

Bond Case Briefs

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BDA Washington Weekly: Congress Waiting for Recess.

Following a surprising May jobs report in which the U.S economy gained over 2 million jobs, vastly higher than the projected 7 million job loss, odds of an immediate stimulus package took a direct hit. It's not time to rule out additional measures, but direct funding to state and local governments will have to wait beyond the upcoming two week Congressional July 4th recess.

While next steps have become murky, the White House has signaled they believe some further action will be required, however they remain in a wait and see posture. This follows a Congressional Budget Office report that found additional aid to state and local governments would provide a financial boom for the economy, helping offset the \$350 billion decline in spending on goods and services from localities.

****The BDA's 2020 Policy Agenda can be viewed [here](#).**

Legislative Recap:

House to Release Financing Details for Transportation Package

Last week, the House introduced a sprawling [surface transportation infrastructure package](#). The legislation, the [Invest in America Act](#), is part of the larger [Moving America Framework](#), a document released in January laying out the House Majority's goals for infrastructure investment.

The initial draft does not include any bond provisions.

Following release of the legislation, the BDA learned that the House Committee on Ways and Means plans to release a tax title for the bill and will host a hearing in the coming weeks to discuss tax relief during stimulus, reviving talks of bond provisions being included in the larger package. While details remain unknown, the Moving America Framework called for:

- The Restoration of Advance Refundings;
- Expanding the use of PABs;
- Increase the BQ debt limit; and
- Development a new BABs program exempted from sequestration.

The BDA continues to [press for inclusion](#) of all noted muni provisions, and is partnering with our partners in the Public Finance Network to ensure Congressional leaders know the importance of bonds in infrastructure.

The BDA is also working alongside the Council of Development Finance Agencies in support of the [Modernizing Agricultural and Manufacturing Bonds Act \(MAMBA\)](#). The bill, sponsored by Reps. Stephanie Murphy (D-FL) and Darin LaHood (R-IL), would modernize the Internal Revenue Code as it relates to small issue bonds, specifically the private activity bond rules for first-time farmers and manufacturing bonds.

Elsewhere in the House, Financial Services Committee Chairwoman Maxine Waters (D-CA)

continued to feud with the Office of the Comptroller of the Currency, pushing back on the Acting Comptrollers' recent letter to the National League of Cities and U.S Conference of Mayors.

In the [letter](#), Mr. Brooks pressured state and local governments to reopen by criticizing cities for protracted stay-at-home policies that now pose risks to the economy that must be weighed against the benefits.

[Chair Waters responded in kind:](#)

“With this inappropriate letter pressuring city and state officials to end important public safety measures put in place to combat the spread of the novel coronavirus, the new Acting Comptroller is transparently pandering to President Trump, who has made clear that he would prefer that we all pretend that there is no pandemic, that more than a hundred thousand Americans have not lost their lives already, and that many more are not at risk.”

Senate Remains at Standstill

While the House moves forward with infrastructure stimulus packages, the Senate remains at a standstill and skeptical of the need for further action. McConnell, in conversations with the White House this week, indicated that any measure would have to be considered after the upcoming July 4th recess, pushing legislative action to at least July 20th.

The Majority Leader also expressed that he is not willing for the package to be any larger than \$1 trillion, although the President continues to express the desire for a more robust package that includes infrastructure.

Senate Committee on Environment and Public works echoed the Presidents sentiment that infrastructure should be a priority for this legislative session, however simultaneously bashed the House Democrats efforts.

The Chairman stated in a [recent op-ed](#):

“The House Democrats have put out nothing other than a partisan outline calling for massive government spending over the next five years. The dollar amounts included in the plan accompany a laundry list of liberal priorities.”

The House and Senate remain far apart on both infrastructure and stimulus with very few provisions to find compromise. However, the BDA believes another stimulus measure is a near certainty, with limited funding for state and local governments.

The BDA believes Surface Transportation reauthorization will likely be punted to 2021, opening the door for inclusion of bond provisions in the final package.

Federal Reserve Recap:

BDA Presses Fed to Expand Scope of Facilities

While the Fed has begun activity in both the Secondary Market Corporate Credit Facility and the Municipal Liquidity Facility, the BDA has continued to pressure the Fed to expand the scope of

activity. The BDA [submitted additional comments](#) to the Federal Reserve on their continued intervention in the capital markets to discuss market structure, and the need to expand their emergency programs to include all banks and dealers who provide liquidity to the market.

The Fed also received pressure from Capitol Hill to continue intervention in the municipal market. Following BDA recommendations, and after the Fed slightly expanded program eligibility, a group of House legislators urged the Fed to [further expand the scope of the MLF](#).

Regulation Recap:

FIMSAC Hosts Virtual Meeting

The SEC FIMSAC hosted a virtual last week, the first meeting since the COVID-19 pandemic began. The Committee considered several issues of interest including recommendations regarding pre-trade transparency and the TRACE Pilot.

The agenda and BDA overview can be viewed [here](#).

Other Regulatory News

- [BDA Submits Comments in Support of FIMSAC Rule 17a-7 Proposal](#)
- [MSRB Submits A-3 Comments to SEC](#)
- [BDA Survey Results: Muni MA Activity and the SEC Proposed Order](#)

Bond Dealers of America

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