

Municipal Debt Industry Update

McConnell ‘Certainly’ in Favor of Allowing States to File for Bankruptcy

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Relevant Document:

[Transcript](#)

Senate Majority Leader Mitch McConnell, R-Ky., would be “in favor” of amending the Bankruptcy Code to allow states to file for bankruptcy, he said today, according to a transcript of a radio interview.

“I would certainly be in favor of allowing states to use the bankruptcy route. It saves some cities. And there’s no good reason for it not to be available. My guess is their first choice would be for the federal government to borrow money from future generations to send it down to them now so they don’t have to do that. That’s not something I’m going to be in favor of,” he told Hugh Hewitt today.

McConnell’s remarks follow a request from Illinois State Senate President Don Harmon [for \\$40 billion in federal aid](#), including \$10 billion for pensions, \$15 billion to “stabilize” the state budget and \$9.6 billion for the state’s cities.

“I think this whole business of additional assistance for state and local governments need to be thoroughly evaluated. You raised yourself the important issue of what states have done, many of them have done to themselves with their pension programs. There’s not going to be any desire on the Republican side to bail out state pensions by borrowing money from future generations,” McConnell said. “So this is a much bigger conversation than we’ve had providing assistance for small business because the government shut them out. ... This is a very different decision. These are all taxing authorities, just like we are.”

On Tuesday, the U.S. Senate announced a bipartisan agreement regarding \$320 million in additional funding for the Paycheck Protection Program. However, the announced agreement does not provide the additional \$150 billion in funding for state and local governments sought by Senate Democrats. Senate Minority Leader Senator Minority Leader Charles Schumer, D-N.Y., noted during [a press conference](#) on Tuesday that President Donald Trump and Treasury Secretary Steven Mnuchin have committed to allow state and local governments to use “their state and local money that the feds are giving them, whether in [Phase 3 or Phase 4 of the relief package], to deal with revenue losses.”

After the announcement of the Senate agreement, President Trump urged both the Senate and U.S. House of Representatives to approve such funding, [adding](#) that after he signs the contemplated bill, the parties will begin discussions on the next legislative initiative with fiscal relief to state and local governments “for lost revenues from COVID 19, much needed Infrastructure Investments for Bridges, Tunnels, Broadband, Tax Incentives for Restaurants, Entertainment, Sports, and Payroll Tax Cuts to increase Economic Growth.”

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