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The Federal Reserve Bank's Municipal Liquidity Facility.

On April 9, 2020, the Federal Reserve Bank announced the creation of the Municipal Liquidity Facility (MLF) to help local units of government handle working capital issues caused by COVID-19. The MLF is authorized under Section 13(3) of the Federal Reserve Act.

The MLF will purchase up to $500 billion of short term notes issued by eligible issuers. Eligible issuers include:

- States, including the District of Columbia;
- Counties with a population of 2,000,000 or more; and
- Cities with a population of 1,000,000 or more.

The MLF is designed to have the funds flow from states and other large issuers down to local units of government, hence the high population threshold noted above. Due to this design, it will be up to each state to determine (i) if it will participate as an eligible issuer in the MLF, and (ii) if so, how will it get those funds to local units of government?

- **To be or not to be an eligible issuer?** To help make that decision, states can review the MLF term sheet available here. The Federal Reserve Bank is also soliciting feedback in order to publish additional guidance on the MLF. That guidance is expected as early as next week. Each state may also want to gather input from local units of government on the need to participate.
- **How to get funds to local units of government?** States can take a proactive approach and begin to brainstorm how to get the funds to local units of government. There might be a range of possibilities from creating a uniform loan application process, to purchasing short term notes issued by local governments.

We will continue to monitor any guidance published by the Federal Reserve Bank. As states make decisions about their participation and process, we will post state-specific guidance for local units of government to use.

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