

CLIENT NEWS BRIEF

Federal Reserve Launches Municipal Liquidity Facility for Short Term Lending to Eligible States, Cities & Counties

The coronavirus global pandemic and the related shutdowns are causing far-reaching impacts on just about everyone and everything. As the economic toll continues to mount, state and local governments are seeing their tax revenue materially decline, due to decreases in both taxable sales transactions and taxable income. These declines are being compounded by delays, as many states, including California, have postponed their state tax filing deadlines, similar to the IRS' postponement of the federal income tax filing deadlines. At the same time, state and local governments are incurring substantial costs related to preparedness and public health issues. The federal government recently passed an economic stimulus bill known as the CARES Act ([see 2020 Client News Brief Number 24](#)), which included up to \$500 million "to provide liquidity to eligible businesses, states, and municipalities related to losses incurred as a result of coronavirus."

This liquidity assistance will be implemented by the Federal Reserve System (the Fed), through an initiative called the Municipal Liquidity Facility (MLF), authorized and established by the Fed's Board of Governors on April 8, 2020. Under the MLF the Fed, via a special purpose vehicle, will begin purchasing short term municipal debt instruments directly from state governments, counties with populations of at least two million, and cities with populations of at least one million in order to assist eligible state and local governments in managing cash flow impacts related to the pandemic. The types of debt instruments authorized for purchase include Tax and Revenue Anticipation Notes (TRANS), Bond Anticipation Notes (BANs), and other similar short-term notes. Eligible securities must be purchased before September 30, 2020, and must have a maturity date within two years of issuance.

California cities and counties that are facing or anticipating a revenue deficit and/or delay due to the coronavirus pandemic, and are considering accessing the MLF program, should seek the advice of both financial advisors and bond counsel.

Lozano Smith's Public Finance Practice Group

Lozano Smith's Public Finance Practice Group is comprised of attorneys who are recognized experts in municipal finance and who regularly assist California public entities, including cities, counties, school districts, and special districts, with the issuance of municipal debt vehicles. If you have any questions about the issuance of municipal securities or would like to discuss the Fed's note-purchasing program, please contact one of our [eight offices](#) located statewide and ask to speak to a member of our Public Finance Practice Group.

April 2020
Number 30



Daniel Maruccia
Partner
Sacramento / San Diego Office
dmaruccia@lozanosmith.com



Jennifer Grant Bradlee
Associate
Sacramento Office
jbradlee@lozanosmith.com

Kip Pinette
Public Finance Project Manager /
Paralegal
Sacramento Office
kipinette@lozanosmith.com



As the information contained herein is necessarily general, its application to a particular set of facts and circumstances may vary. For this reason, this News Brief does not constitute legal advice. We recommend that you consult with your counsel prior to acting on the information contained herein.

CLIENT NEWS BRIEF

April 2020
Number 30

Related Resources

The legal and practical realities of the current crisis are ever-changing. In our continued effort to equip public agencies with useful insights, we have compiled a suite of links to several resource and guidance documents and webpages available from the federal and state governments regarding COVID-19. You can access them here: <http://www.lozanosmith.com/covid19.php>.

As the information contained herein is necessarily general, its application to a particular set of facts and circumstances may vary. For this reason, this News Brief does not constitute legal advice. We recommend that you consult with your counsel prior to acting on the information contained herein.