

## U.S. Municipal Bond Market

# State and Local Aid is Key Roadblock, Says COS Meadows, But Offers \$300 Billion

### Summary

- This morning, White House Chief of Staff Mark Meadows said during a CNBC interview the biggest stumbling block to a larger COVID-19 fifth phase compromise is the \$915 billion of relief the Democrats are asking to use toward state and local governments. He says that number is not “based on reality.”
- Instead, the White House would like to see additional flexibility added to the \$150 billion already allocated for state and local governments under the CARES Act. COS Meadows also believes that it is realistic to authorize another \$150 billion of direct aid for state and local entities.
- Meadows stressed that real progress is being made toward a larger compromise. He hopes a bill could be put forth for consideration by the Senate as early as next week after lawmakers return to the Beltway.

### Congress Again Returns to Washington Next Week

Monday, Sept. 7 is a U.S. federal holiday, Labor Day. The noted day is meant to recognize the achievements of the labor movement and influence of workers on the growth of the United States. It also marks the unofficial end of summer. There is anything but a sense of closure this season as summer of 2020 draws to a close. In fact, Tuesday, Sept. 8 marks the return of U.S. lawmakers who serve in the House of Representatives and the Senate to Washington D.C. The House is scheduled to be in session until Friday, Oct. 2 and the Senate until Friday, Oct. 9.

This year, at least for municipal bond market observers, Labor Day marks the beginning of the next period when lawmakers could potentially compromise and come to an agreement on a next, or fifth, phase of COVID-19 relief. In the meantime, COVID-19 budgets, or spending plans that are being heavily influenced by a drawback of revenues, are being tentatively formed at every level of government. These are probably some of the most tentative spending plans developed in recent years because of the uncertainty related to measures still being taken to contain the spread of the coronavirus. Mid-year adjustments may be needed if revenues continue to lag past experience and or if federal aid does not materialize. Both circumstances stand to play a part in what municipal credit looks like going forward, something we addressed in our Aug. 13 commentary [Public Finance Downgrades to Outpace Upgrades, Probably for Years](#).

### White House COS Meadows Now a Leading Voice During August Recess

It was reported that White House Chief of Staff Mark Meadows had an “outsize presence” during COVID-19 relief negotiations at the end of July, per a Washington Post article.<sup>1</sup> Since last week it seems COS Meadows is now a leading voice for not only the White House, but one that is in support of finding common ground between the White House, Senate Republicans, and House Democrats in talks about COVID-19 relief. He also seems to be the one that could in fact bring all sides together. He made more COVID-19 relief related announcements today.

This topic is increasingly important to municipal market observers, investors, and issuers because of the credit implications federal aid could have for state and local

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*This year, Labor Day marks the beginning of the next period when lawmakers could potentially compromise and come to an agreement on a next, or fifth, phase of COVID-19 relief.*

governments and related entities. Today, COS Meadows during [a CNBC interview](#) made clear the White House believes that increasing the approved uses for the \$150 billion already approved under the CARES Act is a priority they would like to see happen. COS Meadows even added another \$150 billion this morning for state and local governments would be realistic. He said the [\\$915 billion the Democrats want is "not based on reality"](#) and that this "ask" is the biggest stumbling block in the COVID-19 talks right now.

*COS Meadows made clear the White House believes that increasing the approved uses for the \$150 billion already approved under the CARES Act is a priority they would like to see happen.*

Chief of Staff Meadows did stress that real progress is being made toward a larger compromise. He said during the CNBC interview that Senate Republicans have been working regularly and that he hopes a bill could be put forth for consideration by the Senate as early as next week when lawmakers return to the Beltway.

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<sup>1</sup> Min Kim, Seung, Erica Werner and Josh Dawsey; New Trump chief of staff drew hard line during relief talks, challenging Democrats approach; *The Washington Post*; Aug 10, 2020.

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