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Wall Street Faces Threat of Ouster From Arizona's Muni Market.

- **Arizona bill seeks to block banks from public-finance work**
- **Measure has passed the state's House, has moved on to Senate**

A GOP-backed bill advancing through the Arizona legislature could restrict Wall Street's work with local governments in the state, hurting the public-finance business at banks including JPMorgan Chase & Co.

House Bill 2473 passed the Arizona House of Representatives last week and is now under consideration in the Senate. It's similar to a GOP law in Texas that took effect in September and upended a crucial market for municipal finance. Bank of America Corp., Goldman Sachs Group Inc. and JPMorgan have halted underwriting for Texas and its municipalities, and Citigroup Inc. resumed handling deals there after a pause of more than two months.

Banks are taking notice of the Arizona bill, as the GOP controls the legislature and the governor is Republican as well. The state is among at least eight, on top of Texas, where GOP lawmakers have introduced bills backed by the National Shooting Sports Foundation, a group that aims to punish Wall Street for what it sees as restrictive gun policies. Of that batch of states, Arizona's measure is the only one to win approval in the legislature chamber where it was introduced.

"If these banks hit the pause button like they did in Texas, to make sure they are not out of compliance — that may disturb the market," said Paul Hickman, president of the Arizona Bankers Association. His group opposes the bill, saying it restricts the free market by dictating to private companies whom they can transact with.

Banks have been adopting gun policies in the wake of mass shootings in the U.S. JPMorgan Chief Executive Officer Jamie Dimon, for example, said last year that the bank won't finance companies that make military-style weapons for consumers. A JPMorgan spokesperson declined to comment.

Democrats in Arizona have voiced opposition to it, and a spokesperson for Tempe said the city and other municipalities are working to amend the legislation.

"Regardless of where you stand on firearms, from a fiscal perspective this is bad for the government," said Martín Quezada, a Democratic state senator. "It will result in less competition, higher costs, and risk the safety of our taxpayer money."

Muni Impact

The bill was introduced in January by Frank Carroll, a Republican state lawmaker, and it has about two-dozen Republican sponsors. Carroll didn't respond to multiple requests for comment. The measure would apply to government contracts of \$100,000 or more, hitting services like banking and debt underwriting.

Lawrence Keane, senior vice president for government affairs at the National Shooting Sports Foundation, said the group is optimistic about the bill's prospects.

"We are confident that we can get the bill to the governors desk," he said.

Granted, the Arizona muni market is much smaller than Texas's, which at almost \$50 billion last year was second only to California. Arizona issuers sold about \$7.5 billion of munis in 2021, data compiled by Bloomberg show.

JPMorgan was the third-biggest muni underwriter there last year, handling nearly \$1 billion, out of the \$36 billion of long-term munis it underwrote nationwide. Bank of America and Goldman Sachs are also in the top 10 there. Other banks that dominate muni underwriting in Arizona, like Stifel Financial Corp. and Royal Bank of Canada, have been able to comply with the gun law in Texas and continued to underwrite deals there after it took effect.

A spokesperson for Goldman Sachs declined to comment. A spokesperson for Bank of America didn't have an immediate comment.

Steven Killian, director of government relations for the Arizona Bankers Association, said the bill could hinder growth in the booming Phoenix area, which needs infrastructure funded by municipal bonds to support a surging population.

"Everything here is new, new roads, new infrastructure, new everything," he said. "Cities depend on these bond issuances to keep up with the growth."

County 'Ramifications'

The reach of the bill extends beyond bond issuance to a broad array of government banking needs.

It would have "significant ramifications" for Arizona's Coconino County, said Sarah Benatar, the municipality's treasurer. The county of 145,000, which completes more than \$1 billion of financial transactions a year, uses JPMorgan for everything from deposits to worker payrolls.

Benatar said that under state code, there are few other banks big enough to legally serve the county given the size of its funds and collateralization requirements for banks.

"When you start passing legislation like this, you're impacting our ability to ensure that safety of public monies," she said.

The county recently received bids from two banks for a bank-servicing contract beginning later this year, one of them being JPMorgan, she said.

If fewer bidders participate, it could raise costs for the county and taxpayers, she said. And if no bank were able to participate, the government would likely have to hire more workers to handle banking entirely in-house, she said.

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