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Louisiana Opts to Auction Bonds to Avoid GOP Anti-ESG Quandary.

- **State will sell about \$270 million of bonds to lowest bidder**
- **State treasurer says he has ‘no choice’ but to auction bonds**

Officials in Louisiana couldn't agree on which Wall Street banks align closely enough to the state's Republican politics to underwrite an upcoming bond sale — so they decided to put the debt up for auction instead.

Members of the State Bond Commission voted Friday to sell about \$270 million of general obligation bonds through a competitive offering rather than choosing banks in advance. The decision followed an intense debate over whether to allow six Wall Street banks to be considered for the state's underwriting pool because of their corporate policies on fossil fuels or firearms.

Craig Cassagne, Assistant Attorney General with the Louisiana Department of Justice, sought to exclude Barclays Plc, JPMorgan Chase & Co, Morgan Stanley, RBC Capital Markets, UBS Group AG, and Wells Fargo from managing Louisiana's negotiated municipal bond deals. And because the state had already removed Bank of America Corp. and Citigroup Inc. from its syndicate group over gun policies — it would have left few other major investment bank options.

"If you take eight of these banks off my list, I'm handcuffed," said Republican Treasurer John Schroder at the meeting in Baton Rouge. He said limiting the pool of possible banks so drastically would raise borrowing costs for taxpayers. "I have no choice but to do a competitive deal."

The decision shows how politicized the \$4 trillion municipal bond market has become as the Republican anti-ESG agenda has filtered into public finance. States from West Virginia to Kentucky to Texas have passed legislation that restricts certain contracts with companies because of their environmental or social policies. That's fractured parts of the market with some companies able to conduct business in some states but not others.

There's no law in Louisiana barring certain banks from conducting business with the government like there is in Texas. That means that if the state sells the bonds through an auction, officials are obligated to take the lowest bidder regardless of which bank it is.

"This is very messy, but I didn't create the mess. I'm just trying to wade through it," Schroder said.

Schroder sent a request for qualifications in January to solicit banks for the the state's pool of underwriters. As a part of the request, respondents had to demonstrate that they don't "restrict or would otherwise infringe on the constitutionally protected rights of the citizens of the State to lawfully keep and bear arms" or have a policy that prohibits "doing business of any type with clients or customers in any fossil fuel related industry."

Twenty-seven firms responded, by and large saying they should be considered for the underwriting pool. Because the biggest banks are global corporations with various business lines, there were

some caveats.

JPMorgan, for example, said it doesn't provide financing to companies that make military-style weapons for civilian use and that its risk-based assessment has them steer clear of certain activities related to coal mining. RBC had a similar statement, saying it may decline to provide services that expose the bank to undue risk and refrain from financing new greenfield coal-fired power plants, thermal coal mines, or mountain top removal coal mining projects.

The state hasn't yet made a decision on which banks will be in the ongoing pool of underwriters.

Spokespeople from JPMorgan, RBC, and Morgan Stanley didn't immediately respond to requests for comment. Spokespeople from Barclays and UBS declined to comment. Wells Fargo didn't provide an immediate comment.

A spokeswoman for Schroder didn't have further comment.

Louisiana Attorney General Jeff Landry's office provided a letter he authored to the commission urging for a competitive sale and only use pre-determined banks if they share the state's values.

Landry said he must ensure "the values of Louisiana citizens, particularly their 2nd Amendment rights and our economy that relies on the oil and gas industry are protected. I will not support any decision that both costs the taxpayers of Louisiana more of their hard-earned money and puts that money directly in the pockets of the banks who have policies contrary to our way of life."

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By Danielle Moran

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