

Bond Case Briefs

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The Washington Weekly: Stimulus, Shutdown or Both?

After 6+ months of negotiation, Congress appears to be on the brink of passing an additional stimulus bill. The package, which will most likely be attached to the year-end funding bill, looks to be approaching \$1 trillion dollars but is **not expected to include additional [direct funding to state and local governments](#)**.

While the package provides little additional help for issuers, [certain sectors are expected to receive some relief](#). These include:

- Education funding for K-12 and higher-ed,
- Transportation sector funding,
- Health care, and
- Housing.

The next steps at this juncture are uncertain. An additional short-term funding resolution is possible so that these discussions can continue into the weekend, or even a short shut down, but all indications are that Congress will act prior to the Christmas holiday.

The lack of funding to state and locals puts the early 2021 legislative calendar in-flux. Congressional leaders continue to issue promises that state and local aid will be revisited in early 2021, however, skeptics abound due to the continued struggles to pass stimulus measures in 2020. This could slow progress on issues such as infrastructure in which the BDA continues laying the groundwork for bond provisions to be included.

Transition Update:

Former Mayor Pete Buttigieg Nominated to Lead Infrastructure Push

Former South Bend, IN Mayor Pete Buttigieg, has been officially nominated for Secretary of DOT. While this role is historically a mid-range Cabinet post, due to President-Elect Biden's focus on infrastructure and his "Build Back Better" plan, DOT will likely play an outsized role in 2021.

Buttigieg is no stranger to the municipal market. During his tenure as Mayor, South Bend had dozens of bonds issued including general obligation bonds to bonds for park districts and economic development among others. South Bend had a dramatic economic turnaround during this tenure, mostly focusing on innovative infrastructure.

Infrastructure was also a pillar of the Mayor's platform during his brief presidential run. While there was no direct mention of municipal bonds, he focused heavily on transit and pushed for the continued funding of the Highway Trust Fund which was part of the House Moving Forward Act.

Fed Recap:

Powell Calls for Additional Debt Purchases

While noting economic predictions have improved mildly, Federal Reserve Chairman Powell

continues to call for additional Congressional and Fed action and continued purchase of Federal debt. He also reiterated that the task of curbing government spending should be set aside until a time when “the economy is strong and when unemployment is low.”

Powell noted: *“The Federal Reserve will continue to increase its holdings of Treasury securities by at least \$80 billion per month and of agency mortgage-backed securities by at least \$40 billion per month until substantial further progress has been made toward the Committee’s maximum employment and price stability goals.”*

Further, Powell also discussed the future of the American economy, while pressing Congress to take additional action regardless of projections. He also urged Congressional Leadership not to worry about debt and deficits in this time or need stating:

“We’ve always looked at debt to GDP, and we’re very high by that measure. By some other measures, we’re actually not that high. In particular, you can look at real interest rate payments — what does it cost? And from that standpoint, if you sort of take real interest costs of the federal deficit and divide that by GDP, we’re actually on a more sustainable fiscal path.”

Bond Dealers of America

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