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States, Cities Mount U.S. Election-Year Push for Infrastructure.

The nation's mayors and governors are hoping the next president will do what even record-low interest rates haven't: jumpstart investment in America's roads, water works and mass-transit systems.

On the sidelines of the Democratic National Convention in Philadelphia, where Hillary Clinton Thursday night accepted the party's nomination, state and local government officials said they need more federal support to finance work on infrastructure. Even with borrowing costs in the municipal-bond market holding near the lowest ever, governments squeezed by the recession have been leery of running up debt or persuading voters to support tax increases necessary to pay it back.

"We need to sell the American people on the value of investing in infrastructure," Terry O'Sullivan, general president of the Laborers' International Union of North America, said. He spoke at a meeting sponsored by Bloomberg Politics and Building America's Future, a coalition of elected officials that's co-chaired by Michael Bloomberg, founder and majority owner of Bloomberg LP, the parent company of Bloomberg News.

U.S. spending is projected to fall about \$1.4 trillion short of the \$3.3 trillion needed through 2025 for airports, highways and other infrastructure, according to the American Society of Civil Engineers. While President Barack Obama spurred spending on public works by helping cover the interest on about \$188 billion of state and local debt, the program lapsed in 2010. Democrats have been unable to revive it because of Republican opposition in Congress.

Both presidential candidates have said the country needs to do more. Clinton pledged to spend \$275 billion over five years and set up a national infrastructure bank to help fund large-scale projects, a proposal Obama advanced only to see it stall for lack of Republican support. Donald Trump, the Republican nominee, in his July 21 acceptance speech said "our roads and bridges are falling apart," though he's offered few details for how he'd fix them.

New York Mayor Bill de Blasio, a Democrat, said "there's a chance to get at least a core few things on the first run of the agenda" that would boost federal involvement in local public works. He said both parties find "tremendous commonality" over the issue.

The slide in interest rates has prodded state and local governments to increase their borrowing, though the pace of bond sales remains below the peak reached in 2010 and most are being issued to refinance higher-cost debt. There have been about \$97.5 billion of municipal bonds issued this year for new projects, up from \$87 billion in the same period a year earlier, according to Bank of America Merrill Lynch.

The municipal bond market has the capacity to finance far more, said Sean McCarthy, co-founder of Build America Mutual, which insures local-government debt, during a panel discussion in Philadelphia. Investors have added money to municipal-bond mutual funds for nearly a full straight year, according to Lipper US Fund Flows data, with \$783 million coming in during the week ended

July 27.

“Capital is waiting to be put to work on those new projects,” said McCarthy.

Some of the needed investment has been delayed because of the economic and political pressure to cut spending, which governments nationwide have faced since the onset of the recession. While the economy began growing again in June 2009, states and cities continued to be dogged by budget shortfalls for years because of the toll it took on their tax revenue. When governors released spending plans this year, 15 proposed cutting taxes while 13 sought to increase them, according to the National Association of State Budget Officers.

“There is a distrust that the government’s not going to do a good job spending money, particularly with roads and bridges,” said Rhode Island Governor Gina Raimondo, a Democrat who successfully pushed through a \$1.1 billion infrastructure plan after taking office last year. “They see what they think of as waste— projects taking too long, projects being done inefficiently.”

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