

## U.S. Municipal Bond Market

# Status of Municipal Bond-Friendly Elements and the American Jobs Plan

- A three-part Build Back Better legislative agenda is gradually being introduced (and enacted) by the White House.
- President Biden introduced the second part, The American Jobs Plan of 2021, with an initial cost of about \$2.65 trillion. Bipartisan consensus for such a large package remains unlikely.
- The inclusion of municipal bond-friendly elements like the reinstatement of tax-exempt advance refundings and a new taxable direct pay bond, among other related items, remains possible. It is most probable that municipal-friendly elements would be folded into a larger infrastructure-focused package, although some have been introduced independently.

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## Provisions in President Biden's American Jobs (Infrastructure) Plan

Phase	Amount (\$ billions) 10-Year Estimate
Transportation Infrastructure	\$621
Domestic Manufacturing, Research and Development and Job Training Initiatives	590
Home Care Services, Support for Care Workers	400
Clean Energy Tax Credits	400
Housing Stock, Modernize Schools, Child Care Facilities, Upgrade VA Hospitals & Federal Buildings	328
Broadband, electrical grid, drinking water	311
<b>Total</b>	<b>\$2,650</b>

Source: Committee for a Responsible Federal Budget and HilltopSecurities.

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The American Jobs Plan is the second of the president's three part Build Back Better agenda. The first part was the American Rescue Plan Act of 2021 that was enacted into law on March 11, 2021.

## President Biden's Three Part, Build Back Better Agenda

Plan	Name	Date / Status	Amount (\$ billions)
One	The American Rescue Plan	March 11, 2021 / Enacted into law	\$1,900
Two	The American Jobs Plan	March 31, 2021 / Introduced	2,650
Three	The American Families Plan	Coming soon (end of April, or May)	TBD
<b>Total</b>			<b>\$4,550</b>

Source: HilltopSecurities.

The American Jobs Plan, which is currently still in the very early stages of development, is the first of two “infrastructure” focused packages we are expecting from the White House. The second infrastructure focused proposal, The American Families Plan, is expected to emphasize healthcare and child care, and initial details are expected to be released toward the end of April.

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## Timing of Final Passage of Part Two and Three

Preliminarily, lawmakers in the U.S. House wanted to pass infrastructure-focused legislation by the Fourth of July break. However, many expect the potential timing to get pushed to at least the end of July, if not later. Initial feedback to the president’s American Jobs Plan has not been as positive as Democrats hoped. The legislative path for the president’s infrastructure ideas remains in question. Lawmakers are working to sell the massive part one proposal. Questions remain about how the proposal would be paid for, whether the ideas can be passed in aggregate or whether stand-alone bills will be needed. A key issue, or question rather, is whether Democrats will work to pass infrastructure legislation on a bipartisan basis. Democrats will need 10 votes from Republicans if they choose a bipartisan path. Alternatively, Democrats could use the budget reconciliation process, which is the procedure they used to pass the Rescue Plan in March.

## Status of Municipal Bond-Friendly Elements

We have continually said, written, and still believe municipal bond-friendly elements like those included in H.R. 2 Moving Forward Act are likely to be considered by lawmakers in some form this year. H.R. 2 passed the U.S. House last June. Among the municipal bond-friendly elements that were included in H.R. 2 was a reinstatement of advance refundings with tax-exempt bonds and the introduction of a direct pay taxable bond option similar to the subsidized Build America Bonds (BABs) like we saw from 2009’s Recovery Act. These are leading possibilities for inclusion in a broader infrastructure package sometime this year. Other related items could possibly be included as well.

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## Status of select municipal bond friendly legislation:

- Already, Senators Roger Wicker (R-MS) and Debbie Stabenow (D-MI) have introduced the Lifting Our Communities through Advance Liquidity for Infrastructure (LOCAL Infrastructure) Act of 2021 which would reinstate the ability to use tax-exempt bonds for advance refundings.
- Similar legislation also received bipartisan support in the House. Congressmen Dutch Ruppersberger (D-MD) and Steve Stivers (R-OH) are co-chairs of the House Municipal Finance Caucus and introduced The Investing in Our Communities Act which also restores advance refundings with tax-exempt bonds.
- Senators Wicker and Michael Bennet (D-CO) introduced legislation in July 2020 called the American Infrastructure Bonds Act of 2020, which would have created a new type of direct-pay taxable municipal bond. It is possible that similar legislation could be reintroduced, however it is expected that the new direct-pay bond may not be sequestration-proof. If this is the case, it is very possible that public finance issuer support could be less than favorable.

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- American Rescue Plan Provides Massive Economic Boost, U.S. Public Finance Could Be on Brink of a Golden Age, Especially if Infrastructure Stimulus Follows, March 19, 2021

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