

Legislation Details (With Text)

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Title: Calling on the Federal Reserve Bank of the United States to offer long-term loans with terms of up to 30 years to meet the borrowing needs of state and local governments and government units in the United States without charging any interest or fees, and urging the City Treasurer's Office to enter into conversations with the financial institutions underwriting the City's bonds to negotiate long-term loans with terms of up to 30 years to meet the City's borrowing needs without charging any interest or fees.

Sponsors: Councilmember Brooks, Councilmember Gauthier, Councilmember Gilmore Richardson, Councilmember Gym, Councilmember Henon, Councilmember Domb

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Calling on the Federal Reserve Bank of the United States to offer long-term loans with terms of up to 30 years to meet the borrowing needs of state and local governments and government units in the United States without charging any interest or fees, and urging the City Treasurer's Office to enter into conversations with the financial institutions underwriting the City's bonds to negotiate long-term loans with terms of up to 30 years to meet the City's borrowing needs without charging any interest or fees.

WHEREAS, American cities, which contain the disproportionate population of America's racial minorities, have long suffered from a racist financial system responsible for segregating this country; and

WHEREAS, This legacy of segregation continues to this day and impacts municipal public finance, even after the ban on de jure segregation, as municipal bond markets consistently require large cities to pay higher interest rates on borrowing; and

WHEREAS, Philadelphia has neglected school buildings, dilapidated infrastructure, and underfunded social services, and needs billions of dollars to remedy these inequities; and

WHEREAS, The City of Philadelphia's decision to respond to COVID-19's devastation with austerity and layoffs represents a policy choice and not an inevitable outcome of economic recession, a choice that wouldn't be necessary if the federal government fulfilled its obligation to the American people; and

WHEREAS, State and local governments have been on the frontlines of addressing the pandemic, employing first responders, public health staff, sanitation workers, and safety net enrollment staff to save lives, keep everyone safe, and ensure that families have access to healthcare, food, and housing; and

WHEREAS, State and local governments, including the City of Philadelphia, are facing staggering budget

shortfalls as economic contraction has reduced almost all forms of government revenues, with the prospect of severe cuts and austerity measures on the horizon; and

WHEREAS, State and local governments across the country pay an estimated \$160 billion annually in interest payments on public debt, with the City of Philadelphia paying over \$631.5 million on debt service during the 2020 fiscal year; and

WHEREAS, Although interest payments are intended largely to compensate creditors for the risk that borrowers will default on their debts, the risk of state and local governments and government agencies defaulting on their debts is virtually nonexistent due to debt payments taking priority over almost all other government expenses, leaving American municipal borrower default rates at less than 0.1 percent; and

WHEREAS, Despite these extremely rare defaults, credit rating agencies give municipal borrowers lower credit ratings than corporations in similar financial health, thereby forcing them to pay unreasonably high interest rates; and

RESOLVED, That this Council calls on the Federal Reserve Bank of the United States to offer long-term loans with terms of up to 30 years to meet the borrowing needs of state and local governments and government units in the United States without charging any interest or fees; now, therefore, be it

FURTHER RESOLVED, That this Council urges the City Treasurer's Office to enter into conversations with the financial institutions underwriting the City's bonds to negotiate long-term loans with terms of up to 30 years to meet the City's borrowing needs without charging any interest or fees.