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U.S. Fed Extends Help on Bond-Buying to Smaller Cities and Counties.

WASHINGTON — The Federal Reserve on Monday broadened its help for local governments, offering to buy bonds of up to three years' duration from counties with as few as 500,000 residents and cities with as few as 250,000 residents.

The initial population size limits of 2 million for counties and 1 million for cities had restricted the Fed program to about two dozen of the largest local governments when it was announced earlier this month. That led to complaints, particularly among Democratic lawmakers, that institutions in the front line of the pandemic fight might, because of cratering tax revenues, be forced to choose between essential health services and basic services like police and fire protection.

The changes announced Monday mean the Fed is now willing to buy the municipal bonds of around 90 cities and over 100 counties, from California's Los Angeles County, with a population topping 10 million, to Glendale City, Arizona, population 250,702.

All state governments are also included.

The revised program will allow "substantially more" local governments access to Fed help "to help manage cash flow stresses caused by the coronavirus pandemic," the central bank announced. The Fed also said it was willing to buy slightly longer-term bonds, of three years' instead of two years' duration, and said it will leave the facility open until December instead of the planned September closing date and will allow some "multistate" entities to participate.

The Fed said it was considering extending the program to include local government entities that use revenue bonds, a form of financing used, for example, by local utility authorities that have a revenue stream.

The overall size of the Fed facility will remain at $500 billion.

By Reuters

April 27, 2020

(Reporting by Howard Schneider; Editing by Chris Reeseand Leslie Adler)

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