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Update: House Stimulus Bill Includes Fed Municipal Liquidity Facility Modifications

This week, House Leadership released the HEROES Act, a stimulus measure aimed at helping stabilize state and local governments through direct funding. The bill also includes a provision that would modify the Federal Reserves Municipal Liquidity Facility.

The modifications include:

- DC would be treated as an eligible direct issuer;
- The maximum term of MLF loans would be expanded to 10 years;
- Sets rates for MLF loans at federal funds rate;
- Removes the requirement that an issuer must prove and attest to an inability to secure credit elsewhere; and
- Allow territories and political subdivisions with populations of greater than 50,000 to directly access the MLF.

State and Local Provisions

The House draft focuses on the finances of state, local, and tribal governments providing nearly $1 trillion of direct funding. This includes:

- States – $500 billion
- Local governments – $375 billion
- Territories-$ 20 billion
- Tribes – $20 billion

The bill also treats Washington, DC as a state increasing its appropriation, and expands the use of funds to cover lost, delayed, or decreased revenue stemming from the COVID public health emergency, a change from the CARES Act.

BDA will continue to provide updates as they become available.

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