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With Federal Aid Uncertain, Illinois and New York's MTA Test Muni Market.

The Metropolitan Transportation Authority paid up but attracted investors, while Illinois postponed

Two of the country's largest municipal borrowers asked investors to buy bonds this week, a key test of the \$3.8 trillion market where state and local governments turn to fund themselves.

Illinois and New York's Metropolitan Transportation Authority have been marketing about \$3 billion of bonds in recent days—the state to help plug budget holes and the authority to repay debt that is coming due. The MTA found plenty of investors willing to buy bonds Tuesday, but the debt came at a high cost, and it remains unclear how Illinois's deal will pan out, investors and analysts said.

Financial instability in state and local governments has become a national political issue during the coronavirus pandemic, with both President Trump and Senate Majority Leader Mitch McConnell (R., Ky.) questioning bailouts of municipal entities. The reception for the two deals highlights uncertainty about how long the pandemic's economic fallout will last, how much assistance will be made available for municipal borrowers and which ones will be eligible to receive it.

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The Wall Street Journal

By Matt Wirz

Updated May 6, 2020 6:01 pm ET

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