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5 Trends to Watch in 2021 Public Finance.

- Increase of large infrastructure financings funded by the federal government – The Biden Administration is expected to continue and further advance a 2019 trend that saw the federal government spend \$29 billion on infrastructure and a transfer of an additional \$67 billion in infrastructure spending to states. Half of this funding went to highways with air and rail being the next biggest categories.
- Corresponding decrease of Public Private Partnerships (PPP) for infrastructure projects given more federal government funding and challenges in recent partnerships – Challenges include lack of public sector capacity and experience among private businesses; dealing with the complexity of the preparation, procurement, and management of PPP contracts; and the demand for extensive resources that can characterize these projects.
- Defaults in the area of commercial real estate debt held by REITs and financial institutions – This trend is a continuation of one that started in 2020 as banks demanded more cash collateral and borrowers halted loan payments amid the Coronavirus 19 (COVID-19) pandemic.
- Continued pressure on tourism related taxes may result in defaults in convention-based hotels and sports and entertainment facilities – Although the introduction of COVID-19 vaccines may encourage more people to travel, it is more likely that the 2020 trends will continue and cities and states will continue to struggle to collect the tourism related taxes pledged to secure the debt issued to build publicly owned convention center hotels and sports and entertainment facilities.
- Without significant federal aid, continued decreases in municipal and state services – As it appears uncertain that the federal government will assist states and municipalities with funding emergency services necessary due to COVID-19, they may be forced to devote resources to these and halt other services.

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