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His second presidency could recolor the landscape for federal spending, with ramifications for states, local governments, schools and public pensions. Governors and mayors will need to try to discern where the political wind is blowing – and what to watch out for.

The re-election of Donald Trump and the Republican takeover in the Senate portend the very real possibility of a seismic shift in federal tax and budget policies. It's premature to make predictions of what will ultimately pass in Congress, of course, so the magnitude of fallout at the state and local level is a guessing game at this point. But experience from the first Trump presidency and the ground rules for passing fiscal legislation without a Senate filibuster do shed light on the playing field and how the game will likely be played next year.

During the campaign, neither Trump's team nor Kamala Harris' had much to say about public finance beyond the issues of tariffs and tax cuts. Neither candidate addressed the federal deficit or the bond market in a meaningful way. The closest they got to public finance was the way each side portrayed the benefits vs. the inflationary impact of COVID-19 recovery legislation, and neither campaign team made reference to state and local budget consequences. Inflation was the issue: Egg prices were more important than intergovernmental fiscal policy.

So while it remains to be seen as to what exactly the new political team in the White House will propose on Capitol Hill, it is pretty clear that the first orders of business will be to extend the 2017 tax cuts, push for lower corporate taxes for domestic manufacturers, fulfill some of candidate Trump's promises for idiosyncratic tax exemptions and cut government spending. The big unknown, as explained below, will be whether there are enough votes in both houses of Congress to sustain the wild card of dramatic budget cuts of the magnitude ballyhooed by billionaire/influencer Elon Musk.

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