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Muni Market Letdown as Bond Proposals Cut From Biden Plan.

- **Advance refunding revival, taxable infrastructure bonds axed**
- **Proposals were seen spurring tens of billions in new issuance**

A key debt-refinancing tool for state and local governments and the creation of a Build America Bonds-style debt program are among the municipal-bond provisions excised from the Build Back Better legislation proposed by the Biden administration on Thursday.

Advance refundings, a new version of taxable Build America Bonds, an expansion of bank-qualified bonds and an increase in private activity bond issuance aren't in the latest bill.

"Never been more disappointed," Emily Swenson Brock, director of the Government Finance Officers Association's Federal Liaison Center, said in an email on Thursday. "Bonds are out entirely in the framework."

The new BABs would have helped municipalities to finance much-needed new infrastructure, said Brock. "Jurisdictions across the country really thought this was our time."

Brock added that "there's still some process to go," meaning one or more of the provisions could be added back into the legislation as it's still subject to possible amendment.

Michael Decker, who lobbied for the provisions for the Bond Dealers of America trade group, called their being dropped "a disappointment" in an email, and added, "The bond provisions that have been under consideration are all modest in cost but with outsized benefits for state and local taxpayers around the country."

Bond issuers, bankers and buyers in the \$4 trillion market had welcomed the provisions when the new bill was unveiled in September, saying they could spur the issuance of tens of billions of dollars in new bonds. Their enthusiasm was short-lived.

"Like a scene from a movie that wasn't crucial, muni provisions got left on the cutting room floor," said Eric Kazatsky of Bloomberg Intelligence. "This speaks to the growing divide between the importance of these provisions to MuniLand and perhaps lack of importance to everyone else."

Tom Kozlik, head of municipal strategy and credit at Hilltop Securities in Dallas, Texas, said in an email that he wasn't too surprised that the muni provisions were dropped, "when so many priorities like community college and paid leave were being abandoned. I thought there was a very slight chance the direct pay infrastructure program could at least be included," he said, referring to the new version of Build America Bonds.

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By Joseph Mysak Jr

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— *With assistance by Martin Z Braun*

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