

THE BOND BUYER

Neal says muni provisions will be included with state, local aid

By

Brian Tumulty

Published

April 29 2020, 2:31pm EDT



House Ways and Means Committee Chairman Richard Neal, D-Mass., reaffirmed Wednesday his support for reinstating Build America Bonds and expanding the use of private activity bonds as part of a larger package of emergency aid to state and local governments.

Bloomberg News

House Ways and Means Committee Chairman Richard Neal reaffirmed Wednesday his support for reinstating Build America Bonds and the use of private activity bonds as part of a larger package of aid to state and local governments.

Neal, D-Mass., assured members of the U.S. Conference of Mayors that he is working closely with Treasury Secretary Steve Mnuchin to include major infrastructure provisions in what members of Congress are calling CARES Act 2.

“You are likely to see the details of what we propose in the next few days and certainly within the next week,” Neal said.

Neal spoke with five mayors in a video news conference on Facebook, including Municipal Bonds for America Chairman Steve Benjamin, who is the mayor of Columbia, S.C. and immediate past president of the USCM.

“Direct flexible fiscal assistance is so important for cities,” said Benjamin, noting that his own city is projecting a \$21.5 million shortfall this year.

The U.S. Conference of Mayors, National League of Cities and National Association of Counties have joined together to request \$250 billion to address their revenue shortfalls and added expenses in addressing the coronavirus emergency.

That’s in addition to the \$500 billion being requested by the National Governors Association for state governments.

Speaker Nancy Pelosi, D-Calif., said Tuesday during a call with members of the American Federation of State County and Municipal Employees that a package for local governments is under consideration as a separate measure from the aid to states.

Benjamin suggested restoring the tax exemption for advance refunding as an additional measure.

“You know that muni bonds are the bread and butter of infrastructure investment and unfortunately this crisis has frozen up the bond market and driven up our borrowing costs as well,” Benjamin said.

Neal said he favors direct aid to local governments either through Community Development Block Grants or through a revival of the 1970s federal program known as revenue sharing.

Last week Senate Majority Leader Mitch McConnell, R-Ky., suggested that state governments might misuse the federal aid to help their underfunded pension plans and suggested that they instead file for bankruptcy. That’s not currently allowed under the federal bankruptcy code.

“It doesn't have to be used for pensions,” Mayor Jeff Williams of Arlington, Texas said during the discussion with Neal, suggesting that point should be made to the Trump administration.

“The revenue loss is a direct result of the coronavirus,” Williams said. “This revenue loss is easy to document.”



Rep. Richard Neal, D-Mass., spoke with five mayors in a video news conference on Facebook, including Municipal Bonds for America Chairman Steve Benjamin, who is the mayor of Columbia, S.C. and immediate past president of the USCM.

Brian Tumulty, The Bond Buyer

Dayton, Ohio Mayor Nan Whaley agreed. “This is about straight revenue loss, and I think everyone needs to understand that we are talking about the frontline workers that are providing the service that is so key during this crisis.”

“We really need the help to maintain our bond rating, our ability to borrow in the future,” said Santa Fe Mayor Alan Webb, who noted his city wants to maintain its triple-A rating.

National Association of Counties Executive Director Matthew Chase said in a separate call with reporters Wednesday that his organization supports putting “guard rails” on federal aid to local governments but not “third rails.”

Neal, who told the mayors he has a “good working relationship” with Mnuchin and meets with him monthly for lunch, said it was the Treasury secretary who recently raised the suggestion of including infrastructure in the CARES Act 2.

McConnell, on the other hand, told his fellow Republican senators in a conference call Tuesday, “We need to keep the White House in the box,” according to Axios.

“The Democrats and the White House both need to get the message,” McConnell reportedly said, according to Axios, citing sources.

House Transportation and Infrastructure Committee Chairman Peter DeFazio, D-Ore., responded Wednesday to McConnell’s comment by pointing out that “the country is now on the precipice of the worst economic downturn since the Great Depression.”

“And just like the New Deal of the 1930s, the best way to re-start our economy and put workers first is with a massive investment in the kind of infrastructure that will help future generations succeed,” DeFazio said.

Updated forecasts of worsening medium-term economic conditions have led to a new projection that state budget shortfalls could rise to \$650 billion through 2022.

The forecast comes from the liberal-leaning Center on Budget and Policy Priorities using an update released Friday by the nonpartisan Congressional Budget Office and a separate update from Goldman Sachs.

CBO is now forecasting unemployment will average 15% for the next six months and fall only slowly, remaining at 9.5% at the end of 2021.

CBPP averaged the CBO and Goldman projections to release a new report Wednesday.

The center said only around \$65 billion of the federal aid provided so far is readily available to narrow these shortfalls. The states have about \$75 billion in their rainy day funds, which would leave them with about \$510 billion in shortfalls over the next three years.

“If federal aid ends too soon, states will have to depend much more heavily on spending cuts and tax increases to balance their budgets,” wrote Michael Leachman, CBPP’s senior director of state fiscal research in a blog post.

“Accordingly, the next relief package should include a large new round of fiscal relief, using triggers based on job market conditions to determine when assistance phases up or phases out,” Leachman said.

[Brian Tumulty](#) reporter, The Bond Buyer