
Issuers Look for More Clarity on Federal Spending and Disclosure.

Municipalities are seeking clarity from the Treasury on how to spend federal relief dollars and are seemingly disappointed by recent guidance on how to disclose their financial concerns related to coronavirus.

At a Government Finance Officers Association debt committee meeting held via conference call, issuer officials discussed Treasury's guidance from earlier this month on how to spend federal money from the $150 billion from the Coronavirus Relief Fund stemming from the Coronavirus Aid, Relief and Economic Security Act.

"The Treasury put out some additional guidance that seemed to allow to open up more broadly the use of the funds to reimburse for public safety costs, but there were still a lot of questions around it," said Kenton Tsoodle, Oklahoma City's assistant city manager and chair of GFOA's debt committee.

Issuers also wondered if the funds could be used as a revenue replacement given that many have been hard hit by losses of revenues due to less economic activity during the pandemic.

Some say Treasury's intent was to open up the funds for public safety costs.

"But there seems to be a lack of clarity about if they're actually going to update the guidance or the frequently asked questions," Tsoodle said.

Tsoodle said it was also a quick turnaround for governments to figure out how to spend the money, given they received it on April 22, have had the Treasury's guidance for about three weeks and have seven months to spend the funds.

A few bills have been proposed in recent weeks to give states and local governments more spending flexibility. The State and Municipal Aid for Recovery and Transition Fund would provide $500 billion in grants to state and local governments. It would be divided into thirds of $166.6 billion each based on population, COVID-19 cases and revenue losses at the state level.

The Health and Economic Recovery Omnibus Emergency Solutions, or HEROES Act would provide $915 billion in state and local aid, though it is unlikely to pass in the Senate.

Tsoodle wants to see the HEROES Act, SMART Act or other proposed bills loosen the strings on funding to be able to replace lost revenue.

A participant on the call also asked about how the Treasury defined sharing funds to utility customers.

"We feel like it says you couldn't pay your utility directly, but you can provide assistance directly to individuals," Tsoodle said.

“There is a lot of desire for more clarity,” Tsoodle added.

During Wednesday’s meeting, the Municipal Securities Rulemaking Board released resources for issuers to use to disclose financial and operational impacts caused by COVID-19. Debt committee members were frustrated that it did not include changes it had suggested.

“It appears the MSRB did not take any of the changes that GFOA Debt Committee offered, which is a little frustrating because their guidance uses terminology that is technical and doesn’t match up with the real world use of terms that we use,” said David Erdman, Wisconsin’s capital finance director. “In other words, there is nothing in the guidance that talks directly about voluntary disclosures.”

Voluntary disclosure has been a big topic for issuers as they try to figure out how to disclose financial impacts for certain credits and decide how often they need to disclose, while abiding by antifraud laws.

The MSRB did talk about disclosing in the “other” category on its site, while some analysts have asked for better organization of those miscellaneous filings, saying that category houses more than it should.

“The ‘Other’ category is intended for a disclosure or part of a disclosure for which no available category applies,” the MSRB wrote. “If the ‘Other’ category is selected, submitters are asked to provide text in the ‘Description’ field that describes the disclosure. Selecting one or more descriptive categories and providing a detailed free-text description enhances the ability of EMMA users to locate a disclosure.”

The MSRB also included resources such as selecting event disclosure categories, statements made by the Securities and Exchange Commission and a SEC Q&A webinar on continuing disclosures recorded in March.

The committee also discussed the Federal Reserve’s Municipal Liquidity Facility, with many voicing that they did not presently have plans to use the progam.

Wednesday morning, the New York Fed released a sample purchase rates table for loans of six months to three years.

“It would not be a program that we would take advantage of,” said Tim Ewell, chief assistant county administrator for Contra Costa county in California, on the MLF program,” I haven’t heard anything at the state level of California taking advantage of it either, even on behalf of smaller issuers. Hopefully, whatever comes out of the next stimulus bill, maybe a second version of the program through the Fed — is something that truly helps smaller issuers who are really, frankly, the ones that are going to need this.”

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