

## Timely insights from portfolio managers and industry experts on key financial, economic and political issues.

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NOVEMBER 12, 2021

### Municipal Bonds

## Infrastructure Bill Boosts Spending on Muni Sectors, But Not Everything on Our List

**Boston** - Late on November 5, Congress passed the Bipartisan Infrastructure Deal, to be known as the Infrastructure Investment and Jobs Act when signed by President Biden. Of the \$1.2 trillion sticker price, \$550 billion is new spending<sup>1</sup> on top of funding already allocated. That leaves plenty to go into municipal sectors over the next five years.

### What's in the bill?

- \$110 billion for roads and bridges
- \$90 billion for public transit
- \$73 billion for power infrastructure and clean energy transmission
- \$65 billion for broadband
- \$55 billion for clean water investment
- \$25 billion for airports
- \$17 billion for ports and waterways
- \$7.5 billion for electric vehicle (EV) chargers

Notably, the funding for public transit includes \$66 billion for passenger rail — the largest investment since the creation of Amtrak.<sup>2</sup> Much of that is earmarked for the Northeast Corridor to improve the Acela. But again, only \$39 billion is considered new money.

Public funding will build out the first national network of EV chargers along highways and in hard-to-reach communities, helping to encourage drivers to switch to the new cars by 2030. To get electricity to those chargers, \$65 billion will improve the power grid. Another \$50 billion will fund climate change resiliency, making sure that the electric grid won't go down with the increase in extreme weather —so we don't see a repeat of what happened in Texas last winter.

Likewise, \$55 billion to remediate lead pipes will help avoid another water crisis like in Flint, Michigan. More community investment comes through extending high-speed internet across the country, and \$21 billion is allocated to the EPA's Superfund and Brownfield cleanup programs.

### What got left out?

Reinstating advance refunding of tax-exempt bonds and introducing new taxable direct pay qualified infrastructure bonds (like the old Build America Bonds) are among the muni-related provisions we were hoping to see. Those proposals could have boosted the supply of both tax-exempt and taxable muni bonds. That they were excluded from the final infrastructure bill is disappointing,



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since new issuance of taxable and tax-exempt bonds would help address the supply/demand imbalance experienced by the muni market over the past 18 months.

**Bottom line:** In our view, these are all critically important expenditures that are needed in the U.S. We could argue whether the country can afford it, but remember that half the spending in the bill is already on the books — for example, \$200 billion left over from the 2020 CARES Act and \$87 billion from sales of the wireless spectrum.

The Congressional Budget Office has projected that the infrastructure bill will increase the deficit by \$256 billion over 10 years. To put that in perspective, the U.S has a roughly \$4 trillion annual federal budget and nearly \$30 trillion in public debt outstanding,<sup>3</sup> so adding \$265 billion to the deficit to address our country's infrastructure seems acceptable to us.

1. Wall Street Journal, "Biden Gets \$1 Trillion Down Payment on Domestic Agenda; Obstacles Loom for Spending Bill" by Nick Timiraos, Natalie Andrews and Ian Talley, November 7, 2021.
2. White House, "FACT SHEET: The Bipartisan Infrastructure Deal Boosts Clean Energy Jobs, Strengthens Resilience, and Advances Environmental Justice," November 8, 2021.
3. Treasury.gov, "Debt to the Penny" as of November 9, 2021.

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