



Federal Government Support to States and Localities

May 5, 2020

Congress, the Department of Treasury, and the Federal Reserve are providing support to help states and localities impacted by the coronavirus (COVID-19) pandemic.

Providing up to \$500 billion in lending through the Municipal Liquidity Facility (MLF) to states, counties, and cities:

- The expanded MLF will purchase up to \$500 billion of short-term notes issued by states (including the District of Columbia), counties with a population of at least 500,000 residents, cities of at least 250,000 residents, and multi-state entities to support localities that are short on cash due to the coronavirus pandemic.
- Congress appropriated \$454 billion to the Exchange Stabilization Fund (ESF). The Treasury is providing \$35 billion from the ESF to the Federal Reserve for credit protection for the facility.
- The Federal Reserve announced the MLF on April 9 and further expanded its eligibility on April 27 to ensure more counties and cities can participate.
- The MLF is expected to be operational in early May.

Supporting the municipal bond market through the Money Market Mutual Fund Liquidity Facility (MMLF):

- States and localities issue municipal bonds to raise money for public projects such as hospitals, schools, roads, airports, and bridges. Municipal bonds are purchased by investors.
- The MMLF supports the municipal bond market by lending to money market funds that buy municipal bonds—providing relief to communities impacted by COVID-19.
- The Treasury, using appropriated funds from the ESF, will provide \$35 billion to cover potential losses in connection with the MMLF.
- The MMLF has been operational since March 23 and has lent nearly \$50 billion as of April 29.

Ensuring that states and localities have a tax base to fund their operations by keeping small to mid-size businesses solvent:

- The Main Street Lending Program (MSLP) will support small and mid-sized businesses that were in good financial standing before the public health crisis by ensuring credit flows to businesses that may not have been supported through the Paycheck Protection Program or the Federal Reserve's other liquidity facilities.
- Keeping these businesses solvent will help provide a continued tax base for state and local governments and ensure communities can take part in our economic recovery.
- The Treasury, using appropriated funds from the ESF, will provide \$75 billion in equity to support up to \$600 billion in Main Street lending.
- The MSLP will support businesses with employees from one to 15,000 and is expected to be operational in early May.

Providing direct relief to state, local, and tribal governments:

- The CARES Act established a \$150 billion Coronavirus Relief Fund specifically for states and localities.
- The Department of Treasury may make direct payments to any county, municipality, town, township, village, parish, borough, or other political subdivisions below the state level with a population that exceeds 500,000. Those entities may also transfer funds to smaller towns if the funds are used for expenses incurred due to the public health emergency.
- For more information, see <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>.