

U.S. Municipal Bond Market

Biden Buys Time by Endorsing Framework; Still No Infrastructure Deal

- There is no bipartisan agreement on infrastructure. Not yet, anyway.
- Lawmakers are using this as a stall tactic that will buy them some time to continue to negotiate.
- A bipartisan agreement that passes the House and Senate is still unlikely. Democrats also have a long way to go before they can get something done through budget reconciliation.
- We cannot yet make a determination about the fate of municipal bond-friendly elements because there still are no additional details. However, our expectation is that municipal-friendly elements will likely be included in a bill proposal if or when one materializes.

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President Biden Endorses Framework

President Joe Biden endorsed the framework of the bipartisan infrastructure deal yesterday while standing in front of the White House with a small collection of Democrats and Republicans. There are still no details about the \$1.2 trillion (or whatever the final number becomes) for infrastructure although they still seem to find the idea of \$579 billion in new spending appealing. The proposed financing sources are still at issue as well and one potential funding source, the repurposing of Rescue Plan Act funds, is one we have indicated would be a mistake to consider. Please see our op-ed to The Bond Buyer: Rescue Act Funds Should Remain With State, Local Governments.

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Nothing much has really changed in the last two days where a potential bipartisan infrastructure agreement is concerned, even though much is being made in the press about “the deal.”

This is mostly because that group of lawmakers, led by the president, is really just trying to buy some time. The Senate breaks today and returns to Washington on Monday, July 19. The House is in town next week but also will not return until July 19. This deal announcement is mostly likely lawmakers’ way of breaking on their own terms, without details, so opponents of a deal on infrastructure are not bombarded with negative publicity while they are on their Fourth of July break.

Where We Are, Really

There is no bipartisan infrastructure deal; not yet anyway and we may not ever get one. Both sides are still far apart on spending and financing sources, despite yesterday’s announcement of a deal. It is still really only a framework. Complicating the matter could be the expectation by the president of a bipartisan agreement and another package through budget reconciliation.

Additionally, Democrats also have a long way to go before they are seriously able to consider pursuing something through budget reconciliation. The progressives are still

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asking for a lot, and this could be a barrier to getting moderate Democratic support. Issues like removing the SALT cap are still nowhere near ironed out.

Yesterday's announcement was most likely President Biden's shrewd way of buying more time for lawmakers to negotiate. It is still too premature to say this is an example of how government can successfully work. Really, it is only an example of a political stalling tactic.

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