

CARES ACT Municipal Liquidity Facility

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On April 9 the Federal Reserve announced as part of the CARES Act a short term liquidity facility related to governments and referred to as The Municipal Liquidity Facility (the “MLF”). Authorized under Section 13(3) of the Federal Reserve Act, the MLF is intended to support lending to U.S. states and the District of Columbia (together, the “States”), U.S. cities with a population exceeding one million residents (the “Cities”) and U.S. counties with a population exceeding two million residents (the “Counties”).

Under the MLF, a Federal Reserve Bank (the “Reserve Bank”) will commit to lend to a special purpose vehicle (a “SPV”) on a recourse basis. The SPV will purchase Eligible Notes (defined below) directly from Eligible Issuers (defined below) at the time of issuance. The Reserve Bank will be secured by all the assets of the SPV. The Department of the Treasury will make an initial equity investment of \$35 billion in the SPV in connection with the MLF. The SPV will have the ability to purchase up to \$500 billion of Eligible Notes.

Eligible Notes are defined as tax anticipation notes (TANs), tax and revenue anticipation notes (TRANs), bond anticipation notes (BANs), and other similar short-term notes issued by Eligible Issuers, provided that such notes mature no later than 24 months from the date of issuance. In each case, a note’s eligibility is subject to review by the Federal Reserve. Relevant legal opinions and disclosures will be required as determined by the Federal Reserve prior to purchase.

Eligible Issuer is defined to be a State, City, or County (or an instrumentality thereof that issues on behalf of the State, City, or County for the purpose of managing its cash flows), in each case subject to review and approval by the Federal Reserve. It should be noted MLF allows for only one issuer per State, City, or County and is limited according to the population limitations set forth above.

The SPV may purchase Eligible Notes issued by or on behalf of a State, City, or County in one or more issuances of up to an aggregate amount of 20% of the general revenue

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from the Issuer's own sources and utility revenue of the applicable State, City, or County government for fiscal year 2017. States may request that the SPV purchase Eligible Notes in excess of the applicable limit in order to assist political subdivisions and instrumentalities that are not eligible for the MLF.

Pricing of the MLF will be based on an Eligible Issuer's rating at the time of purchase with details to be provided later.

Each Eligible Issuer that participates in the MLF must pay an origination fee equal to 10 basis points of the principal amount of the Eligible Issuer's notes purchased by the SPV. The origination fee may be paid from the proceeds of the issuance. Eligible Notes purchased by the SPV are callable by the Eligible Issuer at any time at par.

Proceeds of Eligible Notes may be used by Eligible Issuer's to help manage the cash flow impact of income tax deferrals resulting from an extension of an income tax filing deadline; potential reductions of tax and other revenues or increases in expenses related to or resulting from the COVID-19 pandemic; and requirements for the payment of principal and interest on obligations of the relevant State, City, or County. An Eligible Issuer may use the proceeds of the notes purchased by the SPV to purchase similar notes issued by, or otherwise to assist, political subdivisions and instrumentalities of the relevant State, City, or County for the purposes enumerated in the prior sentence.

The SPV will cease purchasing Eligible Notes on September 30, 2020, unless the Board and the Treasury Department extend the MLF.