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Cities and States Need Funding Help. It Won’t Come Cheap.

A broad range of U.S. companies are now getting some form of support from the Federal Reserve’s purchases of corporate bond funds. But state and local governments have to wait longer—and clear arguably higher hurdles—to access central-bank financing.

The disparity has already had consequences for bond markets. And it could continue to weigh down municipal bonds’ performance relative to corporate bonds.

In Tuesday testimony to Congress, Fed Chair Jerome Powell said that the municipal liquidity facility should be fully operational by the end of this month. Before they can apply to borrow from the Fed, municipalities must first file a “Notice of Interest” with the central bank, and the New York Fed posted the materials necessary to send such a notice last week.

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Barron’s

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