

Bond Case Briefs

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Infrastructure and Municipals Expectations and Predictions for the Remainder of 2021.

Many questions remain unanswered as we enter the 6th month of infrastructure discussions with little tangible accomplishments achieved. While some compromise has been reached in recent weeks, frankly, both parties remain miles apart and the most likely outcome is an infrastructure spending bill passed via reconciliation with only Democratic votes. However, that as well remains in flux.

News of a recent shift in tactics has also been discussed. Senate Democratic Leadership may be shifting course in the short term on the size and scope of infrastructure spending to focus on a 2 part legislative push-allowing the President to continue to pursue some bipartisan solutions, while planning for a more robust party-line package either later this fall or early in 2022.

What does this mean for municipals in 2021? Are MBFA and BDA priorities still on track for enactment in this legislative year?

Expectations for Remainder of 2021

Following the introduction of the LIFT Act in the House and several companion pieces of legislation in the Senate, legislators made their intentions clear to promote infrastructure financing through municipal bonds a priority. Below is an outlook for municipal provisions that both the MBFA and BDA have advocated for:

Restoration Tax-Exempt Advance Refundings

As a top legislative priority for the municipal market, the restoration of tax-exempt advance refundings remains in a strong position for advancement this year. The legislative text was reintroduced by the House Municipal Finance Caucus earlier this year (the bill was identical to the version introduced in the 116th Congress) and absorbed in the later introduced LIFT Act. Following the House release, Senators Wicker (R-MS) and Stabenow (D-MI) introduced the LOCAL Infrastructure Act which much like the House companion, would fully restore tax-exempt advance refundings to their pre-2018 form.

Sentiment on Passage: BULLISH

Raise BQ Debt Limit

Much like AR, legislation was introduced in the House this Congress and absorbed into the LIFT Act. However, there has yet to be a Senate companion introduced, a potential hurdle in advancement. We still feel there is an above-average chance for passage this year, however believe it falls short of the bullish sentiment of other provisions.

Sentiment on Passage: NEUTRAL

New Direct Pay Bond Exempt from Sequestration

Legislation has been introduced in both chambers of Congress and promoted by the Administration that would establish a new category of tax-preferred financing for state and local governments to be

known as American Infrastructure Bonds (AIBs). Similar to the previous Build America Bonds program, AIBs would be an alternative to tax-exempt financing. The Senate American Infrastructure Bond is exempt from sequestration and has a flat 28% reimbursement rate while the House is not while varied reimbursement. There is a general consensus that the new AIB will be included in any infrastructure package passed, however, sequestration provisions remain in flux.

Sentiment on Passage: BULLISH (with a caveat on sequestration exemption)

Expand the Usage of PAB's

Although PABs are not part of the LIFT Act, they continue to receive ample attention from both Congress and the Administration. Last week, the Biden Administration called for an increase in the PAB limit for transportation infrastructure, doubling the limit to \$30 billion dollars. This build off pending Senate legislation that would expand the usage for affordable housing amongst other provisions. PABs for GSE use has also been a popular discussion item, but little legislative text has been produced.

Sentiment on Passage: BULLISH

Bond Dealers of America

June 4, 2021