

# Bond Case Briefs

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## Gun Politics Pit Louisiana Against Muni-Bond Market's Behemoths.

- **State barred Bank of America, Citi from deal over policies**
- **'Could it cost us money? Yes,' says Louisiana Treasurer**

Louisiana's treasurer is usually focused on how to get the best deal for taxpayers when the state turns to Wall Street to float bonds for roads, bridges and other public works.

But last week, John Schroder, an Army veteran and one-time narcotics detective, used his office to stand up for gun rights by persuading a state commission to banish Bank of America Corp. and Citigroup Inc. from a \$100 million debt sale — a punishment for their stances on firearms. He said he shouldn't have any trouble finding banks willing to step in for the two biggest underwriters, who between them handle more than one-fourth of all state and local government bond offerings.

"The market's gonna set the rate," Schroder, a Republican, said in an interview. "Could it cost us more money? Yes. Could it not cost us more money? Yes."

The dustup is the latest between public officials in the Second Amendment friendly South and corporations that have been drawn into the polarizing debate over guns. This year, lawmakers in Georgia sought to eliminate a tax-break for Delta Air Lines Inc., a major employer, when the company ended a discount program for National Rifle Association members after a deadly school shooting in Florida. Some lawmakers in Florida sought to sanction Enterprise Rent-A-Car for doing the same.

Louisiana's decision came four months after Bank of America said it would stop making new loans to companies that produce military-style rifles for civilian use. Citigroup in March announced plans to prohibit retailers that are customers of the bank from offering bump stocks — like those used in the Las Vegas shooting that left 58 dead — or selling guns to people who haven't passed a background check or are younger than 21 without restrictions. That applies to companies that rely on the bank for store credit cards, lending and other services.

"Citi adopted this policy because we believe it is a positive and balanced step to promote gun safety without undermining free markets or Second Amendment rights," spokesman Scott Helfman said in an emailed statement. "It is disappointing that the taxpayers of Louisiana will be deprived from competitive bidding for necessary public works because the process has been politicized."

Bill Halldin, a spokesman for Bank of America, previously declined to comment.

Louisiana's pushback may discourage other banks from delving into gun policies, given that they need to do business with both Democrats and Republicans, Capital Alpha analyst Ian Katz wrote in a report this week. "Companies don't last generations by alienating large groups of customers," he said. "Citigroup and Bank of America have stuck their necks out on this one, and we suspect most others won't follow."

So far, no other state has shown signs of following Louisiana's lead, and the state's decision applies only to the upcoming sales of debt backed by federal transportation funds — a negligible amount of work for banks that underwrote about \$110 billion of municipal debt last year. But the State Financial Officers Foundation, a group for conservative state treasurers and controllers, plans to discuss the ban at its meeting next month, Derek Kreifels, its president, said in an email.

In Louisiana, political support for gun rights runs deep. For years, the state held a sales-tax holiday for firearm sales, though it will be called off this year to help the state close its budget deficit. Even Governor John Bel Edwards, a Democrat, calls himself a "staunch defender" of the Second Amendment.

Last week's decision was prompted by U.S. Senator John Kennedy, the former Louisiana treasurer, who wrote letters to Bank of America CEO Brian Moynihan and Citigroup CEO Michael Corbat criticizing their policies. He also asked the Louisiana bond commission, which Schroder chairs, to look into any business it has with the banks. The decision to exclude the banks from the upcoming sale narrowly passed by a vote of 7 to 6.

Matthew Block, Edwards' executive counsel, was among those opposed. So was Jay Luneau, a Democratic state senator who said he was concerned that it could be costly to sever ties with the two biggest underwriters.

"It doesn't have to do with whether or not you support the Second Amendment," said Luneau, who said he was a gun collector himself. "I clearly do — not just in words, but in action. This was about political grandstanding, nothing more."

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— *With assistance by Felice Maranz*