

U.S. Municipal Bond Market Final Municipal Liquidity Facility Transactions, Most Likely

Last Days of the Fed's Municipal Liquidity Facility

The much criticized and hardly used CARES Act program known as the Municipal Liquidity Facility is winding down. It expires at the end of December and per Treasury's request is not going to be extended. It served as an expensive source of last resort liquidity probably more in theory than in practice.

State of Illinois Likely to Tap MLF Again Before the End of the Year

So far, only the State of Illinois and New York's Metropolitan Transportation Authority (MTA) have utilized the MLF. Illinois tapped the MLF once at the beginning of the summer for \$1.2 billion and is currently contemplating utilizing the MLF for another \$2 billion before the end of the year, according to an announcement from Illinois Governor JB Pritzker.

NYMTA Tapped MLF Again this Week

The backbone of mass transit in the NYC region, the New York Metropolitan Transportation Authority (NYMTA) tapped the MLF again this week. NYMTA borrowed another \$2.9 billion from the Fed's MLF at a 1.33% until 2023 according to a Bloomberg article that confirmed the details. Back in August NYMTA tapped the MLF for about \$451 million.

It is unlikely that other issuers will emerge as additional MLF participants because the application deadline was at the end of November despite the program officially expiring at the end of December.

In winding down the MLF, federal government decision-makers are counting on the resiliency of public finance government credit and levers that are available to issuers. Decision-makers are also counting on market demand continuing. The market will be without this CARES Act remnant, however, considering a record amount of issuance is expected to be sold in 2020 at near record interest rates, officials are also assuming that market demand will not fall away like it did in March and April of this year. We have argued, and still believe it to be prudent, to continue the MLF in case unforeseen circumstances arise.

Government Funding Bill Likely Will be Extended to Next Week

It is likely that the Senate will punt a government funding decision until next week according to reports out of Washington, D.C. Discussions in the Senate are occurring now. We addressed this situation earlier today in Congress Bickers as Midnight Shutdown Looms.

"McConnell Says Democrats Should Stop Demanding State Relief"

Senate Majority Leader Mitch McConnell reportedly criticized Democrats for continuing to seek aid for state and local government during floor comments today, according to the Bloomberg article, McConnell Says Democrats Should Stop Demanding State Relief by Catherine Dodge. This is not a new viewpoint. We have known for months that state and local relief has been a leading roadblock in a fifth phase of COVID-19 relief.

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