

U.S. Municipal Bond Market

Still No Agreement, Mixed Sense of Urgency Despite Historically Weak Data & Aid Requests

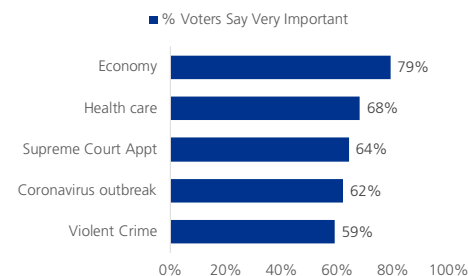
Historically Weak Data, Still

Weekly jobless claims came in again this week at a staggeringly high 1 million. This is proof the labor market is still broken even though there was “gradual improvement” in the numbers.¹ The total number of people collecting unemployment benefits remains extremely high at 27 million, down a million compared to the previous week.

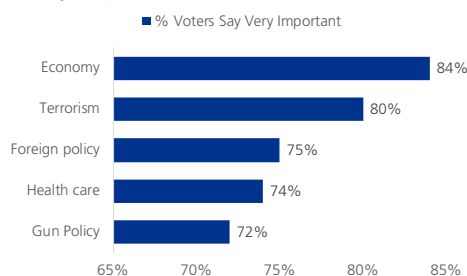
The additional unemployment benefits from the CARES Act expired July 31 and negative individual sentiment is building on the ground about Congress’ failure to reach an agreement on a fifth COVID-19 relief package. “Many described increasingly desperate situations, as they cut back on basic expenses such as food, certain medicines and cable TV. This led many to stand in line at food banks, apply for food stamps or rely on unemployment insurance, many for the first time,” indicates a Washington Post article that included color interviews of the jobless.²

July unemployment rates by state range from a high of 16.1% in Massachusetts to a low of 4.5% in Utah. But other high population states such as New York (15.9%), New Jersey (13.8%), Pennsylvania (13.7%), California (13.3%), Illinois (11.3%), and Florida (11.3%) are all still struggling with very high unemployment rates.³

"Very Important" Issues in 2020 Election



"Very Important" Issues in 2016 Election



Source: Pew Research Center and HilltopSecurities.

Select Federal Aid Requests from Certain Public Finance Sectors

Congress left Washington on Aug. 7 without agreeing on another round of relief. The need for federal relief remains strong, three weeks later. If anything, sentiment about the need for additional federal aid among public finance entities is building, not abating. We have written we expect a record amount of downgrades in the near to medium term.⁴

Sector by Sector Examples of Need for Aid

State government: National Governors Association (NGA) has requested \$500 billion in unrestricted state aid and NGA continues to urge Congress and the White House to reach a quick resolution to provide immediate assistance to unemployed Americans.⁵

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Local Government: To date, just 38 American cities have qualified for any direct aid, and those that did qualify are unable to use those resources to offset pandemic-driven budget shortfalls. Hundreds of cities have already cut jobs and reduced or eliminated services. Without immediate action, this devastating reality will worsen exponentially.⁶

A positive observation for airports has to do with air cargo volumes, which have been more supportive to the bottom line in recent months compared to passenger volume.

School Districts: As schools start the year without more federal aid to help cover the costs of contending with a pandemic, academic officials are warning that vast budget shortfalls will further strain their districts unless Democrats and Republicans break their impasse on a new coronavirus-relief package.⁷

Infrastructure and Capital Projects: Just over 60% of respondents said capital projects would be the budget item most impacted by revenue shortfalls stemming from the virus.⁸

Higher Education: "A new, comprehensive COVID-19 relief package is needed, and it is needed now. The budgets of all colleges and universities are in shambles because of the pandemic," said Terry Hartle, the American Council on Education's senior vice president for government and public affairs. "The sad fact is that many colleges are racing toward a financial cliff."⁹

Transportation: Transit agencies across the country are lobbying for at least \$32 billion on top of \$25 billion they received in April from the first coronavirus stimulus package, the \$2 trillion Cares Act.¹⁰

Nursing Homes: The nation's nursing homes need an aggressive and comprehensive federal approach to the COVID-19 crisis, including supplying facilities with personal protective gear, assisting with staffing shortages and offering coronavirus testing with rapid results, according to recommendations from a commission convened by the Trump administration.¹¹

"The Economy" remains the most important issue leading up to the 2020 election, per Pew Research Center polls.

Relief Update

"The Economy" remains the most important issue leading up to the 2020 election. This is based on a comparison of Pew Research Center polls. Despite the shared importance of the economy over time, Washington lawmakers have still not been able to come to a compromise.

This week White House Chief of Staff Mark Meadows reached out to Speaker Nancy Pelosi in an attempt to restart negotiations about a fifth phase of relief.¹²

In response, Speaker Pelosi released a statement noting the Democrats would be willing to "go to \$2.2 trillion to meet the needs of the American people."¹³ The statement ended with, "Democrats are willing to resume negotiations once Republicans start to take this process seriously. Lives, livelihoods and the life of our democracy is at stake."

Senate Majority Leader Mitch McConnell also commented this week, "I can't tell you today we're gonna reach an agreement on another rescue package... We're at a stalemate at the moment and I'm hoping we can come together once again because the coronavirus is not involved in the American election."¹⁴

Still, no progress on talks by Washington lawmakers as it relates to more COVID-19 relief.

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¹ Chaney, Sarah and Paul Kiernan; *Unemployment Claims Remain Historically High*; *Wall Street Journal*; August 28, 2020.

² Rosenberg, Eli and Heather Long; *Congress left town and let jobless benefits lapse. Unemployed Americans say they won't forget it*. *The Washington Post*; April 27, 2020.

³ *Unemployment rate 16.1% in Massachusetts, 4.5% in Utah, in July 2020*; U.S. Bureau of Labor Statistics; Aug 27, 2020.

⁴ Please see: Kozlik, Tom; *Public Finance Downgrades to Outpace Upgrades, Probably for Years*; *HilltopSecurities*; August 13, 2020.

⁵ *National Governors Association Leaders Call on Congress To Come Together On Coronavirus Relief*; *National Governors Association*; Aug 10, 2020.

⁶ *Budget Shortfalls and Ongoing Economic Woes Due to COVID-19 Forcing Continued Cuts to Local Services and Jobs*; U.S. Conference of Mayors; Aug 5, 2020.

⁷ Koh, Yoree and Andrew Duehran; *Stalled Coronavirus-Aid Talks Test School*; *the Wall Street Journal*; Aug 27, 2020.

⁸ Lucia, Bill; *Capital Budgets and Maintenance in Line to Take Hits, Local Government Survey Finds*; *RouteFifty*; Aug 27, 2020.

⁹ Murakami, Kery; *Is Help Coming From Washington?*; *Inside HigherEd*; Aug 10, 2020.

¹⁰ George, Justin; *Key Democrats pledge support for more federal relief for transit*; *The Washington Post*; Aug 5, 2020.

¹¹ Mathews, Anna Wilde; *COVID-19 Crisis in Nursing Homes Requires Aggressive Response, Panel Says*; *the Wall Street Journal*; Aug 21, 2020.

¹² Hansen, Sarah; *Stimulus Update: White House's Meadows Says He Reached Out to Pelosi To Restart Talks*; *Forbes*; Aug 26, 2020.

¹³ *Pelosi Statement After Conversation with Trump Administration on COVID-19 Relief*; *Speaker Pelosi Press Releases*; Aug 27, 2020.

¹⁴ Werner, Erica. *Twitter Post*. August 27, 2020; 11:50AM; <https://twitter.com/ericawerner/status/1299026484191989760>

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