volatility has prompted interest rates to skyrocket and has made pricing bond offerings extremely difficult. Billions in new issuances have been put on hold since last week.

"It happened pretty drastically," said Rick Kes, healthcare senior industry analyst with RSM. "This is unlike anything we've seen before."

Evanston, Ill.-based NorthShore University Health System, for example, is delaying a roughly \$400 million debt issuance. TriHealth in Cincinnati, Ohio is delaying its \$200 million issuance. Stanford Health Care has postponed issuances worth more than \$940 million.

It's a sharp departure from where the municipal bond market had been weeks ago. In November, health systems had been issuing bonds at a feverish pace to lock in historically low interest rates.

The municipal bond market is typically viewed as being one of the more secure options for investors, until now.

"In most previous downturns, municipal bonds are held off as an offset for market declines," said Sudip Mukherjee, a senior municipal credit strategist in UBS' Chief Investment Office. "In this one, pretty much all bets are off."

Mutual funds selling is lowering prices and driving up yields market-wide, which is making it more expensive to sell securities right now, Lisa Washburn, managing director and chief credit officer with Municipal Market Analytics, wrote in an email.

“It’s just not a jumping in point right now for those that can wait until the market settles down a bit; there is too much uncertainty at this point,” Washburn said.

Stanford’s postponed issuances include about \$420 million tax-exempt debt and about \$520 million in taxable debt, said Howard Sitzer, senior municipals analyst with CreditSights. Stanford did not return a request for comment. Sitzer said the health system indicated it tentatively plans to access the market as early as next week on a day-to-day basis.

NorthShore said its delay is due to the national emergency related to COVID-19 and the related “turmoil” in the financial markets.

TriHealth planned to use the proceeds of its bond offering to refinance debt and build a new heart hospital on its Bethesda North campus, spokesman Rob Whitehouse wrote in an email. The health system has not yet determined when it will issue the debt. Administrators weren’t available for an interview because they were involved in COVID-19 planning, Whitehouse said.

Sitzer said he’s not concerned about hospital finances because most of them have “exceptionally” liquid balance sheets due to the demands of bond analysts and rating agencies, which require they have lots of days cash on hand.

That said, until the number of new COVID-19 diagnoses peaks in the U.S., Sitzer said he doesn’t expect to see much new issue activity in the municipal bonds market, including from healthcare providers.

“The market is such that it’ll be extremely costly and difficult to price because you’ve got to have some sense on a daily basis of what the demand is,” he said. “I just think the vast majority of municipal bond issuers are going to be on hold for a while now.”

Despite the uncertainty facing healthcare more broadly, Mukherjee said he expects children’s hospitals and large health systems with a national footprint and strong liquidity will remain financially stable through the downturn.

Not all health systems are holding off, however. Kevin Holloran, a senior director with Fitch Ratings, said Froedtert Health in Wisconsin is moving ahead with issuances. The health system did not return a request for comment.

Holloran said this is quite the switch for the municipal market, which had been a seller’s market for the past decade.

“All of a sudden, in a period of weeks, pendulum may swing back to make it more of a buyer’s market,” he said. “I want more protections, more covenants, because there are more unknowns.”

MODERN HEALTHCARE

by TARA BANNOW

March 19, 2020 04:43 PM

S&P Not-For-Profit Acute Care Sector Outlook Revised To Negative Reflecting Possible Prolonged COVID-19 Impact.

Key Takeaways

- We have revised our not-for-profit acute health care sector outlook to negative due to the quickly evolving COVID-19 pandemic and the subsequent investment market deterioration which could pressure credit quality.
- We believe certain credits, especially those with healthy unrestricted reserves and liquidity, may be better able to manage through this crisis.
- Duration, location, and severity will be important considerations in determining the broader impact of this pandemic on the sector.

S&P Global Ratings is revising its sector outlook on the not-for-profit acute health care sector to negative from stable due to the rapidly evolving COVID-19 pandemic that has created additional and significant uncertainty in the industry and may lead to a higher than typical rate of negative outlook revisions or rating changes in 2020 if the crisis is prolonged. For all health care organizations, we believe the pandemic will result in sizeable increases in operating costs, particularly for labor and supplies, reduced volume and revenues related to elective and non-essential health care needs, reliance on working capital lines of credit, and material declines in unrestricted reserves and non-operating revenue as the investment markets weaken. These added constraints are coming at a time when organizations were already under some revenue and expense pressure related to industry dynamics and balance sheet strength had been a stabilizing factor. (See “U.S. Not-for-Profit Health Care 2020 Sector Outlook: A Precarious Balance As Evolution Continues,” published Jan. 9, 2020, on RatingsDirect.)

The duration of this pandemic is certainly one of the key unknowns and if contained to the second quarter of the year, we believe many of our rated organizations will be able to manage through it, although we believe there are certain hospitals and health systems that may not be positioned to hold their ratings and outlooks primarily due to weak pre-COVID-19 credit characteristics. About 30% of our not-for-profit acute health care credits are in the ‘BBB’ category and below, and 45% in the ‘A’ category. These credits could feel a more pronounced impact to credit ratings depending on the trajectory of the outbreak, their unrestricted reserves and liquidity, their reliance on non-operating revenue to attain required debt service coverage, and high contingent liabilities including strict covenants that may be breached. Hospitals located in regions where the virus’ prevalence is high, such as urban and suburban providers in densely populated regions, will also likely experience disproportionate cost and revenue pressure. Conversely, multi-state health care systems may be able to use their diversity to help offset the risks in one market with another and some regional systems could use their facilities and locations to manage some of the capacity and resource challenges.

We expect the COVID-19 outbreak will have an overall negative impact on hospital profitability for many not-for-profit systems and standalones, and the extent of that negative impact will be a function of duration, severity, and location of outbreaks. In addition to higher expenses related to labor and supplies, we believe the deferral of elective outpatient services and procedures by hospitals and patients will result in a sizeable negative impact to hospitals and the duration of deferral of those services, as well as the time to ramp operations back up to normal, remains unknown. While some of this is likely to be offset by inpatient revenue related to COVID-19 patients, it will likely not compensate for that full amount. Higher bad debt expense and uncompensated care could also be a factor as individuals face unemployment or underemployment given the secondary impact of certain businesses needing to shut down. For management teams that were focused on

operating improvements and new strategic initiatives, those strategies are likely to take a back seat at this time.

Healthy balance sheets were one of the factors supporting our stable outlook in January, but that strength and flexibility will be challenged due to both potential weaker cash flow as a result of operating losses and limited non-operating income, as well as lower reserves caused by investment market declines. Many of the not-for-profit systems and hospitals have built up unrestricted reserves over the last several years. However, we believe that investment market volatility and a recession could put a squeeze on that flexibility depending on the specific credit. In addition, the weakening economy and a recession will have secondary impacts, such as reduction in philanthropy.

While some credits are more insulated than others, analytical considerations that we will monitor related to the COVID-19 pandemic and that could determine credit rating impact include:

- Operating flexibility and ability to use other facilities and hospitals to support the significant demand and capacity resources;
- Low levels of unrestricted reserves and liquidity along with asset allocation;
- Liabilities and cash demands including pension and capital projects; and
- Overall access to capital, liquidity and cash management as investment markets remain challenged.

In addition to the recent investment volatility, short-term borrowings and the long-term bond market have been challenged over the last week and to the extent that this continues, that could be added pressure to access capital and manage liquidity. Any credit rating changes or outlook revisions would be credit-specific.

We recognize that there may be more clarity over the next few months for how long this pandemic will remain in an acute stage, what types of therapies may be available, and how the U.S. health care system will respond and adjust over time. State or federal assistance could support hospitals with funding which could help to offset some of the costs and losses and we expect this will be an ongoing area of discussion. As this remains a very fluid situation, we will continue to review and update our view on the sector as more information is made available.

This report does not constitute a rating action.

[Schools, Transit, Hospital Funding Included in Senate Coronavirus Bill.](#)

Senate leaders agreed on a package that includes \$340 billion for relief efforts boosting schools, hospitals and state and local governments, as well as a \$150 billion fund specifically to help states and localities fight the pandemic.

The Senate's historic \$2 trillion relief package to address fallout from the coronavirus outbreak would provide billions to assist local and state governments with both their escalating economic challenges and efforts to respond to the disease.

A [summary](#) detailing new expenditures as authorized by the Appropriations Committee shows the measure includes \$340 billion for relief efforts targeting schools, hospitals and state and local governments. The package includes expansion of all kinds of aid administered at the state and local level, from heating assistance to food stamps, as well as funding to bolster deserted transit systems and airports.

The measure also include \$150 billion to help compensate states and localities for the money they are spending to respond to and attempt to contain the pandemic.

After days of sometimes barbed exchanges between Republicans and Democrats on priorities for the package—the third one Congress has worked on in response to the the coronavirus—the Senate approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act in a unanimous 96-0 vote. The sprawling legislation agreed to by senators and the White House would send \$1,200 direct payments to many Americans, as well as provide funding for loans for both small and large businesses and aid to people who've been forced out of work by coronavirus shutdowns.

However, disagreements over one provision in the bill emerged Wednesday as a small group of Republican lawmakers said they were concerned that a benefit included in the package giving unemployed people a \$600 weekly supplement for four months could incentivize them to not return to the workforce. The \$600 benefit paid by the federal government would be in addition to the variable weekly benefits paid by states.

Eventually, the lawmakers offered an amendment to change the benefit, which failed. After the Senate's approval, the bill now heads to the House.

Included in the appropriations portion of the bill is a \$30 billion Education Stabilization Fund for states, school districts and colleges and universities. The fund would help schools develop and implement plans to provide online learning for students, which is something many school systems across the country are trying to implement as schools close to prevent the spread of the virus.

About \$13.5 billion of the money for schools would be awarded through formula grants to local school districts. The money could be used for basics like cleaning supplies, as well as educational technology like hardware, software and connectivity devices to aid students. Another \$3 billion would be provided to states and could be used at governors' discretion to fund local education agencies that have been most significantly impacted by the outbreak.

The National Education Association and other groups wrote to lawmakers this week asking them to bolster funding for hotspots, connection devices and mobile wireless service that they said would aid students who lack access to the internet and are unable to connect to virtual classrooms.

"We urge Congress to include in the final bill the robust remote and distance learning provisions found in the House's version of this bill and ensure that all students can continue their education online for the duration of this national emergency," the groups wrote.

The measure also includes \$100 billion in grant funding for hospitals and other public health providers that could be used to cover lost revenues and unreimbursed healthcare related expenses related to the coronavirus outbreak.

The Centers for Disease Control and Prevention would also provide \$4.3 billion in support for federal, state, and local public health agencies that could be used to prepare for and respond to the pandemic. Money could be used to purchase personal protective equipment, virus surveillance, laboratory testing, and to pay for personnel to conduct contact tracing to identify how the virus is being spread.

Transit services, which have seen ridership plummet as businesses have shut down and Americans have been ordered to stay home, would also see a boost. The bill includes \$25 billion that would be distributed via formula grants.

"\$25 billion will help alleviate the worst of the crisis in the short term but we also don't know how

long the crisis is going to go on,” said Steve Davis, a spokesman for Transportation for America.

A report out this week from TransitCenter estimates transit agencies across the country could see an annual shortfall of \$26 billion to \$38 billion.

The \$340 billion detailed in the appropriations document is in addition to \$150 billion allotted for a Coronavirus Relief Fund specifically designated to provide state, local, and tribal government with additional resources to address the pandemic.

Two governors on Wednesday said the direct aid to states as outlined in the Senate’s aid package was not enough and indicated they would continue to lobby lawmakers in the House to increase the amount.

New York Governor Andrew Cuomo was particularly critical of the Senate’s aid package, saying the \$3.8 billion it provided directly to his hard-hit state “is a drop in the bucket as to need.” A rival proposal drafted by House Democrats would have provided \$17 billion directly to New York, Cuomo said.

“We need the House to make adjustments,” Cuomo said.

States are largely shouldering much of the initial cost of the response to the pandemic outbreak, and Cuomo said New York’s response could top \$15 billion.

Maryland Governor Larry Hogan, who serves as chairman of the National Governors Association, urged senators to pass the bill. But he also emphasized that governors had made a pitch for their states to receive much more from the aid package.

“Last week, the governors requested that one half of the federal stimulus package go directly to the states,” Hogan said. “The good news is the Senate has agreed to some aid to the states. And while it is not enough, I know they are negotiating back and forth with the House and it is encouraging that both parties have come to an agreement.”

Route Fifty

By Andrea Noble,
Staff Correspondent

MARCH 25, 2020

[States Need Coronavirus Relief for Pensions and Health Care.](#)

(Bloomberg Opinion) — States and localities have been leading the nation’s response to the coronavirus — and unless Congress further intervenes, they’re going to pay for it.

While the Senate’s \$2 trillion stimulus bill includes relief for individuals, families and businesses limping through the current slowdown, it’s barely going to dent the impending budget increase for state and local governments. Medicaid and retiree pension costs — already the two most problematic spending areas for governments — will balloon as result of the Covid-19 crisis. Congress can help with both.

Start with Medicaid spending, which has rapidly grown over the past decade thanks to expansion

and the rising cost of health care. It now accounts for 17% of state spending, up from 14% in 2008. In New York State, the epicenter of the coronavirus outbreak, Medicaid costs are already a whopping 28% of the budget.

Anticipating the skyrocketing costs to come, the nation's governors have asked Congress to temporarily increase federal matching funds by a minimum of 12 percentage points. The previous relief bill, the Families First Coronavirus Response Act signed last week, does allow for a temporary 6.2 percentage point increase in the regular federal matching rate for the emergency period. But it does not apply to qualified adults under the Affordable Care Act, even though it requires that states provide free coronavirus-related testing and treatment to all enrollees.

The current Senate bill includes \$300 billion in combined aid for hospitals and state and local governments. But it's likely this will go to supplies and personnel, not mounting Medicaid bills. If Congress were serious about helping states, it would give governors the larger federal match they asked for. At a minimum, it would extend the current 6.2-point increase to cover ACA expansion adults.

Pensions are another matter. The stock market has lost about one-third of its value since mid-February and public pensions, which are heavily invested in stocks, are likely to have their worst year since the 2008 financial crisis. Pension assets still haven't recovered from those losses, and making up for these new losses over the next few years will be all but impossible.

Congress doesn't — and shouldn't — have control over state and local pensions. But it can offer a tool for public pensions to help with what Moody's Investors Service estimates will be a \$1 trillion loss in investments. Pension obligation bonds, when governments issue debt and put the proceeds into pension systems, are generally frowned upon as a gamble by public finance experts. Such bonds are taxable, so governments pay a higher interest rate for them, and correctly timing investments made with the bond proceeds requires some luck. But this is a moment when they may be worth it.

Stocks are cheap now, and so are borrowing costs. The federal government can sweeten the deal even more by making these bonds tax-exempt for qualifying governments, which would lower borrowing costs even more. In fact, before the 1986 tax reform, these bonds were tax exempt.

Such a move might not be advisable for every pension plan; after all, pension bonds turn "soft" pension debt into hard bond debt with penalties for nonpayment. But for many, a boost in assets now would likely produce a welcome return on investment over the next few years and ultimately help stabilize government pension bills.

Unlike any economic crisis in the modern era, the driver of this slowdown isn't a familiar industry like tech or finance. It's a virus about which very little is known and which requires people staying away from one another. The usual government policy response — an economic stimulus to get people out and working again — isn't a viable option. It's a daunting prospect for local leaders.

And yet those leaders have been on the front lines of the Covid-19 crisis anyway, making difficult but necessary policy decisions that are blowing holes in their budgets. It took nearly a decade for most state and local governments to recover financially from the last economic crisis. Congress can and should do a lot more for them this time around.

Bloomberg Opinion

by Liz Farmer

March 26, 2020

This column does not necessarily reflect the opinion of Bloomberg LP and its owners.

Liz Farmer, a research fellow for the Rockefeller Institute of Government and a former fiscal policy reporter for Governing magazine, is a freelance writer who lives in Maryland.

[U.S. Public Pension Funds Face Nearly \\$1 Trillion in Losses - Moody's](#)

CHICAGO, March 24 (Reuters) - The market crash and the economic fallout from the coronavirus has led to nearly \$1 trillion in investment losses for U.S. public pension funds, Moody's Investors Service said on Tuesday. The credit rating agency said the funds are generally facing an average investment loss of about 21% in the fiscal year that ends June 30, based on a March 20 snapshot of market indices.

"Without a dramatic bounceback of investment markets, 2020 pension investment losses will mark a significant turning point where the downside exposure of some state and local governments' credit quality to pension risk comes to fruition because of already heightened liabilities and lower capacity to defer costs," said Tom Aaron, a Moody's vice president, in a statement.

(Reporting By Karen Pierog Editing by Sonya Hepinstall)

[S&P Pension Brief: Liquidity Is A Rising Concern For U.S. Public Pensions In Down Markets](#)

Table of Contents

- Weak funded ratios and high discount rates increase liquidity risk
- Related Research

Given the current market downturn, U.S. public pension plans may experience liquidity stress to cover benefit payments. Through periods of continued volatility, assets in plans with weak liquidity are likely to be sold at a loss and may contribute to decreasing funded ratios. In our opinion, poorly funded plans and high discount rates may be indicators of excessive liquidity risk.

In the U.S., plans have an average of 1% of their target portfolios held in cash and short-term investments to pay ongoing expenses, such as benefit payments and administrative costs. A liquidity-to-assets ratio can be useful in determining the liquidity risk, if any, of a pension plan.

[Continue reading.](#)

[Commentary: The Time is Ripe for Public Pension Obligation Bonds](#)

It's finally now time for public pension funds and their sponsoring employers to make lemonade from lemons. The market value of public pension stock portfolios has shrunk dramatically in the shadows of the COVID-19 crisis, coupled with the recessionary impact of the Saudi-Russian oil price war. Stock indexes are down 35% or more from their peaks just earlier this year, in a dramatic sell-off.

As trustees and chief investment officers scramble to quell fears of stakeholders, and public finance officers watch their sales and income tax revenues plummet, liquidity and even solvency fears are resurfacing in some places. The potential inability of state and local governments to sustain their pension promises is once again making the news.

Before we start ringing the alarm about pension funding and pension deficits, it's now the time to revisit a worthwhile public finance strategy and instrument that may be able to come to the rescue of public employers. It works for both their underfunded pension funds as well as their often unfunded retiree medical benefits, known as other post-employment benefits, or OPEB. The pension obligation bond, and its more appropriate "benefits bond" cousin for OPEB plans, could never be more timely — and more vital to the future health of states and municipalities.

[Continue reading.](#)

Pensions & Investments

by Girard Miller

March 25, 2020

[NABL Pushing for Municipal Bond Relief Measures in Response to COVID-19: McNeese](#)

The National Association of Bond Lawyers ("NABL") recently sent a [letter](#) to Congress, outlining some measures it recommends Congress adopt to combat the economic downturn related to the Coronavirus COVID-19 Pandemic. The suggestions are a mix of previously-made requests and new suggestions to inject additional liquidity into the market.

NABL's recommendations, addressed to the top Republican and Democrat members in both the House and Senate, consist of the following:

- Reinstate ARRA-Era Bond Programs, such as Build America Bonds, at non-sequestration subsidy levels
- Relax the working capital rules in Sections 1.148-1(c) and 1.148-6(d) of the Regulations for coronavirus-related deficit financings
- Authorize the direct purchase of state and local bonds by the federal government (e.g., through passage of the Bond Market Emergency Relief Act)
- Eliminate or limit the prohibition of federal guarantees of tax-exempt bonds under Internal Revenue Code section 149(b)
- Reinstate tax-exempt advance refundings
- Remove, or substantially increase, the \$10M cap on qualified tax-exempt obligations under Code section 265
- Temporarily permit institutional investors to count municipal securities towards their liquidity coverage ratio
- Temporarily suspend the private activity bond rules under Code section 141 to encourage additional partnerships with private enterprise
- Authorize additional types of private activity bonds previously eliminated by prior tax reform measures, to help small businesses
- Eliminate volume cap limits on single- and multi-family housing bonds for the next three years.

As Congress is still debating additional stimulus measures in response to the growing crisis, it is possible that some of these suggestions may appear in a final bill. The attorneys of the [McNees Public Finance Group](#) will continue to monitor this fast-moving situation as it develops.

by Timothy Horstmann

March 24, 2020

McNees Wallace & Nurick LLC

[Impact of COVID-19 on Local and State Governments.](#)

Capital markets around the world have felt the wrath of the COVID-19 threat, and investors are asking whether a global recession is imminent.

Consider the following facts:

- The S&P fell close to 1,000 points from Feb 24 to March 23 (3,225 to 2,237), recording a 31% loss;
- The small and non-essential businesses will be hardest hit along with their employees;
- The hardest hit areas in the U.S are also seeing rising unemployment numbers; and
- The federal government's financial stimulus package is still being debated, and its impacts - both positive and negative - are yet to be fully determined on how they might affect the economy.
- For municipal debt investors, the most important question to ask right now is whether there will be municipalities facing the financial strains leading up to a potential for bankruptcies.

In this article, we will take a closer look at how the current COVID-19 situation is affecting the municipal debt markets, and municipal finances in general.

[Continue reading.](#)

municipalbonds.com

by Jayden Sangha

Mar 25, 2020

[COVID-19 and Understanding Your Force Majeure Clauses.](#)

The China Council for the Promotion of International Trade has currently issued at least 4,811 force majeure certificates due to the COVID-19 pandemic. These certificates qualify the coronavirus outbreak as a force majeure event and certify that a party's partial performance or failure to perform under an agreement be excused if there is a force majeure clause in the agreement. According to a Xinhua state media report, the total contract value for the agreements associated with the certificates is an alarming 373.7 billion Chinese yuan (equivalent to US\$53.79 billion). Unfortunately, for many U.S. businesses impacted by the economic hardships caused by COVID-19, these force majeure certificates will be of little use if their contracts are governed by U.S. law. Companies should understand the impact and application of their existing force majeure clauses to COVID-19.

A typical force majeure clause releases obligations and liability if an extraordinary event occurs. These events are usually limited to events like war, fire, natural disasters, civil disorder, strikes or labor disputes, acts of God or other circumstances beyond a party's reasonable control. When these unanticipated circumstances arise, the force majeure clause may be invoked to relieve the parties from their contractual obligations or to terminate the contract with no further liability from either party.

Far too often, force majeure clauses are an afterthought during the contract negotiation process. Although seemingly unimportant when the parties are trying to close a deal, these clauses have substantive impacts to the business when unanticipated events occur. As the spread of COVID-19 disrupts global supply chains and results in the imposition of emergency rules and regulations, it becomes imperative for companies to prepare themselves for impending commercial disputes.

As a historical example, the SARS virus outbreak in 2003 resulted in many companies asserting force majeure clauses. Northwest Airlines famously relied on the force majeure clause in its labor contracts to lay off employees without notice, asserting that the SARS virus caused its air traffic to Asia to significantly decline. Not surprisingly, the Aircraft Mechanics Fraternal Association, an independent aviation union, claimed the layoffs were an immoral exploitation of the provision and challenged Northwest Airlines' legal justification by filing a class-action grievance. The arbitration board held that while a number of the layoffs were justified by force majeure events, a certain subset of mechanics were unjustifiably laid off, and Northwest Airlines was ordered to rehire those mechanics. The takeaway from this is that a force majeure clause may not apply uniformly to different circumstances.

While the SARS virus resulted in many companies revising the force majeure clauses in their contracts to include "global epidemics" as triggering events, the Northwest Airlines example shows that COVID-19 should be carefully analyzed in its specific impact to different industries. In addition, other contract provisions will alter the legal analysis about whether a specific force majeure clause can be invoked. For example, certain jurisdictions may interpret "acts of God" or "epidemic" differently, so the governing law provision will have an effect on whether the force majeure clause may be invoked. Moreover, force majeure clauses are drafted with specific terms that impact their interpretation. For example, a force majeure clause that does not specifically cite "disease" or "epidemics" may nonetheless have an all-inclusive catch-all phrase (such as "any similar event beyond the reasonable control of a party") that would lead to the COVID-19 pandemic qualifying as a force majeure event.

Just as companies must take a proactive approach to their employees' health and safety with respect to COVID-19, companies should also take a proactive approach to the other business effects of COVID-19. If a company's obligations have been affected by COVID-19 in any capacity, the company should consider certain practices in anticipation of any disputes and to prepare for the possible invocation of a force majeure clause, including, but not limited to the following:

- keeping detailed records of COVID-19's impact on its business functions and on any inability to perform the company's contractual duties;
- documenting COVID-19's impact on the company's supply chains, such as its vendor's inability to secure raw materials, parts, components, or disruption to the capabilities of the vendor's suppliers or independent distributors;
- continuously evaluating the current events of COVID-19 and how the incident is affecting governments and the company's industry. The situation is changing day-by-day, and keeping abreast of the current events will allow the company to quickly reassess its obligations and liabilities;
- reviewing both existing customer agreements and vendor agreements, to analyze the legal

obligations and liabilities of all parties under the agreements. Force majeure clauses are each drafted differently and should be interpreted by legal counsel. Companies should also keep in mind notice provisions within its agreements, so that it does not inadvertently run afoul of its obligations to notify the other party; and

- reviewing insurance coverages and whether the company's current insurance covers business interruption related to COVID-19.

Taft Stettinius & Hollister LLP - Jeff Kuo

March 23 2020

[Does the Coronavirus Shutdown Trigger a Regulatory Taking? - Nossaman](#)

With the recent government mandates surrounding COVID-19, many businesses are completely shut down and are legally unable to open their doors to the public. Are those businesses — movie theaters, gyms, retail stores, etc. — entitled to compensation for a regulatory taking? Similarly, landlords are experiencing massive losses as those tenants are unable to make rental payments; are those losses compensable? Should governments worry about liability when issuing orders requiring the closure of businesses?

While compensation arguably should be paid from a decency and “good of the community” standpoint, legally, property owners and businesses are likely not entitled to compensation for a taking due to the shutdown. If you're interested in a fantastic write-up on the legal implications and liability issues under the Takings Clause, I suggest you read Ilya Somin's article, [Does the Takings Clause Require Compensation for Coronavirus Shutdowns?](#) You can also review Robert Thomas' summary on [inversecondemnation.com](#) related to [emergency takings and compensation for commandeered property](#).

In summary, under existing legal precedent, the government's broad exercise of its “police power” — its ability to protect public health and safety — does not qualify as a taking. From a policy standpoint, Ilya Somin points out that

“no judge will want to be seen as impeding an effort to save large numbers of lives in the midst of a grave menace to public health;” and

“the urgency of the crisis combined with the enormous scale of the compensation that would be required make it more likely that an adverse judicial ruling really would impede the government's policy—potentially even shutting down the shutdown, so to speak.”

On the flipside, from a moral policy perspective, the Fifth Amendment Takings Clause has been meant to ensure that the government does not force some people alone to bear the burdens that should be borne by the public as a whole. And yet that is closely what is happening here, as certain businesses and property owners are bearing a disproportionate share of the burden of protecting the population as a whole.

Perhaps some of these businesses will receive relieve through the government's stimulus bill, but many may not. Time will tell whether the government continues to look for other economic measures of compensation to assist these businesses and landlords being forced to shut down.

Nossaman LLP - Bradford B. Kuhn

Can State and Local Government Seize Your Private Property During a Global Pandemic?

Hotels, parking lots, convention centers and sports fields throughout the world are being used as field hospitals and to otherwise house people suffering from the effects of COVID-19. For example, one hotel in Hong Kong has designated entire floors of the hotel for quarantined guests, and at least 11 hotels in South Korea will house quarantined guests. Given the rapid increase in COVID-19 cases in the United States, many state and local governments are weighing similar measures. In San Francisco, city officials have identified more than 8,000 hotel rooms that could possibly be used for individuals who need a place to self-isolate. These state and local governments are considering the use of private property such as hotels, lodges, apartments and other related facilities as makeshift hospitals, quarantine facilities or housing for first responders to cope with the strain on critical infrastructure. This client alert examines the legal issues around such use.

Do State and Local Governments Have the Authority to Use Your Property During a Global Pandemic?

Generally speaking, state and local governments have the authority to regulate matters of local concern to protect the health, safety and welfare of their populations. These powers, known as police powers, are reserved to the states by the 10th Amendment to the United States Constitution. Likewise, state and local governments have the power of eminent domain to take personal property for public use so long as property owners are justly and fairly compensated in accordance with the Takings Clause of the Fifth and 14th Amendments.

Thus, state and local governments' authority to commandeer private property during a global pandemic can be broken down into two interrelated categories: (1) the authority of state and local governments to use their police powers to regulate to prevent the spread of disease, and (2) the authority of state and local governments to use their power of eminent domain to take private property for protection of the public.

In some instances, the authority of states, counties and municipalities to impose regulations to take control of property as part of efforts to contain the spread of epidemic disease is express. For example, in Colorado, the Colorado Department of Public Health and Environment may "exercise . . . physical control over property and the persons of the people within [Colorado] as the department may find necessary for the protection of the public health." C.R.S. § 25-1.5-102(1)(c).

Similarly, in California, the State Department of Health Services may "take measures as are necessary to ascertain the nature of the disease and prevent its spread." Cal. Health & Safety Code § 120140. Even more expressly, under the California Emergency Services Act, the governor is authorized to commandeer or use any private property or personnel deemed necessary in the exercise of emergency powers during a state of war or state of emergency. The state must pay the reasonable value of the private property or personnel commandeered. Cal. Gov. Code §8572.

Therefore, through the exercise of the police powers and the power of eminent domain, state and local governments do have the authority to use hotels, lodges, apartments, parking lots, convention centers, sports fields and other related facilities as makeshift hospitals, quarantine facilities or housing for first responders during the outbreak of COVID-19.

What Rights Do You Have When Your State or Local Government Takes Your Property?

Even though state and local governments have the authority to use private property as makeshift hospitals, quarantine facilities or housing for first responders, your property rights are protected by the United States Constitution, state constitutions and, in some cases, local governments' municipal codes. The United States Constitution and many state constitutions require state or local governments that take property to pay the property owner just compensation, typically the fair market value of the use of the property. Compensation may be available whether the government takes property permanently or temporarily.

Private property is protected under the Takings Clause of the Fifth Amendment, which applies to the states by the 14th Amendment. The Takings Clause states, "... nor shall private property be taken without just compensation." As a general rule, government need not pay the owner when restricting the public from access to or use of dangerous property, since the property is considered a public nuisance. For example, if a public health agency declared a contaminated meth house a public nuisance, the agency would not have to pay the owner. Similarly, state and local government business shutdowns likely do not trigger the right to compensation under the Takings Clause.

Conversely, government must pay the owner fair market value of the use of the property if the property is seized for public use. Here, in a pandemic scenario, a hotel might be used as a quarantine facility. If the hotel owner can demonstrate lost revenue due to the government's use, the owner may be able to recover the income lost from having no hotel guests during the quarantine.

Consequently, if a state or local government uses your hotel, lodge, apartment, parking lot, convention center, sports field or other related facility as a makeshift hospital, quarantine facility or housing for first responders, the Takings Clause likely serves as a backstop for fair and just compensation for the government's use of your property.

What Should You Consider in This Situation?

Because of the Takings Clause, affected property owners may have leverage in negotiations with state and local governments seeking to use their private property. Given this potential leverage, affected property owners may want to focus on two main areas of consideration: (1) compensation and (2) protection against increased liability.

First, property owners may consider engaging state and local governments in discussions regarding just compensation for the use of the property. Assuming that state or local governments' use of the property will end when the outbreak of COVID-19 ends, compensation should reflect the impact of the state or local governments' use of the property, rather than the value of the entire property. Therefore, any conversations with state or local governments should address the reasonable value of the cost incurred by the landowner in connection with the state or local governments' use of the property. Reimbursement for any out-of-pocket costs associated with the state or local governments' use of the property as a makeshift hospital, quarantine facility or housing for first responders also could be discussed as another form of just compensation.

Second, property owners may consider engaging state and local governments regarding protection against increased liability due to state or local governments' use of the property. This is important because the property owner may remain liable for things that occur on its property during government use, such as a slip-and-fall, because state and local governments have governmental immunity. Thus, if a member of the public were injured on the property in connection with the governmental purpose, the injury could leave the property owner as the sole defendant in a lawsuit. Additionally, in Colorado, government entities may not legally agree to an open-ended indemnity of

private property due to TABOR. Therefore, whether in Colorado or another state, it may be advisable to negotiate with the state or local governments to pay for the cost of additional insurance coverage for the affected properties to ensure that the property owner is not left with the obligation to pay liabilities incurred as a result of the government's use of the property.

In sum, the most important considerations for property owners whose hotels, lodges, apartments or other related facilities are used by state or local governments for makeshift hospitals, quarantine facilities or housing for first responders are: (1) discussing compensation for the reasonable value of the use or reimbursement of out-of-pocket costs, and (2) requiring the state or local governments to cover the cost of additional liability insurance to protect the property owner from increased liability due to the governments' use of the property.

Brownstein Hyatt Farber Schreck LLP - Katherine J. Madden, Sarah M. Mercer andCarolynne C. White

March 26 2020

[Key COVID-19 Response Strategies for Development Finance Agencies.](#)

— Bonds, Tax Increment Finance, Revolving Loan Funds —

Development finance has always been at the forefront of recovering from natural disasters and economic challenges. The emergence of the COVID-19 crisis requires a unique and targeted response by the federal government, state and local development finance agencies (DFAs), private banks, and philanthropy.

As the situation surrounding COVID-19 evolves, small businesses and communities across the country are very quickly facing liquidity challenges, job losses, and project stagnation. Credit is tightening and small businesses are struggling to make payroll while communities have been forced to scale back or halt development. Moreover, communities are facing difficulties financing critical infrastructure such as health facilities, broadband networks, and testing centers to address local COVID-19 demands.

DFAs are uniquely positioned to solve these challenges through pragmatic solutions and adjustments to existing initiatives. CDFA understands that DFAs are under considerable stress and pressure to address these immediate challenges while being mindful of the long-term financial health of their organizations and communities. The following set of strategies and recommendations is designed to help DFAs evaluate their portfolios and determine whether modifications are needed for their bonds, tax increment finance, and revolving loan fund programs.

Bond Portfolios

DFAs operate extensive bond portfolios of both recourse and nonrecourse bond issuances. During this crisis, DFAs will face significant pressure to maintain their bond ratings and ensure timely debt service payments for all outstanding bond issuances. DFAs should consider the following:

Outstanding Recourse Bonds - For bonds that are the obligation of the issuer, DFAs should take immediate stock of current debt service payment expectations and prepare the necessary actions to ensure that existing payments are made in a timely fashion. As these are generally general obligation bonds, communities must be prepared to assemble the necessary capital needed to make

all existing payments on time to prevent delays and/or defaults. DFAs may want to consult with their financial advisors on options available for refinancing outstanding debt given the low-interest rate environment being afforded by the capital markets and federal relief efforts. Issuers should note that the stimulus package provides that the Federal Reserve may now purchase municipal bonds. The opportunity to refinance debt and issue new bonds remains strong.

Outstanding Non-Recourse Conduit Bonds - While these debt obligations are not generally the responsibility of the DFA directly, CDFA encourages agencies to be in direct contact with their current conduit bond borrowers. Assess the immediate ability for borrowers to make debt service payments and begin the process of workouts and adjustments if necessary. DFAs do not have direct responsibility for these payments but should be leery of reputational risk associated with potential defaults on issuances. Reputational risk can carry long-lasting consequences for issuers once returning to the capital markets on future issuances.

New Deals in Pipeline - CDFA encourages DFAs to continue to work on new issuances of both recourse and nonrecourse bond deals. The capital markets and federal relief efforts are providing significantly low rates and continuing to encourage investments. As noted earlier, the Federal Reserve may now purchase municipal bonds. This stimulus action does not apply to private activity bonds, but the environment for privately-placed PABs should be favorable. Do not halt new deals. Simply work within the parameters of new capital markets realities and prepare issuances with an eye towards recovery.

Ratings - If you are a rated entity, stay in close contact with your rating agency counterparts. Have constructive conversations about your current rating and the impact of COVID-19 on your bond portfolio. Work with the ratings agencies to ensure that they understand your relative financial position and the important steps you are taking to mitigate late payments and/or defaults. Manage reputational risk by determining any conduit deals that need to be addressed in the immediate future. While these bonds are not necessarily your ultimate responsibility, you want to be proactive about working to maintain a strong rating with the services. This includes working with your troubled borrowers and helping to address workouts and late payment situations.

Tax Increment Finance Portfolios

Thousands of existing tax increment finance districts are operating throughout the country. The COVID-19 crisis will put stress on existing debt obligations of these districts and may delay the development of new districts. DFAs should consider the following:

Existing TIF Obligations - This crisis underscores the need for proper TIF evaluation and regular monitoring to mitigate risk. DFAs and communities should explore and understand the changing landscape of property tax impacts on existing projects. In doing so, DFAs should understand timelines for expected property tax payments and revenues and the subsequent debt service obligations on outstanding projects. This includes revisiting the security or collateral in place for each TIF deal. In addition, DFAs should look at LOC agreements, special assessment commitments, and the allowance for tax assessment appeals as these may lead to revenue loss if challenged.

In the immediate, DFAs should continue to make regular and on-time payments on all existing notes, loans, and bonds. However, DFAs need to begin to develop projections on real estate impacts due to the COVID-19 crisis. A prolonged slowdown in economic activity will inevitably result in smaller than expected tax revenue. TIF obligations backed by real estate taxes have a slightly longer horizon of 12-18 months but should be preparing as if any decline in economic activity will result in less tax revenue. TIF obligations backed by sales tax, use or other sources of revenue should begin immediate workout strategies to mitigate against far lower than expected revenue collection. It is

important that DFAs and communities act now to ensure that all obligations be met in both the immediate future and in the next 2-3 years of projects in service. For strong and stable TIFs, it may be wise to look into refinancing options based on the availability of low interest rates.

DFAs should check their state statute for use of funds allowances. In the event of lower than projected revenues, some state TIF laws allow for the use of excess revenues to be put into reserve funds now to prepare for an eventual decrease in tax revenues later.

Businesses within TIF Districts - An immediate concern is supporting the tenants and businesses within existing TIF districts. These businesses rely on their regular income to pay their subsequent taxes. These taxes are used to fund the TIF debt service. Some businesses will survive the crisis while others will not. Helping to ensure that businesses stay viable during the COVID-19 crisis will help to mitigate tax revenue loss. If a business does close, DFAs should immediately begin working on finding a replacement business for that space. While this may seem counterintuitive during the crisis, TIF districts cannot go without taxpaying businesses for a prolonged period. Work quickly to shore up lost business opportunities and work to remedy nonperforming businesses as quickly as possible. This is of paramount concern in districts with fewer taxpaying businesses or property owners. If a major anchor of a TIF district closes, DFAs should aggressively work to replace that tenant immediately to safeguard the tax revenue stream.

New Districts and Pipeline Projects - It is likely that new districts and pipelined projects will be delayed, reduced or canceled as a result of this crisis. Many communities will naturally become more risk averse during and after this crisis. However, DFAs should continue to run projects through the feasibility process and continue to work with developers and end-users on a strategy to help projects continue through this process. Projections and feasibility studies may require an updated review based on potential hits to revenue expectations. DFAs should also look at non-traditional sources of financing. With the plethora of federal and state recovery resources in the pipeline, now is a good time to begin to identify new sources of capital for a project. TIF will be a very important tool for recovery and DFAs that look forward with a lens towards recovery will be in a good position to approve and execute new projects once the economic slowdown ends.

Revolving Loan Fund Portfolios

DFAs operate thousands of loan funds throughout the country. CDFAs expects these funds to be impacted significantly due to the COVID-19 pandemic, both in the immediate term to address current economic challenges as well as in the long term as business recovery continues. DFAs should consider the following:

Existing Borrowers - Check in with your current borrowers immediately to fully understand their liquidity and debt service constraints. Many small businesses are facing cash flow and liquidity challenges. They may need immediate adjustments to their loan terms, rates, and repayment schedules.

Adjusting Rates and Terms - To the extent possible, consider adjusting current rates, terms, and repayment schedules. Now is not the time for ultra-conservative approaches to loan fund management. Borrowers are facing liquidity challenges and do not have the cash flow to pay debt service. This is through no fault of their own. Consider easing your loan fund repayment schedule to allow borrowers to defer payments for up to one year. While this may result in less cash flow to the fund, it will allow borrowers to focus on immediate challenges with less debt repayment stress.

New Borrowers & Short-Term Disaster Loans - Halt all non-essential new borrowing that is not related to responding to the COVID-19 crisis. New borrowing should be focused on small businesses

impacted by the COVID-19 crisis. Require that new borrowers demonstrate the impact that the crisis has had on their business and their need for immediate capital. Provide short term loans of three to six months with zero percent interest to allow these borrowers to continue to make payroll and inventory payments. Defer repayment of these loans for up to one year. Finally, consider requiring new borrowers to refinance their distressed loan after one year if they do not pay it off in advance. DFAs may then be able to charge reasonable, but low-cost interest, on the refinanced loans.

Recapitalizing Funds - Federal and state governments, philanthropy, and the banking industry have been responding aggressively to the crisis but still need to hear from loan fund managers on the demand for low-cost capital. Reach out to your partners at federal and state agencies for a request to recapitalize funds immediately. Consider reaching out to foundations and financial institutions for fund capitalization as well. Be aggressive and request flexible funds to immediately put into new loans to address distressed businesses. If recapitalization is not possible, consider asks for loan loss reserves or loan guarantees to help address current borrowing needs.

Other Considerations

DFAs will face a number of challenges in the coming weeks and months. These challenges are understandable and navigable. DFAs were a big contributor to the nation's recovery during the recession of 2008-2009. During the coming months, DFAs should remain vigilant and focused on addressing immediate challenges while keeping a watchful eye on the future. Operational budgets and capacity may get stretched and tested but DFAs should continue to use sound financial management approaches. Now is the time for the development finance community to rise to the occasion and support our nation's bright future and full recovery.

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[Muni Market Gets Support from Fed as Part of Wide Effort to Curb Virus Fallout, Self-Regulator Warns to Review Compliance.](#)

New York (Thomson Reuters Regulatory Intelligence) - The Federal Reserve on Friday provided support for the \$4 trillion municipal bond market as it extended its support of a credit market hit by a flight to safe havens due to the coronavirus health crisis. The move came after muni bond dealers sought help and the industry self-regulator warned firms to bolster controls.

The Fed has stepped in by offering support for firms hit by virus turmoil with direct purchases of short-term securities that make up money market funds and ultra-low interest rates to stem the most severe financial turmoil to hit the U.S. economy since the financial crisis in 2008.

As part of its effort, the Fed and other U.S. banking agencies on Sunday said they were encouraging banks to restructure loans to borrowers hit by the COVID-19 virus that has shut down a widening swath of the U.S. economy as businesses close and consumers stay home to slow its spread.

"The agencies encourage financial institutions to work with borrowers, will not criticize institutions for doing so in a safe and sound manner, and will not direct supervised institutions to automatically

categorize loan modifications as troubled debt restructurings,” a Fed statement said [here](#).

The municipal market has separate funding mechanisms that were not included in the Fed’s money-market and commercial paper programs. An even larger pool of investment money than money-market funds, the muni market fell under intense pressure in March when it was hit by the biggest wave of fund redemptions on record despite the Fed’s actions to shore up short-term credit.

The muni market had seen record inflows in February in the early stages of the market turmoil caused by the spreading health crisis, as investors moved funds from riskier assets to munis, considered safe haven in which defaults have been rare.

The subsequent turnaround in sentiment came in part from a warning in early March in a California municipal bond offering from the state’s general fund. California was among the first states to report incidents of the virus. California said in early March that there could be “no assurances that the spread of a novel strain of coronavirus called COVID-19 will not materially impact the state and national economies and, accordingly, materially adversely impact the general fund.”

The market in the second week of March was overwhelmed by selling amid fear that California might soon be joined by other state and local governments facing resource constraints from the pandemic and would face financial stress.

The industry self-regulator, the Municipal Securities Rulemaking Board, issued an alert to firms in early March saying that they should review compliance and oversight “in light of the coronavirus” in early March said it was “closely monitoring the impact of the coronavirus disease (COVID-19) on municipal market participants.”

With losses mounting and liquidity falling through the end of last week, the Bond Dealers of America on Thursday called on Fed Chairman Jerome Powell to extend its direct purchases of securities to the most-stressed parts of the market and consider easing rules. The trade group sought Fed support to ease liquidity shortages in Variable Rate Demand Notes that play a key role in short-term funding operations for municipals.

“Liquidity has waned significantly as measured by bid-ask spreads and price volatility has been perhaps the most severe ever in the history of the market,” Mike Nicholas, the group’s chief executive officer said in a letter sent to the Fed last Thursday [here](#). The group had added that the market would be crippled without Fed support since firms would “effectively prevented them from taking on more municipal inventory.”

The Fed action looked likely to help the central bank stabilize the short-term rates that provide liquidity, said Matt Fabian, the head of market and credit research at Municipal Market Analytics.

While the Fed action did not directly impact the trillions of dollars long-term municipal bonds held by individuals in hundreds of thousands of issues from state and local government, it would support the top rated short-term securities such as the variable rate notes that are derived from the long-term debt and used in muni-funding operations.

“It will greatly reduce the pressure on the muni money markets to cover investor redemptions while not tanking the value of the underlying municipal bonds they hold, specifically short maturity bonds and notes,” he said in an email.

He added that most of the market’s liquidity pressure “is exactly in this part of the curve, because investors are converting many of their financial assets to cash without regard to what those assets are,” he added.

Self-regulator MSRB [said in its coronavirus alert](#) in early March that “the coronavirus may present operational challenges and business disruption for regulated entities.” But it added that the firms can do required supervisory reviews remotely.

Its supervisory process “does not mandate that supervision be done in-person, recognizing that technology plays a prominent role in how dealers conduct their supervisory reviews and a reasonably designed supervisory system could incorporate remote supervision.”

FINRA’s general guidance for firms notes that municipal dealers must observe a fiduciary standard of care under the Securities Exchange Act of 1934. The standard requires firms to deal fairly, make suitable recommendations, clearly disclose pricing that is reasonable and in line with market prices and have supervision that’s “reasonably designed to achieve compliance with applicable rules and regulations.”

by Richard Satran

MARCH 24, 2020

[In Sweeping Move, Fed Will Lend to Businesses and Local Governments and Extend Bond-Buying Programs.](#)

The Federal Reserve announced a batch of programs Monday to jump-start strained lending markets across the economy, making more credit available to a wide range of businesses and consumers battered by the coronavirus outbreak, including students, car buyers, large corporations, small businesses and cities.

The Fed said it will pump more cash into a financial system that clogged up amid a bruising recession that has shriveled consumer spending as restaurants, movie theaters, stores, sports arenas and other public places shut down to contain the spread of the outbreak.

“The coronavirus pandemic is causing tremendous hardship across the United States and around the world,” the Fed said in a statement. “Our nation’s first priority is to care for those afflicted and to limit the further spread of the virus. While great uncertainty remains, it has become clear that our economy will face severe disruptions. Aggressive efforts must be taken across the public and private sectors to limit the losses to jobs and incomes and to promote a swift recovery once the disruptions abate.”

Last week, the central bank lowered its benchmark interest rates near zero and said it will buy \$500 billion in Treasury bonds and \$200 billion in mortgage-backed securities. The Fed said Monday it will include commercial mortgage-backed securities in the purchases, making more money available for loans for retail, office and other commercial real estate projects and pushing down their interest rates.

It said it will buy an unlimited amount of Treasury bonds and mortgage-backed securities in an effort to hold down interest rates and ensure those markets function smoothly.

The Fed said it will set up three lending facilities that will provide up to \$300 billion by purchasing corporate bonds, buying a wider range of municipal bonds and purchasing asset-backed securities. The central bank said it will renew a financial-crisis-era program that will make funding available for student, auto and credit card loans.

After the Fed announced the Treasury and mortgage bond purchases last week, it quickly ran through roughly half those amounts by the end of the week. Monday, the New York Federal Reserve said it would purchase \$75 billion of Treasuries and \$50 billion of mortgage-backed securities each day this week.

That is a much larger amount than the Fed deployed in the financial crisis and its aftermath. In 2012, the Fed launched its third round of asset purchases, known as quantitative easing, which consisted of \$45 billion of Treasury purchases a month.

by Paul Davidson

March 23, 2020

USA TODAY

[All the Moves the Fed is Making to Bolster the Economy, from Main Street to Muni Bonds.](#)

The Federal Reserve is taking its status as the “lender of last resort” in the U.S. very seriously.

The central bank announced yet another series of measures on Monday morning designed to keep credit markets liquid and to support businesses that continue to feel the ever-worsening economic impact of the coronavirus outbreak.

In addition to [scaling up its purchases](#) of Treasuries and mortgage-backed securities to a virtually unlimited amount, the Fed is now also intervening in the corporate bond market via a number of credit facilities that will provide up to \$300 billion in new financing to businesses.

Two of those facilities, the Primary Market Corporate Credit Facility and Secondary Market Corporate Credit Facility, are designed to support a corporate credit market that has shown [signs of stress](#) in recent weeks. The Primary Market Facility will provide four-year bridge loans to investment-grade companies, while the Secondary Market Facility will purchase outstanding bonds issued by investment-grade U.S. firms and U.S.-listed exchange-traded funds.

The Fed is also relaunching its financial crisis-era Term Asset-Backed Securities Loan Facility, which will lend to investors who purchase asset-backed securities (ABS) backed by student loans, auto loans, credit cards, and other consumer debt. And the central bank is boosting two previously announced facilities, targeting money-market mutual funds and commercial paper, to also include municipal bonds that finance operations for localities across the country.

Additionally, the Fed said it will soon roll out an initiative meant to aid small- and medium-size businesses that are out of the reach of its ambitious corporate bond-buying regime, via a Main Street Business Lending Program. That will come after it ensures Wall Street’s big banks have the liquidity they need to continue lending to businesses and households—via expanding its discount window to depository institutions, eliminating reserve requirements for banks, and reestablishing its crisis-era Primary Dealer Credit Facility.

In total, the moves amount to a near-unprecedented intervention by the central bank as it seeks to stabilize financial markets and ensure adequate credit across the U.S. economy in a time of crisis. They also answer—for now—concerns from some observers who have questioned just how much

power the Fed has to mitigate the impact of the ongoing economic downturn.

“Every time people say [the Fed is] out of ammunition, they continue to come up with more,” Kathy Jones, chief fixed-income strategist at the Schwab Center for Financial Research, tells Fortune. By intervening in the ABS and municipal bond markets, the central bank’s latest measures are “meant to [address] some of the things that their previous programs hadn’t addressed.”

Municipal bonds, for instance, have been battered amid a lack of market liquidity and concerns about “the creditworthiness of airports, hospitals, and states/city governments at the epicenter of the COVID-19 crisis,” according to a research note released Monday by Morgan Stanley Wealth Management. According to the note, municipal bond prices have fallen to such an extent that yields are at their highest levels compared with U.S. Treasuries “in more than a decade.”

Jones notes that the Fed is taking a particularly aggressive approach in lieu of a promised fiscal stimulus package that continues to be held up in Congress. Until such a bill comes to fruition, the Fed is “the only game in town” as far as government support for the economy is concerned, she adds.

To play that role, the central bank has relied on some creative maneuvers. As in the last financial crisis, the Fed has established a special purpose vehicle (SPV) to operate its current forays into the private credit markets. The SPV—which is partly backed by the \$30 billion equity contribution from the Treasury Department’s Exchange Stabilization Fund—functions as a “way around the [legal] limitations” prohibiting the Federal Reserve from using its own balance sheet to purchase private assets.

But while the Fed has been proactive in looking to calm financial markets, it remains to be seen whether the central bank’s moves—namely, its pending Main Street Business Lending Program—can alleviate the pain being felt by small businesses and local economies that are straining under the coronavirus lockdown’s devastating impact on commerce.

“I think this particular type of crisis is having the biggest impact on small businesses and state and local governments,” Jones says, noting that such entities also employ a huge chunk of the U.S. labor force. “It is important to address the needs that they have.”

FORTUNE

by REY MASHAYEKHI

March 23, 2020 12:30 PM EST

[**Federal Reserve Considering Additional Support for State, Local Government Finance.**](#)

Central bank hires former Treasury official to assist with potential municipal-lending program

Federal Reserve officials are reviewing new ways to support financing for state and local governments, many of which are on the front lines of the coronavirus pandemic and will face huge borrowing needs as revenues plunge, according to people familiar with the matter.

The economic-rescue legislation Congress approved this week asks the Fed to charge headlong into areas it has long considered taboo—supporting lending to businesses, cities and states. The Fed traditionally avoided intervening directly in credit and fiscal policy, preferring to leave such matters to Congress and the White House.

That is changing now because of the fast-moving economic crisis—and because Congress has essentially directed the Fed to get more involved by providing \$454 billion to the Treasury to cover any losses in new Fed lending programs.

The Fed has dramatically expanded its balance sheet over the past two weeks, by nearly \$942 billion to \$5.25 trillion as of Wednesday. The central bank has lent freely to help firms avoid a wave of defaults that could turn a recession into something much worse.

Over two weeks, the Fed has unveiled six lending facilities, five of them enjoying a total of \$50 billion in support from the Treasury. Those programs have freed up cash for major Wall Street institutions and will backstop money-market funds and markets for commercial debt.

Democratic lawmakers have made support for city and state borrowing a priority in recent legislative talks, and the latest bill directs the Treasury secretary to seek a Fed lending program for municipal finance.

State and local governments are confronting skyrocketing borrowing costs even as they are straining to pay expenses associated with the spread of the virus. House Speaker Nancy Pelosi told Fed Chairman Jerome Powell last week “to think big and help our states,” she said in an interview on PBS this week. “They are taking a big bite of this wormy apple and they need much more in terms of resources.”

Under its governing law, the Fed can’t directly buy corporate debt, and it is limited to purchasing municipal debt of six months or less. But it can work around these restrictions by creating lending facilities that lend or purchase debt, subject to approval of the Treasury secretary.

The Fed has already dipped a toe into muni-debt markets by expanding a money-market lending backstop to include certain types of municipal debt—and by purchasing some highly rated municipal debt in a facility backing the market for very short-term commercial debt.

As of Wednesday, short-term interest costs on variable-rate municipal bonds have more than tripled compared with two weeks ago and are now higher than the rates governments typically pay on 30-year bonds, according to an index maintained by the Securities Industry and Financial Markets Association.

Monday’s announcement by the Fed to include more municipal debt in existing lending facilities appears to have made only a small dent, bringing the index, which tracks bonds that adjust their rates weekly according to what investors are willing to pay, to 4.7% down from 5.2% the prior Wednesday.

Interest rates on other short-term muni debt that spiked last week have fallen after the Fed said Monday it would purchase some municipal variable rate debt. Rates on water, power and sewer bonds issued by New York City and Los Angeles fell back to their typical rates of between 1% and 2% Thursday after hitting nearly 8% on Friday.

Kent Hiteshow, who established an office of state and local finance at the Treasury Department in the Obama administration, has been hired by the Fed for a six-month appointment to advise on muni markets, according to people familiar with the matter.

Among the questions Fed officials are considering: Whether to expand existing facilities to accommodate other municipal debt or to launch a new facility devoted to state and local finance. Fed officials will have to decide which municipal debt might be eligible for support and on what terms.

There are limits to how far the Fed can lend using its emergency authorities. Its loans must be well secured, which the Fed typically satisfies by restricting borrowing to highly-rated issuers.

“The states and localities that need the most help are the most risky by definition,” said Ernie Tedeschi, an economist at Evercore ISI, an investment research firm, who previously worked in the Treasury Department during the Obama administration.

The Fed and Treasury brainstormed ways to support hard-hit state and local treasuries after the 2008 financial crisis, but opted against doing so.

Governments have been canceling almost all planned long-term muni deals, borrowing they typically rely on for infrastructure needs and budget management, after investors fled muni mutual funds last week and prices plummeted. There was \$761.7 million in total muni issuance last week, according to Refinitiv, compared to around \$8 billion during a typical week earlier in the year.

Government borrowers include states facing high Medicaid costs, delayed income tax collections and huge drop-offs in sales taxes as commerce has slowed to a standstill—and municipalities that run hospital systems, nursing homes, jails and public-health departments.

“As our borrowing costs go up, that’s fewer dollars they have to allocate to the crisis,” said Matthew Chase, executive director of the National Association of Counties.

Fed officials have long had broader philosophical objections to intervening in financial affairs of subnational entities. The central bank is the fiscal agent of the federal government, and they have viewed state and local finance as the domain of Congress and the Treasury Department.

“The Fed’s response has typically been, ‘Look, if the federal government wants to support state and local finance, they can do that directly,’” said Lewis Alexander, who served as an economic adviser at the Treasury Department from 2009-11 and is now chief U.S. economist at Nomura Securities.

“There is a real reluctance to blur the line between the federal government and the state and locals. You start going down that road, it’s hard to know where to stop.”

The Wall Street Journal

By Nick Timiraos and Heather Gillers

March 27, 2020 2:59 pm ET

[Senate Stimulus Takes Steps to Add Liquidity to Municipal Market.](#)

After extensive effort from the BDA and its membership, the Public Finance Network, and issuers and market participants nationwide, the Senate has included provisions aimed to stabilize the municipal market in a [sweeping \\$2 trillion dollar stimulus package](#) that will likely pass later today.

While at this time it is uncertain if the House will return to vote in person, or if they will use a procedure known as “unanimous consent,” meaning no objections from Members allowing the

measure to pass without the full House present.

In the draft, which can be viewed [here](#) (bond provisions start on p.513)

Sec. 4003 The Senate gives authority to the Federal reserve to:

Provide up to \$454,000,000 available to make loans, loan guarantees, and other investments in support of programs or facilities established by the Board of Governors of the Federal Reserve System shall be available to make loans and loan guarantees to, and other investments in, programs or facilities established by the Board of Governors of the Federal Reserve System for the purpose of providing liquidity to the financial system that supports lending to eligible businesses, States, or municipalities by:

(A) purchasing obligations or other interests directly from issuers of such obligations or other interests; or

(B) purchasing obligations or other interests in secondary markets or otherwise.

(C) making loans, including loans or other advances secured by collateral.

Additional Conditions

A loan, loan guarantee, or other investment by the Secretary shall be made under this section in such form and on such terms and conditions and contain such covenants, representations warranties, and requirements (including requirements for audits) as the Secretary determines appropriate. Any loans made by the Secretary under this section shall be at a rate determined by the Secretary based on the risk and the current average yield on outstanding marketable obligations of the United States of comparable maturity.

The BDA will continue to provide updates as they become available.

Bond Dealers of America

March 25, 2020

[BDA Applauds Senate's Efforts to Support Municipal Market.](#)

Last night, (March 26, 2020) the Senate passed the [CARES Act](#), (H.R. 748), a broad, \$2 trillion dollar [stimulus package](#) in response to the ongoing COVID-19 pandemic.

The BDA applauds the Senate's quick and effective action to stem the economic uncertainty associated with the virus crisis.

We note particularly Section 4003 of the Act providing the Treasury and Fed with broader standby authority to support the bond markets during times of particular distress and dysfunction, to the immediate benefit of issuers, investors, tax payers.

H.R. 748 would allocate up to \$500 billion of cash from the Treasury Department to:

- Provide liquidity to eligible businesses, States, and municipalities related to losses incurred as a result of coronavirus;

- Treasury would “make loans, loan guarantees, and other investments in support of eligible businesses, States, and municipalities.” and
- Some of those funds are earmarked for specified industries like airlines, leaving \$454 billion to support Federal Reserve programs for targeted beneficiaries.

Those funds would be used to support “loans and loan guarantees to, and other investments in” Fed programs “for the purpose of providing liquidity to the financial system that supports lending to eligible businesses, States, or municipalities by:

- Purchasing obligations or other interests directly from issuers of such obligations or other interests
- Purchasing obligations or other interests in secondary markets or otherwise; and
- Making loans, including loans or other advances secured by collateral.”

It is important to note that this bill authorizes but does not require the Fed to intervene in the markets.

Also please note that Treasury resources pledged to Fed credit programs can be leveraged as much as 10 to 1, meaning that a \$454 billion Treasury commitment could result in up to \$4.5 trillion of Fed liquidity. The bill would also provide up to \$125 billion in direct support to localities that can help bridge the gap with lagging revenues, especially in light of delayed tax filing deadlines.

The BDA will continue to provide updates as they become available.

Bond Dealers of America

March 26, 2020

[Move by Fed May Help Shore Up Short-Term Borrowing for States and Localities.](#)

The municipal bond market is experiencing a massive crunch as investors react to the coronavirus pandemic.

The Federal Reserve took action this week that could help bolster state and local governments’ access to short-term borrowing as the coronavirus crisis pressures their finances.

For some states and localities, short-term debt is an important source of cash for covering expenses at times when tax revenues are not rolling in. But the virus outbreak has been driving turmoil in the municipal bond market, threatening the flow of this type of lending.

Demand for municipal debt has collapsed as the disease outbreak disrupts nearly every corner of the U.S. economy. The pandemic-driven downturn is also stoking worries that state and local tax revenues could take a sizable hit, while at the same time governments spend big to combat the disease.

“Basically there are no buyers for municipal bonds at both the long end and the short end of the curve,” said Michael Belsky, executive director of the Center for Municipal Finance at the University of Chicago’s Harris Public Policy school.

Fleeing investors caused the roughly \$3.8 trillion municipal bond market to hemorrhage a record

\$12.2 billion from municipal-bond mutual funds during a week's time ending Wednesday.

Some state and local government advocates are making a case that the federal government should intervene deeper into the municipal bond arena to help states and localities weather the pandemic. There's at least one proposal in the U.S. Senate to head that direction.

Emily S. Brock, director of the federal liaison center for the Government Finance Officers Association, applauded the latest move by the Fed. But she added: "We do need to open up the spigot a little bit wider in order to get that shot of adrenaline in our space."

States, cities and other local government entities around the U.S. commonly issue long-term debt to finance things like school construction and highway and mass transit projects. Bonds like these are usually paid off over many years.

But some also borrow on a short-term basis to maintain adequate financial liquidity. Tax payments can come in bursts at different times of year, while on the other side of the ledger governments must have consistent funding on hand to cover wages and other operating costs.

"There's a mismatch," said Bart Hildreth, a budgeting and finance professor at Georgia State University's Andrew Young School of Policy Studies. "You have cash flow deficits during the year."

To deal with this dynamic, states and localities might borrow short-term with the anticipation of collecting tax revenues in the months that follow and then using that money to repay the debt.

Unlike a 20-year bond that might be issued to build a bridge, this sort of short-term "cash flow borrowing" tends to involve debt that matures within the course of a fiscal year.

"It's a pretty regular feature of the borrowing plans of the moderate- to large-sized governments," Hildreth said. "Same thing with states."

But a concern now is that the upheaval in the municipal bond market is causing the investor cash that would normally be available for short-term state and local borrowing to dry up.

"Nobody's purchasing," said Brock. "All of the supply is being held on the dealers' books. And so we have a bit of a challenge."

This is where a move the Fed announced on Friday could help. Earlier in the week, the central bank announced that it was establishing a new Money Market Mutual Fund Liquidity Facility.

The general idea with this entity is to channel money towards money market mutual funds, supporting the flow of credit, and also keeping the funds functioning smoothly while the economy is in flux and as they meet investor demand for withdrawals. The funds are a common investment for households and businesses.

Under the program, the Federal Reserve plans to offer loans to banks and other financial institutions that purchase certain assets from the funds as collateral. What the Fed did on Friday is expand the list of eligible collateral to include highly-rated, short-term municipal debt, with a maturity of one year or less.

Tim Blake, managing director of public finance at Moody's Investors Service, said a main benefit for state and local governments from the Fed facility is that it could provide investible money that the money market funds could use to purchase short-term state and local debt.

That could be especially important at a time when states and localities are facing huge uncertainties over how the coronavirus will affect their costs and revenues.

“There are probably going to be many government issuers and not-for-profit issuers that are seeing significant revenue declines in the coming months, and the need for some borrowing,” he said.

“This would allow the funds to purchase cash flow notes issued by governments,” Blake added.

Belsky, at the University of Chicago, said that, “basically the federal government is becoming the investor of last resort.”

Hildreth noted the Federal Reserve did not extend similar programs put in place in response to the Great Recession to cover short-term municipal debt. “Many of us thought they should have done it back then,” he said. “It shows that they have assessed the situation more severely this time that state and local governments are facing.”

But how effective the program will be in aiding state and local governments will depend partly on how banks respond.

“It’s really whether they need to use that asset or not,” said Natalie Cohen, president and founder of National Municipal Research. “How meaningful it’s going to be is questionable.”

Brock suggested there are ways the federal government could go further to help state and local governments through the municipal bond market. For instance, if the federal government were to somehow hold municipal debt of all types and maturity durations, or if it purchased what are known as Variable Rate Demand Notes.

This week, U.S. Sen. Bob Menendez, a New Jersey Democrat who serves on the Senate Banking Committee, introduced a bill that would allow the Federal Reserve’s board to authorize federal reserve banks to directly buy and sell muni bonds of any maturity under “unusual and exigent circumstances.”

The senator said that his legislation would provide state and local governments with federal support in financing the costs tied to the coronavirus outbreak, and other future emergencies.

But Tom Kozlik, head of municipal strategy and credit with Hilltop securities, said in a [brief](#) issued on Friday that there is not enough information available yet to know if the bill would solve the liquidity crunch facing the long- and short-term municipal bond market.

“The devil could be in the details here,” he wrote.

Looking ahead, Belsky pointed out that many of the nation’s public works projects are financed using municipal bonds. If the nation slips into a full-blown recession due to the coronavirus, he said, infrastructure investment could be key to kickstarting a recovery.

Route Fifty

By Bill Lucia

MARCH 21, 2020

[The Fed Enters the Municipal Bond Market to Lend Cities a Hand, but Will It Be Enough?](#)

On Monday, the Federal Reserve went all-in to support America's shuttered economy. Among its most remarkable moves was its backstop of the \$3.8 trillion municipal bond ("muni") market, a critical source of financing for states, counties, and municipalities. The Fed hopes this will keep credit flowing to states and localities as their revenues—and the market for their debt—reel in the wake of the global coronavirus pandemic. As investor dollars rush out of the muni market, it is revealing troubling debts as well as questions about the role of fiscal federalism in a time of crisis.

State and local debt is facing its largest monthly drop in value since 1987, sending yields soaring nearly a full percentage point to 2.6% this week. Investors withdrew more than \$12 billion from municipal bond funds last week, the highest weekly outflow on record, with some funds posting their largest one-day drop in a decade. Many funds now trade below the value of their assets, including those for New York State, suggesting that investors fear surging defaults.

Munis are normally considered among the safest of assets. Just a few weeks ago, investors were scooping up this debt in a flight to risk from markets roiled by the coronavirus. This is continuing the trend since the Great Recession of strong investor demand for state and local debt, culminating in more than \$100 billion in inflow last year. Muni's tax-exempt status has made them especially popular following the 2017 tax law.

[Continue reading.](#)

E21

by Michael Hendrix

MARCH 25, 2020

[Cares Act Summary.](#)

[Read the Summary.](#)

[NABL Asks IRS to Help with TEFRA, Debt Repurchase Problems: Squire Patton Boggs](#)

NABL has asked the IRS to issue a Notice that would allow issuers to hold TEFRA public hearings for private activity bonds by phone and that would allow issuers to purchase and sit on their own debt through the end of the COVID-19 crisis without extinguishing the debt, even if the issuer doesn't use its best efforts to remarket it.

The text of the proposed Notice is available [here](#). It remains to be seen whether the IRS will make significant changes to the Notice before adopting it or some other form of relief, but some highlights of the request are as follows.

[Continue Reading](#)

By Johnny Hutchinson on March 25, 2020

The Public Finance Tax Blog

Squire Patton Boggs

[Fitch Ratings Updates U.S. Public Finance Tax-Supported Rating Criteria](#)

Link to Fitch Ratings' Report(s): [U.S. Public Finance Tax-Supported Rating Criteria](#)

Fitch Ratings-New York-27 March 2020: Fitch Ratings has published the following report: "U.S. Public Finance Tax-Supported Rating Criteria." This report updates and replaces the prior report published on January 10, 2020. The key criteria elements remain consistent with those of the prior report, and there is no impact on outstanding ratings. Previous versions of the criteria have been retired.

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Additional information is available on www.fitchratings.com

[CARES Act: Municipalities - Miller Canfield](#)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted, authorizing up to \$2 trillion in economic relief for distressed sectors of the American economy. Title IV, subtitle A of the CARES Act constitutes the Coronavirus Economic Stabilization Act of 2020 (the "Stabilization Act") and authorizes up to \$500 billion for loans, loan guarantees, or other investments to support eligible businesses, States or municipalities "related to losses incurred as a result of coronavirus." Under the Stabilization Act, a "municipality" includes a political subdivision of a State, and an instrumentality of a municipality, a State or a political subdivision of a State.

Specifically, the Stabilization Act allows the Secretary of the United States Treasury to make up to \$454 billion in loans and loan guarantees to, and other investments in programs or facilities established by the Federal Reserve “for the purpose of providing liquidity to the financial system that supports lending to eligible business, States, or municipalities” by:

1. Purchasing obligations or other interests directly from issuers of those obligations or interests;
2. Purchasing obligations or other interests in secondary markets or otherwise; or
3. Making loans, including loans or other advances secured by collateral.

The Treasury Secretary has broad discretion to establish the terms, conditions and forms of these investments in Federal Reserve liquidity programs. However, while the Stabilization Act prohibits the forgiveness of any principal amount of a loan to a State or municipality, it ties the interest rate on such loans to “the risk [related to such debt] and the current average yield on outstanding marketable obligations of the United States of comparable maturity.” This provision could serve to calm the recent volatility in the relationship between U.S. Treasury yields and that of State and municipal debt.

Additionally, the CARES Act establishes the Coronavirus Relief Fund (the “Fund”), which provides for the direct payment of up to \$150 billion from the United States Treasury to States, Tribal governments and units of local government exceeding 500,000 in population “out of money not otherwise appropriated.” A local unit of government receiving a direct payment from the Fund may only use the money to cover costs that:

1. Are necessary expenditures incurred due to the public health emergency with respect to the coronavirus;
2. Were not accounted for in the budget most recently approved as of the date of enactment of this section for the State or government; and
3. Were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

Finally—in order to receive a direct payment from the Fund—the unit of local government must provide the Treasury Secretary with a certification signed by the Chief Executive of the local unit stipulating that the “local government’s proposed uses of the funds are consistent” with the Fund’s requirements for a municipality’s use of money received via direct payment thereunder.

This is part of a series of our [COVID-19 alerts](#) providing clients with practical advice on measures they can take to navigate through these challenging times. Please contact the authors or your Miller Canfield attorney with further questions.

Miller Canfield PLC - Jeffrey S. Aronoff and Sean C. Rucker

March 27 2020

[Senate Passes \\$2T Package With NOL Changes, Rebate Checks.](#)

The Senate passed an economic aid package that will provide taxpayers with a rebate, temporarily modify provisions of the Tax Cuts and Jobs Act and expand unemployment insurance.

Lawmakers unanimously approved the Coronavirus Aid, Relief, and Economic Security Act (H.R. 748) to send it to the House. The bill is meant as a compromise between Republicans and Democrats and is the product of almost one week of negotiations between the two sides.

Lawmakers announced a deal in the morning of March 25, but negotiations continued throughout the day to nail down language that appeased both sides.

While the tax provisions agreed to by both sides remained largely unchanged, Republican lawmakers were unhappy with language expanding unemployment insurance, arguing that it disincentivized individuals from going to work because they could make more while unemployed.

Sens. Lindsay Graham, R-S.C., Tim Scott, R-S.C., Rick Scott, R-Fla., and Ben Sasse, R-Neb., offered an amendment to change the unemployment provisions to prevent an individual from receiving unemployment compensation that is more than the amount of wages the individual was earning prior to becoming unemployed. The amendment, which required 60 votes for adoption, was defeated 48 to 48.

The bill now heads to the House, where it may run into some problems after some progressive Democrats offered criticism of the bill. But House Speaker Nancy Pelosi, D-Calif., said she intends to approve the bill in the fastest way possible without having to call back all members of the House. The House would be able to approve the bill by unanimous consent if there are no objections on either side or by voice vote, which could see some members travel back but not all.

Senators agreed to roll back a Tax Cuts and Jobs Act provision preventing net operating losses from being carried back to reduce income in a prior year. The provision has been relaxed to allow for losses in tax years 2018 through 2020 to be carried back up to five years.

The bill also provides for individuals making less than \$75,000 or married couples earning less than \$150,000 to receive a \$1,200 direct payment from the IRS, while those with children would get an extra \$500 per child.

[President Signs \\$2 Trillion Coronavirus Relief Bill: NABL](#)

On March 27, 2020, the President signed [H.R. 748](#), a \$2.2 trillion stimulus package. Below are a few elements of the bill:

- Allow the Fed to directly purchase munis to stabilize the market
- Provide \$150 billion for a Coronavirus Relief Fund
- Provide \$130 billion for health care systems
- Provide \$25 billion for transit systems
- Provide \$10 billion for airports
- Provide \$5 billion for Community Development Block Grants
- The \$150 billion Coronavirus Relief Fund administered by the Treasury will disperse \$8 billion to tribal governments, \$3 billion to territories and the District of Columbia, and the remaining \$139 billion to states and cities with populations over 500,000.
- Any municipality with a population under 500,000 will have to make its request for money from the new Coronavirus Relief Fund to their state.

Even Municipal Bonds Aren't Safe From Downgrades.

It seems like no asset is safe in this coronavirus-stricken market—even municipal bonds, which were once seen as some of the safest debt issues in the fixed income space. S&P Global Inc and Moody's Corp, two of the largest credit rating agencies, issued downgrades that included municipal bonds.

"Municipal bonds tied to specific projects or taxes are also being downgraded. S&P recently cut the ratings on revenue bonds backed by a student housing project in Corpus Christi, Texas, by six notches, taking the debt from the lowest notch of investment-grade deep into junk territory," a [Wall Street Journal report](#) noted. "Falling tax collections are also hitting bonds backed by governments' broad taxing powers."

And it's not just downgrading that prospective municipal bond investors need to watch. It's having a boomerang effect on insurers that guarantee these bonds.

[Continue reading.](#)

ETF Trends

by BEN HERNANDEZ on MARCH 25, 2020

Bond Downgrades Begin Amid Coronavirus Slowdown.

Credit-ratings firms like S&P and Moody's have stripped away some pristine triple-A marks as the virus disrupts the economy

Credit-ratings firms have issued a wave of downgrades for corporate and government bonds as they reassess the ability of borrowers to repay their obligations amid the coronavirus slowdown.

Credit-ratings firms like S&P Global Inc. and Moody's Corp. have stripped away some pristine triple-A marks or moved other supposedly safe investment-grade bonds into junk territory.

The moves reflect what Moody's has called a "severe and extensive credit shock across many sectors, regions and markets." S&P has said that "the global recession is here and now." Fitch Ratings is bracing for "abrupt interruptions happening simultaneously across all major economies" as a result of the coronavirus pandemic.

The downgrades themselves can add to the turmoil in bond markets, causing damage well beyond the change in ratings for the bonds being downgraded.

Seeking to stop the negative momentum in markets, the Federal Reserve on Monday broadened its efforts to include plans to purchase corporate bonds with high ratings. It is unclear, however, whether the moves will stem further downgrades.

Among the bonds facing potential downgrades are those tied to shopping malls, hotels, airlines, risky corporate borrowers and local governments. The reviews by ratings firms come after years of easing rating assumptions across various sectors.

Even in the face of such a severe stress, a triple-A grade should stay put since the rating is meant to

indicate the debt is as riskless as a Treasury bond. But some triple-A bonds are already failing that test.

On Friday, S&P took away the triple-A grade from a \$215 million bond backed by two mortgages on a giant mall in upstate New York. Local officials had ordered the mall, Destiny USA, and others in the area to be closed to slow the spread of the coronavirus. Other states are taking similar steps. S&P's move was part of a larger downgrade of 60 securities linked to various malls. The Destiny-linked triple-A bond is now rated single-A by S&P. A spokesman for Destiny didn't immediately respond to a request for comment.

Destiny's downgrade calls into question a popular transaction in which bond investors agreed to buy a deal backed entirely by mortgage payments from one property or borrower instead of a pool of loans. Last week Fitch placed all of its single-asset, single-borrower hotel deals on watch for possible downgrades.

By its own tally, S&P has now made more than 100 downgrades linked to the coronavirus, including on airlines like JetBlue Airways Corp., Southwest Airlines Co. and Spirit Airlines Inc.

Companies that have already been struggling are seeing their woes worsen. On Monday, S&P downgraded office-share company WeWork deeper into junk territory, citing its mounting cash flow and liquidity pressure. The high-profile SoftBank Group -backed company was already under stress after its failed initial public offering last year prompted a previous round of rating downgrades.

On Friday, Fitch said it would stress-test all of its ratings on structured securities known as collateralized loan obligations, or CLOs, and warned it may put some on watch for negative rating actions. The deals often buy up loans from highly leveraged companies and sell bonds to investors backed by payments on those loans. S&P said it is reviewing 25 ratings from 15 CLO deals with large exposures to energy sectors for possible downgrades.

Municipal bonds tied to specific projects or taxes are also being downgraded. S&P recently cut the ratings on revenue bonds backed by a student housing project in Corpus Christi, Texas, by six notches, taking the debt from the lowest notch of investment-grade deep into junk territory.

Falling tax collections are also hitting bonds backed by governments' broad taxing powers. On Friday, S&P lowered its rating on Suffolk County, N.Y., a New York City suburb, to the lowest category of investment grade, saying the county would likely face a cash crunch because of falling sales taxes and casino gaming revenue. A county spokesman said Suffolk expects federal and state aid and is taking steps to offset any lost revenue.

There are signs municipal bond investors may be bracing for losses. Assured Guaranty Ltd., which insures many municipal bonds, has seen its stock price fall by more than half since the start of March, outpacing the broader market decline. "Assured Guaranty is well positioned to manage the impacts of the current situation," the company's head of investor relations said in a statement.

The Wall Street Journal

By Cezary Podkul and Gunjan Banerji

March 24, 2020 6:30 am ET

[MSRB Publishes Daily Data Showing Municipal Market Impact of Coronavirus.](#)

Washington, DC - Historic volatility is straining the predominantly retail investor market that enables state and local governments to finance essential public services, newly published data show. The Municipal Securities Rulemaking Board (MSRB) today began publishing daily analysis of trade activity to assist market participants, policymakers and the general public with understanding the impact of the Coronavirus Disease (COVID-19) on the liquidity of the \$4 trillion municipal securities market.

MSRB data show trading in the secondary market for municipal securities is at all-time highs, as institutional investors sell off large positions. Meanwhile, in the fixed-rate market, customer buying in smaller pieces of \$100,000 or less, indicative of retail investors, jumped to a daily average of approximately 11,700 trades in March 2020, compared to about 8,500 trades per day in January and February. [View the MSRB's analysis, which will be updated daily, here.](#) The MSRB also plans to analyze and publish additional variable rate data.

"The municipal market touches the lives of every single American because it finances over two-thirds of the state and local infrastructure that is bearing the brunt of the Coronavirus crisis," said MSRB Board Chair Ed Sisk. "Dislocation in this critical capital market damages investor confidence and has an outsize effect on the financial health of communities around the country."

As the primary regulator for the municipal securities market, the MSRB's mission is to protect municipal securities investors and issuers. The MSRB is governed by a Board of Directors representing investors, issuers, dealers, municipal advisors and others with first-hand understanding of the municipal securities market. The MSRB's market transparency systems collect municipal market trade data and disclosure documents and make them available to the public for free on the Electronic Municipal Market Access (EMMA®) website.

"The MSRB actively monitors trade data and will continue to release the results of our analysis to help market participants and policymakers make informed decisions in the best interests of the country," Sisk said. "We stand ready to provide our data and expertise to help advance effective policy solutions that will provide emergency relief to the municipal securities market."

[View the MSRB's dedicated webpage for COVID-19-related information and market analyses.](#)

Date: March 25, 2020

Contact: Leah Szarek, Director of Communications
202-838-1500
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[MSRB Suspends Price Variance Alerts for Dealers.](#)

Municipal Securities Rulemaking Board sent this bulletin at 03/23/2020 05:13 PM EDT

The Municipal Securities Rulemaking Board (MSRB) recognizes the significant impact that the spread of the Coronavirus Disease (COVID-19) is having on regulated entities. The MSRB is

committed to providing updates and other information as we address questions raised by market participants during this pandemic.

Given the current market volatility, the MSRB is temporarily suspending the transmission of the price variance alerts for trades reported to MSRB's Real-Time Transaction Reporting System (RTRS) effective immediately.

As background, as of March 2019, the MSRB sends a price variance alert via email to a dealer when a transaction reported to RTRS by the dealer is at a price that is notably different (i.e., notably lower or higher) than the price reported to RTRS by other dealers in the same security within a specified time period. The price variance alert was designed as a tool to assist dealers in identifying transactions that may warrant review to ensure the information reported to RTRS reflects the trade price as intended. While dealers remain obligated under [MSRB Rule G-14](#) to ensure that the information being disseminated by RTRS is accurate, the price variance alert tool does not, in these current market conditions, serve its intended purpose of assisting firms in their efforts to comply with Rule G-14. Accordingly, the MSRB is temporarily suspending reporting on price variance alerts.

[GASB to Consider Postponing Effective Dates of Certain Statements and Implementation Guides.](#)

Norwalk, CT, March 26, 2020—The Governmental Accounting Standards Board (GASB) today announced that it has added a project to its current technical agenda to consider postponing all Statement and Implementation Guide provisions with an effective date that begins on or after reporting periods beginning after June 15, 2018.

As a result of the closure of many state and local government offices due to the Covid-19 pandemic, many government officials do not have access to the information necessary for implementing new GASB pronouncements. The GASB has received numerous requests from state and local government officials and public accounting firms regarding postponing the upcoming effective dates of pronouncements. Most notably, those pronouncements include Statement No. 84, *Fiduciary Activities*, and Statement No. 87, *Leases*, as well as their related Implementation Guides.

The Board plans to consider an Exposure Draft for issuance in April and finalize the guidance in May 2020.

[Muni Bonds Bounce Back, Poised for Best Week Since 1982.](#)

Municipal bonds extended their rally in early trading, putting the securities on track for the biggest weekly gain since 1982.

Yields fell four basis points on the shortest-dated municipals on Friday to 1.18%, a drop of 1.7 percentage point since the week began. The securities have seen yields decline dramatically this week as Congress inched closer to a vote on its plan to curb the economic toll of the coronavirus, which would let the Federal Reserve buy municipal bonds.

The performance is a sudden reversal from the historic sell-off that hit the market earlier this month. State and local debt gained about 7.3% this week as of Thursday, a massive recovery from the 6.6%

loss the prior week, according to Bloomberg Barclays indexes. If that performance holds today, it would mark the best week of performance since September 1982, the data show.

John Loffredo, co-head of MacKay Municipal Managers, said crossover buyers like insurance companies are starting to wade back into the market, he said.

They're seeing the cheaper valuations of municipals and "picking their head up," he said.

Bloomberg Markets

By Amanda Albright

March 27, 2020, 6:19 AM PDT

[Muni Bonds Surge, Reviving From Worst Crash in Over Four Decades.](#)

- **Yields tumble by more than 60 basis points across the curve**
- **Junk bonds hit hard in sell-off revive as buyers swoop in**

Municipal-bond prices surged, staging the biggest one-day rally in nearly three decades, as Congress and the White House struck a deal on a more than \$2 trillion stimulus package to soften the impact of the economic slowdown triggered by the coronavirus.

The gains sent yields sliding sharply across maturities, but the drop was steepest for the shortest-dated securities that were hardest hit by the steep sell-off this month as fund managers dumped the easiest-to-unload bonds when investors fled en masse. Three-month benchmark yields dropped 75 basis points to 1.8% while those on 10-year bonds fell 61 basis points to 2.06%. Those on the longest-dated securities fell 61 basis points to 2.56%.

The rally gained force after the White House and the Senate reached an agreement on a massive package of spending and tax breaks in a bid to prevent the swift shutdown of much of America's economy from leading to a deep, prolonged recession. It includes about \$500 billion that can be used to back loans and assistance to companies, as well as state and local governments.

The price jump was the biggest since 1993 and sent yields tumbling by the most since Bloomberg's benchmark indexes begin in 2011. The drop was roughly three times as big as the decline Tuesday and included high-yield bonds that tumbled steeply during the sell-off.

"The stimulus will be very helpful to the overall market," said James Iselin, a portfolio manager at Neuberger Berman Group. "The stimulus will inspire confidence that a bridge is being built to help get us to the other side as we continue to deal with challenges resulting from this unprecedented moment."

The two-day rally broke what had been an escalating slide in the \$3.9 trillion municipal market as investors pulled cash out of mutual funds at a record-setting pace on concerns about how the economic fallout of the pandemic would affect cities, airports, hospitals and others that have issued tax-exempt bonds. The retreat saddled many borrowers with skyrocketing interest bills on floating-rate debt and effectively shut down the market for new debt issues as Wall Street banks put offerings on hold.

The Federal Reserve softened the liquidity strains by extending its lending programs to include some

of the shortest-dated municipal securities, while the stimulus promises to ease the financial strains on local governments and other borrowers.

The municipal market has been whipsawed by unprecedented volatility this month, so it's not clear yet whether the rally is the start of a turnaround or a false start that could reverse if the pandemic worsens. But there are some signs that investors are swooping in to scoop up securities most affected by the sell-off.

On Wednesday, some of the most actively traded securities were floating-rate bonds issued by New York's water system, whose yields surged to 6.75% during the rout.

Bonds backed by Ohio's tobacco-company legal settlement payments, a type of security that is a mainstay of high-yield funds, surged, with those due in 2055 climbing to as much as 93 cents on the dollar from about 75 cents Tuesday.

Puerto Rico's sales-tax backed debt — which is a bellwether of the high-yield market that was dealt the steepest losses this month — were also among the most heavily traded, with the price of those due in 2058 rising to as much as 94 cents on the dollar from about 80 cents Monday.

"People are finally taking a breather and saying, 'were we too hard on credit?'" said Jason Appleson, a portfolio manager for PT Asset Management LLC. He said investors are using the time ahead of Congress' stimulus vote to take stock of their holdings and whether bonds were penalized too much, though he said he's skeptical about whether the rally could be maintained if mutual funds continue to see cash pulled out.

"It's a different mentality today," he said.

Bloomberg Markets

By Danielle Moran

March 25, 2020, 6:24 AM PDT Updated on March 25, 2020, 4:51 PM PDT

— *With assistance by Amanda Albright*

[MSRB Responds to COVID-19 Rocking the Market.](#)

The Municipal Securities Rulemaking Board will be publishing daily data summaries, pushing back comment deadlines and suspending a price alert in response to market volatility and COVID-19 concerns.

The MSRB published its first data summary Wednesday morning and plans to publish them every morning. Since the spread of the virus, the municipal market has tumbled through high "unprecedented" trade volume and large outflows.

"The municipal market touches the lives of every single American because it finances over two-thirds of the state and local infrastructure that is bearing the brunt of the coronavirus crisis," said MSRB Board Chair Ed Sisk. "Dislocation in this critical capital market damages investor confidence and has an outsize effect on the financial health of communities around the country."

At the beginning of March, the MSRB began seeing a significant change in volatility, said John

Bagley, MSRB chief market structure officer.

“We saw significantly different trading patterns and we were closely watching this data and it was really helpful for us to see what was happening,” Bagley said.

In the MSRB’s first report showing data from March 24, trades topped 87,215, which is likely a record, said Marcelo Vieira, MSRB director of research.

“It’s pretty much unprecedented volume for any time period that we’ve looked at,” Vieira said.

The MSRB is also continuing to see retail buying and more institutional selling, which has been a pattern over the last month as mutual funds look for liquidity amidst an increase in redemptions.

Earlier this week the MSRB also decided to temporarily suspend price variance alerts for dealers because of the current market volatility.

The MSRB sends the alert via email to a dealer when a transaction is reported to its Real-Time Transaction Reporting System by the dealer and is at a price that is notably different than the price reported by other dealers for the same security within a specified time period.

It’s a welcome change given the volatility dealers are facing right now, said Michael Decker, Bond Dealer of America’s senior vice president of policy and research.

“In a market where trade volume has risen significantly and there’s a lot more price volatility, it’s my understanding that dealers are getting these price variance alerts more frequently even in cases where all the reports are correct,” Decker said.

Dealers still have to abide by MSRB Rule G-14, on reports of sales or purchases, to ensure that information being disseminated by RTRS is accurate. The MSRB said the price variance tool does not, under current market conditions, serve its intended purpose.

Earlier this week, the MSRB also extended the request for comment deadline for muni market participants to respond to changes to its Rule A-3 on membership of the board. Among those proposed changes was reducing the size of its 21-member board, how it selects those board members and imposing limits on how many years a board member may serve.

Comments were originally due on March 30 and have been extended to April 29.

By Sarah Wynn

BY SOURCEMEDIA | MUNICIPAL | 03/25/20 02:18 PM EDT

[SEC Provides Additional Temporary Regulatory Relief and Assistance to Market Participants Affected by Covid-19.](#)

On March 26, the SEC issued a [press release](#) announcing an [order](#) and a [temporary final rule](#) providing temporary relief and assistance to market participants affected by Covid-19. The statement notes that the SEC is providing (i) temporary relief from notarization requirements from March 26 through July 1 to filers in the EDGAR system, subject to certain conditions; (ii) for Regulation A and Regulation Crowdfunding issuers, a temporary extension of 45 additional days to

file certain disclosure reports that would otherwise have been due between March 26 and May 31, subject to certain conditions; and (iii) a temporary conditional exemptive order that provides affected municipal advisors with an additional 45 days to file annual updates to Form MA that would have otherwise been due between March 26 and June 30, subject to certain conditions.

Buckley LLP

March 27 2020

[NABL Sends Letter to Treasury on COVID-19 Issues.](#)

In response to the COVID-19 pandemic, NABL sent a letter to the U.S. Treasury asking it to address certain tax issues that may affect the functioning of the tax-exempt bond markets during the current outbreak of the novel coronavirus disease.

In the letter, NABL asks Treasury to (1) clarify that, at least for a temporary period, TEFRA hearings are not required to be held in person and (2) to provide relief as it relates to refunding and remarketing issues.

You can find the full letter [here](#).

[Coronavirus Sorts Bond Market Into Winners and Losers.](#)

(Bloomberg Opinion) — For the past month, bond traders confronted nothing short of chaos at every turn. U.S. Treasuries, mortgage-backed securities, investment-grade and high-yield corporate bonds, leveraged loans and collateralized loan obligations, it didn't matter. Everything was for sale, and no one was willing — or, in many cases, able — to buy.

That relentless tide is starting to turn as March draws to a close. Thanks to a series of bold steps by the Federal Reserve, namely its promise to buy as many Treasuries and agency mortgage-backed securities as necessary, its unprecedented venture into the investment-grade credit market and its deeper expansion into municipal bonds, traditionally safe debt is showing signs of returning to more normal yields and spreads. Blue-chip companies feel comfortable borrowing again.

Don't necessarily take the latest dire fund flow numbers at face value. Yes, investment-grade bond funds experienced a record \$38 billion outflow in the week through March 25, as did munis with \$13.7 billion of withdrawals. But individual investors are drawn to winning asset classes. And these securities have staged comebacks that are unprecedented in recent memory.

The same optimism hasn't reached the riskier parts of the debt markets. The amount of bonds and loans trading at distressed levels in the U.S. quadrupled in less than a week to almost \$1 trillion, nearing the 2008 peak, Bloomberg News's Katherine Doherty reported. Credit-rating companies are downgrading companies at the fastest pace in more than a decade, ushering in several large fallen angels like Ford Motor Co. and Occidental Petroleum Corp. Mortgage real estate investment trusts have been pummeled by margin calls from banks anxious that tenants won't cover rent. As it stands, the Fed's programs won't backstop these parts of the market — probably for good reason.

Simply put, the bond market has bifurcated into winners and losers after this month's mayhem. Here's what the divide looks like:

Winner: U.S. Treasuries

It took a record amount of buying from the Fed, and a pledge to purchase much more, but the world's biggest bond market showed clear signs of tranquility this week. On March 19, the spread between liquid on-the-run 10-year debt and older off-the-run securities was four basis points, or eight times as high as a month earlier. On Monday, after the Fed's scrapped its limits on quantitative easing, the spread dropped to 1.6 basis points. By Thursday, it fell to 0.4 basis points.

The MOVE index of implied volatility for the U.S. government bond market also indicates more orderly Treasuries trading. It hit the lowest level since Feb. 26 on Wednesday, after the sharpest two-day percentage decline since data began in 1988. Benchmark yields across the curve are settling into sensible ranges — a major win for the Fed.

Winner: Investment-grade corporate bonds

Yes, the yield spread on the Bloomberg Barclays index of high-grade corporate bonds reached 373 basis points on Monday, the widest since 2009. But it's looking increasingly like that'll be the worst of it. That gap narrowed 20 basis points on Tuesday and then 29 basis points on Wednesday. A tightening of that magnitude has never happened since daily data began in 2000.

In what's arguably an even more encouraging sign of market health, more investment-grade companies are choosing to issue new debt. McDonald's Corp., Nike Inc., 3M Co. and Deere & Co. were among those that priced deals amid Wednesday's rally, while Nvidia Corp., Home Depot Inc. and Target Corp. were marketing bond offerings on Thursday. Because Treasury yields are near record lows, these companies are still borrowing at rates similar to those a year ago.

Loser: High-yield corporate bonds

At first glance, junk bonds appear to be on a similar trajectory as their high-grade counterparts. Spreads on the Bloomberg Barclays high-yield index peaked at 1,100 basis points on Monday before tightening by 75 basis points over the next two days. On a relative basis, that's still not nearly the same rebound.

Unlike the investment-grade market, high-yield issuance is nonexistent while so much uncertainty remains about the coronavirus outbreak and length and impact of the U.S. economic halt. No deals are scheduled. At best, there's speculation about potential offerings in the coming months.

To make matters worse, the longstanding fear of a wave of fallen angels overwhelming the junk-bond market is finally starting to materialize. In the biggest example, Ford's \$35.8 billion of debt will be removed from the Bloomberg Barclays investment-grade index at the end of the month and move into high yield. Meanwhile, those companies already rated junk are looking more at risk of folding: S&P Global Ratings said this month that the default rate on U.S. nonfinancial corporate debt may rise above 10%.

Loser: Leveraged loans, riskier CLOs

It's mostly the same story, if not worse, in leveraged loans. The distressed trading level is defined as corporate bonds that yield at least 10 percentage points above Treasuries and loans that trade for less than 80 cents on the dollar. The S&P/LSTA Leveraged Loan Price Index was hovering just above 76 cents at the beginning of the week. It increased on Wednesday for the first time since March 10

but remains firmly below that distressed threshold.

No loans launched or priced this week. There aren't even any bank meetings scheduled. This market is almost entirely frozen, though some buyers have been looking to buy scarce double-B credits and the largest, most liquid obligations.

Leveraged loans' credit ratings are an important flashpoint for certain parts of collateralized loan obligations. Generally, CLOs have a 7.5% limit for triple-C rated loans. The way they're structured, though, it would take an enormous amount of downgrades to even begin to concern top-rated tranches. Indeed, on Wednesday, Citigroup Inc. published a report titled "CLO AAA Screams Cheap." In the same breath, though, the strategists noted "the spread pickup of CLO BB to BBB breached post-crisis highs last week, suggesting serious credit risk concerns." In other words, the lower-rated tranches are definitely dicey, but the safest portions are being unduly punished along with them.

Winner: Agency mortgage-backed securities

This one is a bit of a no-brainer. The Fed's open-ended QE includes mortgage securities guaranteed by Ginnie Mae, Fannie Mae and Freddie Mac. These have bounced back in a big way, recouping all their losses from the last two weeks.

The central bank bought \$39 billion on Wednesday, \$36 billion on Tuesday and \$30 billion on Monday. For some context, before this month, the highest total for an entire week was \$33 billion in March 2009.

Loser: Private commercial MBS, mortgage REITs

As my Bloomberg Opinion colleague Matt Levine put it yesterday, "nobody wants a margin call right now."

Of course, that's exactly what's happening to mortgage real-estate investment trusts. As I wrote earlier this week, the REITs have plunged in price because banks are worried that closed tenants will miss rent, which will cause landlords to miss mortgage payments, which will wipe out the cash flow to commercial mortgage-backed securities. A Bloomberg Barclays index of "U.S. CMBS 2.0," which is the market of conduit and fusion CMBS deals issued since January 2010, is down almost 11% this month, easily the biggest loss ever.

The Fed isn't heavy-handed in this nonagency part of the mortgage market, though some investors are pleading for the central bank to do more. Until then, each day the U.S. economy remains halted creates further pain for these securities.

Winner: Municipal bonds

To end on a positive note: Look at munis go!

In what I'd describe as nothing short of breathtaking, the yield on 10-year, triple-A munis tumbled by 138 basis points in three days, with Wednesday representing the biggest one-day advance since 1993. If any investor was looking for evidence of a "V-shaped" recovery, look no further than the iShares National Muni Bond ETF (ticker: MUB). In a matter of days, it went from its lowest price since 2013 to rocketing back to roughly the same level it started at in 2020.

This doesn't usually happen to the \$3.9 trillion municipal market. Traditionally, steep losses and huge outflows begin a vicious cycle of more withdrawals and further forced selling. All those pieces

were in place as of last week. The Fed did signal a bit of support to the market since then, and the \$2 trillion fiscal relief bill in Washington does pledge monetary support to local governments, but that doesn't feel like the entire story. More likely, opportunistic investors saw muni ETFs trade at wider discounts to their net asset values than any other fund, and individual bond pickers noticed 10-year tax-exempt yields three times as high as taxable Treasuries, and determined it was too cheap to pass up.

In that sense, munis were a microcosm of the \$100 trillion global bond market: Things got weird in a hurry. Central banks swiftly provided liquidity and gave investors a chance to breathe again. Now it's time to sort through the wreckage.

This column does not necessarily reflect the opinion of Bloomberg LP and its owners.

Bloomberg Opinion

by Brian Chappatta

March 27, 2020

Brian Chappatta is a Bloomberg Opinion columnist covering debt markets. He previously covered bonds for Bloomberg News. He is also a CFA charterholder.

[Muni Funds Under Pressure From TOB Deleveraging.](#)

Summary

- This week has brought echoes of the financial crisis in the municipal bond market with a number of fund deleveragings.
- Patchy liquidity and a worsening macro picture makes us cautious in the near term. However, there are also positive signals for the medium term.
- For investors wishing to adopt a more cautious stance without leaving the market, we like open-end funds, term CEFs, and taxable muni CEFs.

Here we go again. In a stark repeat of the financial crisis era events, a number of municipal funds have begun to deleverage. At focus is the unwinding of tender option bonds - a financial structure that allows municipal funds to raise leverage and increase fund payouts. According to Bloomberg, about 75 TOBs with \$1.2bn of bonds liquidated last week.

[Continue reading.](#)

Seeking Alpha

Mar. 24, 2020

[Variable-Rate Muni Yields Fall in Wake of Latest Fed Action.](#)

CHICAGO, March 23 (Reuters) - Yields on variable-rate municipal debt tumbled on Monday after the Federal Reserve took another step to help ease a liquidity crunch as part of an unprecedented credit

support package to backstop an economy reeling from coronavirus shutdowns.

The U.S. municipal bond market was steady through midday, according to a preliminary read of Municipal Market Data's benchmark triple-A yield scale, while the daily variable rate demand note (VRDN) yield reset fell to around 5.56% from a whopping 7.23% on Friday.

"That's probably a direct effect of the Fed's announcement," said Greg Saulnier, an MMD managing analyst, not it was "probably a stretch" to attribute tentatively unchanged yields across the curve to the central bank's move.

Yields in the \$3.8 trillion market where states, cities, schools and other issuers sell debt, have surged amid a selling frenzy by funds and others scrambling for cash as coronavirus fears wreak havoc on global markets.

The Fed on Monday expanded eligible collateral for loans in money market and commercial paper facility programs to include municipal VRDNs and "high-quality" tax-exempt commercial paper. On Friday, the Fed allowed highly rated short-term muni debt to be used in the money market program.

The iShares National Muni Bond ETF, which tracks the overall municipal bond sector, was last up 1.6%, extending Friday's bounce a day after it hit the lowest level since April 2011.

In a statement, the central bank cited "tremendous hardship" due to the spreading coronavirus and the need for aggressive efforts in the public and private sectors "to limit the losses to jobs and incomes and to promote a swift recovery once the disruptions abate."

Muni analysts at Barclays noted in a report on Monday: "This is likely to help to start unfreezing tax-exempt money markets; however, outright purchases of munis might still be needed."

Michael Decker, vice president for federal policy at Bond Dealers of America, said the muni market "is generally not performing as it's supposed to, but it's being felt most acutely at the short end of the yield curve."

While the spot yield on one-year, short-term munis has soared this month, VRDNs have fared even worse. Daily VRDN yields reset on Friday at 7.23%, up from 1.59% on March 13, according to MMD.

Decker described VRDNs, which fell out of favor in the wake of the previous market meltdown, as "sort of the commercial paper of the municipal world," although the debt is designed with longer maturities.

Issuance of VRDNs, which peaked over the last two decades at \$121 billion in 2008, fell to just \$8.7 billion in 2015 and totaled \$25 billion in 2019, according to Refinitiv data. Muni issuers, meanwhile, sold \$44.7 billion of short-term debt last year. Tax-exempt commercial paper issuance is relatively small, analysts said.

(Reporting By Karen Pierog; Editing by Alden Bentley)

[California Municipal Bond Investors Must Do This While They 'Stay At Home'](#)

Year in and year out, California consistently tops the nation in bond issuance.

The Office of the Treasurer for the State of California notes general obligation and lease revenue

bonds outstanding and supported by the General Fund currently total \$80.8 billion so far this year. At the close of 2019, there was another \$35.7 billion in State Revenue Bond Financing Programs as well as \$31.7 billion in through Conduit Financings with outstanding bonded debt.

In addition to these state supported or issued bonds, add outstanding debt of local government, district, agency, and authority, including all general obligation and revenue bonds. In total, it's estimated some \$482 billion in bonds are outstanding—just over 12% of the total municipal bond market.

That's a lot of investors holding a whole lot of bonds. Morningstar reports that as of March 2020, \$82.9 billion were held in California intermediate and long muni mutual funds. Individual bondholders, separately managed accounts, trust accounts, and other institutional investors hold the balance.

Regardless of where the bonds end up, all that debt is held in a portfolio somewhere. California Governor Newsom's "Stay at Home" order is going to affect every last dollar of it in one way or another.

The order sharpens the focus on the vulnerability geographically concentrated portfolios incur when faced with systemic risk.

Diversity Vs. Correlation

Diversification in a California-only municipal bond portfolio generally means maintaining some geographic dispersion within the state as well as sector heterogeneity.

However, with the public policy response to the coronavirus pandemic affecting the entire state, portfolio diversification becomes far less defensive both on individual holdings as well as, and perhaps even more importantly, the portfolio as a whole.

Credits that initially may have seemed unrelated and uncorrelated are now inextricably connected. Prior to this event, the portfolio may have looked like a well-ordered Venn Diagram. The coronavirus now has those circles converging in ways previously not considered.

Defaults Or Downgrades

Default risk among large public service providers of basic infrastructure, such as mass transit, bridges and highways, municipal services and ports, remain low at this time, in my view. The risk of downgrade, however, is significantly higher.

With downgrades comes not only a decline in pricing but also an increase in volatility. Expand that across an entire portfolio's holdings, even a portfolio with shorter (under 10 year) maturities, and the effect can be substantial.

Actions To Take

There are some specific actions investors should consider taking in assessing the risks this order has heightened, both on individual credits and the portfolio overall.

While perhaps prompted to start these due to the coronavirus, note these are good investment and portfolio management practices that any investor should be doing as part of ongoing surveillance. Appropriate for this time, I draw from the scientist who discovered and promoted vaccination, Louis Pasteur: "Luck Favors the Prepared Mind."

Here is an initial list of several key factors to chart:

1. Revenue Security Source (i.e., ad valorem taxes, sales taxes, fees)
2. Underlying economics of the Security Revenue Source (i.e., home values, sales volume, project or service usage)
3. Backstop Security Provisions (i.e., regulation or legislation permitting or limiting fee increases, release of state support funds, imposition of state oversight)
4. Debt Service Reserve Fund
5. Security Liens (i.e., unlimited taxes, first lien on tax revenues)
6. Number of people served by the service, both directly and indirectly.

While there may be no investment buy or sell to take at this time of market dislocation and illiquidity, I am reminded of another quote. As the proverb goes, "Forewarned is forearmed."

In this market, either quote will suffice.

Forbes

by Barnet Sherman

Mar 23, 2020

[Coronavirus Chaos Torpedoes Municipal Bond Market.](#)

After initially staying strong as markets declined, munis tumble 11% in 11 days.

The COVID-19 pandemic has shown no mercy for the municipal bond market, which has plummeted in the past two weeks despite being considered a relatively safe investment when the markets are down. And this could be particularly damaging to institutional investors, who own the majority of outstanding municipal bonds.

According to Bernardi Securities, a broker/dealer specializing exclusively in municipal bonds, 40% of outstanding municipal bonds are owned by institutional investors. Pension funds, insurance firms, community banks, and trust departments own approximately 35% of outstanding municipal bonds, while 25% of them are owned by hedge funds, bond funds, arbitrage firms, and other general institutional investors.

Municipal bonds initially responded well when the markets began to fall in February. As the Dow 30 and the S&P 500 tumbled 18.6% and 17.5% respectively between Feb 5 and March 9, the Bloomberg Barclays Municipal Bond Index, which tracks the US dollar-denominated long-term tax exempt bond market, rose over 2%. But during the next 11 days the index fell nearly 11% to its lowest point since the end of November 2018, and it was down 7.5% year to date as of March 20.

A sharp drop of this degree is "extremely rare" said Cooper Howard, director, fixed income and income planning at Charles Schwab.

“Munis are feeling the impact of COVID-19 on two fronts,” Howard wrote in a recent market commentary. “First, this is a unique trading environment in which liquidity is strained. Second, there are longer-term concerns about the impact that a sudden and severe slowdown in economic activity could have on municipalities’ finances.”

Howard said that contributing to the limited liquidity was the fact that municipal mutual funds experienced their first week of fund outflows after more than 50 consecutive weeks of inflows. In some cases, this means that fund managers may have to sell them to meet clients’ redemption requests, driving down prices. Additionally, he said long-term concerns about how the coronavirus will affect interest rates have led to a limited number of buy offers or have resulted in bids that are much further away from the market than expected.

“While we don’t expect widespread municipal bond issuer defaults due to COVID-19, we do expect the decline in consumer activity to have an impact on some municipalities’ finances,” Howard said. “This impact will be felt especially hard by issuers in certain sectors with already lower liquidity.”

In particular, the sectors of the municipal bond market most affected include state and local governments, hospitals, airports, and universities.

Goldman Sachs has revised its unemployment forecast sharply higher due to the impact of COVID-19 and estimates a 5.5 percentage point increase in the unemployment rate to a 9% peak in impending quarters. This translates to lower personal income tax revenue for states, which is among their biggest sources of revenue. And as non-essential businesses are being shut down in many states, local sales taxes will also take a big hit.

Howard says these factors will pose a risk for states with already lower liquidity levels, and local governments that are reliant on sales taxes will suffer more the longer it takes for the crisis to subside.

“Depending on how the equity markets perform for the rest of the year, some local governments may be faced with higher pension costs,” Howard said. “This too could pressure their finances.”

Meanwhile, increased hospitalizations and the strain the virus is having on hospital resources could pressure high-occupancy hospitals and potentially crowd out other services. And drug and medical device supply chains could also be negatively affected, Howard said. “The health care sector already tends to be lower-rated, on average, compared with the rest of the muni market,” he said, “so we would suggest further caution here.”

And because COVID-19 has devastated the air travel industry, airlines have been forced to significantly reduce capacity, which has led Moody’s to recently downgrade its outlook on the sector to “stable” from “positive.”

“However, most US airports tend to benefit from fixed revenues, and should be able to manage through declines in demand,” said Howard, noting that other outbreaks, such as the SARS coronavirus outbreak in 2002, haven’t resulted in ratings downgrades. But, he added, “if concerns about the coronavirus linger and severely curb travel demand, this could result in downgrades.”

As for colleges and universities, they are likely to be less affected by the virus as many of them have already moved to an online format for the remainder of the 2019-2020 school year.

“This is unlikely to affect near-term revenues, but enrollment could be hurt if concerns about the virus linger,” Howard said. “Schools that are reliant on foreign students will be affected to a greater degree than those with a more diverse student mix.”

Chief Investment Officer

March 23, 2020

In Wreckage of Muni Market Crash, Brave Investors Eye Bonds at 90% Yields.

- **Forced selling wreaked havoc with traditional gauges of value**
- **Even bonds backed by Treasuries slid in worst rout in decades**

By some measures, the municipal-bond market is full of screaming buys for anyone brave enough to wade in.

Take a note issued by New York's Metropolitan Transportation Authority that's due in about two months. It traded among securities dealers at yields as high as 11.2% on Friday and hit 90% the day before that — an unheard of payout for securities that not long ago yielded 0.6%.

Bonds repaid with Ohio's share of the 1998 tobacco-company settlement that changed hands for as much as 116 cents on the dollar last month are now going for around 74 cents. Even so-called pre-refunded debt — which is virtually risk free because it's paid off with federal government bonds that are held in an escrow account — are yielding about 2.8%, more than triple 10-year Treasuries.

"At these levels there's value in the market," said Lyle Fitterer, co-head of municipal investments at Baird Advisors, who was referring to broader market conditions. "You can find some very good muni credits trading at levels you haven't seen in a decade."

The record-setting sell-off that raced through the market until this week has left broad wreckage in its wake, in part because of unprecedented uncertainty about how badly local governments, hospitals and public transit systems will be hurt by an economy that has virtually ground to a halt in a matter of weeks. States and cities have pleaded with the federal government for hundreds of billions of dollars in aid, showing how severe they expect the hit to be as tumbling stock prices, shuttered stores and mass layoffs cut deeply into their tax collections.

But as mutual-fund managers unloaded whatever they could to raise cash, some bonds that may have very little risk to the coronavirus shutdown tumbled as well. Even top-rated, two-year municipal debt is yielding 93% what similarly-dated Treasuries do, up from as little as 56% just in January.

Kyle Gerberding, director of trading for Asset Preservation Advisors, is focusing on the pre-refunded bonds since the Treasuries that backstop them essentially guarantee they won't default. "That's the biggest no-brainer trade," he said.

Wilmington Trust this week said it was moving taxable and tax-exempt accounts to an overweight position in investment-grade municipal securities after the spate of "indiscriminate selling."

Dan Scholl, head of municipal fixed income at the firm, said the company is looking at the pre-refunded bonds as well as variable-rate securities, which saw one gauge of yields soar to the highest since 2008 as investors sold them aggressively to get cash. Because those securities are backstopped by banks, they can always be resold at 100 cents on the dollar.

Scholl said he is also focusing on large states and cities whose bonds have cheapened amid the sell-

off. They're trading at "very attractive levels," he said.

No state government has defaulted since the Great Depression, and local government bankruptcies remained extremely rare during the last recession. Yet some states have seen their yields jump sharply this month. Illinois's 10-year general-obligation bond yields have more than tripled to nearly 6%, three full percentage points more than the benchmark, according to Bloomberg's BVAL indexes.

Of course, the key question facing such buyers is whether the rout is over or there's more pain ahead, and the market is highly dependent on individual investors who have a tendency to keep pulling out when losses pile up. Furthermore, some governments, including Illinois, were already contending with deep pension shortfalls before stock prices tumbled this year.

On Tuesday, though, the municipal market gained for the first time in over two weeks after the Federal Reserve included some of the securities in its emergency lending program and Congress made progress toward enacting economic stimulus legislation. Yields on some of the shortest-dated securities slid 18 basis points, showing that some of the liquidity strains that drove the sell-off have eased.

Samuel A. Ramirez & Co. said on Monday that it's tough to accurately value municipals or any asset class currently given the volatility.

"What is now considered 'cheap' may not be when the dust settles," the company wrote in a report to clients.

Bloomberg Markets

By Amanda Albright

March 24, 2020, 8:29 AM PDT Updated on March 24, 2020, 10:03 AM PDT

— *With assistance by Martin Z Braun*

[State Treasurers: Fed Must Step Up as Municipal Bond Market Craters.](#)

OAKLAND — As the Covid-19 crisis batters state economies, more than a dozen state treasurers are urging Congress to authorize the Federal Reserve to buy municipal bonds — a key tool to finance necessary infrastructure and public projects.

"We are hoping the federal government is going to step in a little bit more," said California State Treasurer Fiona Ma, one of 14 state treasurers who signed a letter to congressional leaders, Treasury Secretary Steven Mnuchin and Jerome Powell, the head of the Federal Reserve.

Ma says that while federal officials are assessing how to help the private sector, "they shouldn't forget about the state and local municipal bond market."

"That would really help stabilize the market and help local governments during these difficult times," Ma said in an interview with POLITICO on Sunday.

Municipal bonds issued by states and local governments have traditionally been a major tool to finance public projects such as bridges, highways, schools and airports. Nationally, the municipal bond market is valued at approximately \$4 trillion — with California representing about 15 percent

of that market, experts say.

Big investors such as mutual funds have traditionally been large buyers of municipal bonds, which have been widely considered safe investments in volatile times. But the Covid-19 crisis has had a devastating effect on the municipal bond market as mutual funds sold off bonds, cratering the demand. California experts say in the past week, the activity in municipal bond deals for state and local municipal bonds has collapsed as much as 90 percent.

Ma said she's been in contact with Rep. Maxine Waters, who heads the House Financial Services Committee, as well as Sens. Dianne Feinstein and Kamala Harris to plead for federal help for the states.

In their letter, the treasurers argued that for "state governments to do their part in mitigating the associated economic and social costs" in the current crisis, "they need to have confidence that they will continue to have access to financing."

The letter asks Congress specifically to revise Section 14(2)(b) of the Federal Reserve Act "to authorize the Federal Reserve to purchase securities in the municipal debt market of a sufficiently broad set of maturities" to help states sell their bonds. Currently, the statute only permits purchases of state and local debt "with a maturity from date of purchase of not exceeding six months."

"The Federal Reserve is best-suited to achieve that end," they argued.

POLITICO

By CARLA MARINUCCI 03/22/2020 02:24 PM EDT

[CA Legislative Analyst's Office to Issue Briefings on Impact of Federal Actions in California.](#)

As the COVID-19 crisis unfolds, the interplay between federal, state and local law has become increasingly complex. In response, earlier today, the California Legislative Analyst's Office (LAO) announced plans to publish a series explaining how federal actions are affecting California, including "write-ups on the federal emergency declaration, unemployment insurance, health care and public health, food assistance, and others." The LAO also announced that it will update this series as the federal government takes additional action. For businesses impacted by the federal and California COVID-19 responses, this new LAO series should be a useful resource and offer a unique perspective into current and future government actions. Please go [here](#) for additional details.

Manatt Phelps & Phillips LLP - Brandon D. Young and Thomas R. McMorrow

March 23 2020

TAX - TEXAS

[Hegar v. J.D. Fields & Company, Inc.](#)

Court of Appeals of Texas, Austin - March 19, 2020 - S.W.3d - 2020 WL 1294917

After Comptroller of Public Accounts denied corporate taxpayer's request for relief from assessment with respect to delinquent sales taxes, taxpayer filed action seeking recovery of taxes and interest paid under protest.

Comptroller made plea to the jurisdiction through summary judgment motion. The District Court denied the motion. Comptroller appealed.

The Court of Appeals held that sovereign immunity did not bar taxpayer's suit.

Corporate taxpayer's lawsuit against Comptroller of Public Accounts, seeking recovery of delinquent sales taxes paid under protest, fell within language of tax protest statute providing waiver of sovereign immunity for claims alleging that public official charged with duty of collecting the tax or fee could not legally demand or collect the tax or fee, where taxpayer alleged Comptroller failed to follow its own rules requiring it to take equitable considerations into account when deciding claims for relief when it refused to grant taxpayer's request for relief from assessment on grounds that it failed to collect the taxes in reliance on representations made by Comptroller's employee during an audit.

[Lumesis Makes Available a Free Service for COVID-19 Related Filings.](#)

Lumesis, home of the DIVER platform, is launching a free service making available a consolidated list of all continuing disclosure filings made to the MSRB that relate to the COVID-19 pandemic, along with a link to each filing. The free service is available on the Lumesis website and will be updated three times daily during each business day (9am, 2pm and 7pm EST).

We are offering this service to assist all market participants to efficiently identify and access COVID-19 related filings made to EMMA. We know that identifying these important filings can be time-consuming. By leveraging our obligor-based database, technological know-how and outstanding team, we are able to provide the market a service that efficiently aggregates and presents important information shared by issuers for use in client communication, research or other needs.

To access the service, simply visit www.lumesis.com and click on the link below the heading "COVID-19 Disclosure Filings."

If you have any questions, support@lumesis.com

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Mar 25, 2020

[Webinar: Rating Agencies Speak on COVID-19](#)

April 07, 2020 | 12pm - 2pm (Eastern Daylight Time)

COVID-19 is having and will continue for an indefinite period to have myriad effects, many unprecedented, on the operations, revenues and debt service coverage of municipal market issuers and borrowers. Disclosures about these effects now appear in most official statements and in an increasing number of stickers and voluntary filings with EMMA.

Not surprisingly, the rating agencies have a significant and growing interest in the subject, which can be expected to influence their rating and surveillance processes, ratings analyses, in some cases ratings themselves, and possibly result in some changes in rating criteria. Even though this is a rapidly evolving situation, the rating agencies already have some concerns and perceptions to convey, that may help issuers, bankers and advisors as they evaluate financing plans and develop strategies for how to manage the effects of COVID-19. To that end, Orrick, Herrington & Sutcliffe, LLP has assembled a panel of all four rating agencies for a special Orrick and Bond Buyer hosted webinar.

Speakers

Karen Daly
Senior Managing Director, Public Finance & Financial Guarantors
Kroll

Eric Kim
Senior Director, Public Finance
Fitch

Robin Prunty
Managing Director, Head of Analytics and Research
S&P

Michael Rowen
Managing Director
Moody's

[Click here](#) to register.

[COVID-19: Impact on Financial Markets and Opportunity Zones, with Craig Bernstein](#)

How will the ongoing coronavirus pandemic affect financial markets and Opportunity Zones? Craig Bernstein is principal of OPZ Capital, which launched the OPZ Capital Opportunity Zone Fund in 2018. Craig has over 20 years of real estate experience, and is a prominent thought leader in the Opportunity Zones industry. Click the play button below to listen to my conversation with Craig. Episode Highlights How the ...

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Opportunity Db

March 23, 2020

[Creating Catalytic Impact in Rural Opportunity Zones, with Chris Montgomery.](#)

What is an OZ fund on Colorado's western slope doing to spark catalytic impact and serve the long-term needs of rural communities? Chris Montgomery is partner at Four Points Funding, whose Opportunity Zone fund was recently awarded the Grand Prize as the Forbes OZ 20's Top Rural Opportunity Zone Fund Catalyst by Forbes and the Sorenson Impact Foundation. Click the play button below to listen ...

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March 25, 2020

[Preston Hollow Capital Completes Ohio Hospital Non-rated Bond Financing Under Volatile Tax-exempt Market Conditions.](#)

Preston Hollow Capital (PHC), an independent specialty municipal finance company based in Dallas, announced today the successful completion of a transaction for up to \$61.29 million of tax-exempt non-rated draw-down bonds facilitating improvements to Van Wert Health, a non-profit acute care hospital in Van Wert, Ohio.

Among many uses, the bonds will finance the construction and equipping of approximately 80,000 sq. ft. of additional space for medical, surgical, and labor and delivery services, as well as site work, improved street access, and renovation of current space to accommodate the new configuration.

"It's been a pleasure to work with PHC on this deal," said Karen Shadowens, Chief Financial Officer of Van Wert Health. "Their expertise and proficiency has been remarkable during every step of the process. This expansion project will allow us to move into the next era of health care in our region."

"PHC closed and funded this financing despite the recent disruptions that have roiled the municipal capital markets," said Charlie Visconsi, Co-Head of Transaction Originations at Preston Hollow Capital "Once again, our permanent capital facilitated the execution certainty that Preston Hollow Capital's borrowers need in difficult market conditions."

"Charlie and his team took the time to hear the Van Wert Health story and then dig into the credit," remarked Scott Winter, Managing Director at Ziegler, underwriter of the bond issue. "The PHC team was extremely thorough and professional throughout the due diligence process and to be able to deliver capital on time and without additional conditions in severe market conditions is extraordinary."

Business Wire | March 23, 2020
