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Update: The Growing Trend of Anti-Boycott Laws and the Effect on Public Finance – Is Arkansas Next?

In our previous blog post we noted the emerging trend of anti-boycott and anti-discrimination laws in multiple states and discussed potential effects on the public finance market, particularly in Arkansas.

Potential Costs:

One of the potential effects we noted was that by limiting potential underwriting (or direct purchaser) options, bond issuers may see increased borrowing costs. This possibility was examined in great detail in a recent paper authored by Daniel G. Garett of the University of Pennsylvania, Wharton and Ivan T. Ivanov of the Federal Reserve Board. The paper, titled *"Gas, Guns, and Governments: Financial Costs of Anti-ESG Policies,"* focused on the recent anti-boycott and anti-discrimination laws passed in Texas that addressed the energy (in particular, oil and gas) and firearms and ammunition industries. The paper makes note of the exit of some of the largest municipal bond underwriters from the Texas market and estimates that this reduction in underwriting options could result in substantial increases in interest costs for municipal issuers across the state.

The paper was presented at the Brookings Institution's 11th annual Municipal Finance Conference in July. The full paper is available from the conference's website and may be accessed here.

West Virginia:

Last week, the West Virginia state treasurer, Riley Moore, announced that the state was barring Goldman Sachs, JPMorgan, Morgan Stanley, Wells Fargo and BlockRock from doing business with the state due to their policies regarding the coal industry. This action was undertaken pursuant to a law passed this year that provides the treasurer with the authority to ban financial institutions from state business if the institutions are determined to have policies boycotting fossil fuels. The immediate focus of the impact of this decision is on depository relationships with the state, but this decision will likely have significant impacts on municipal bond underwritings, as well.

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