March 30, 2020

I. Information Regarding New State and Federal Programs Related to Enhancing Liquidity in the Municipal Debt Market
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Municipal Clerks: Please forward this notice to Business Administrators

I. Information Regarding New State and Federal Programs Related to Enhancing Liquidity in the Municipal Debt Market

Federal Reserve MMLF Expansion

The Federal Reserve has expanded the Money Market Mutual Liquidity Fund (MMLF) to include certain high quality municipal securities, specifically notes with less than 12 month maturities, as eligible collateral. This means that certain municipal securities will classify as eligible collateral for both the Primary Dealer Credit Facility (PDCF) and MMLF. With the Fed as a backstop, liquidity in these categories of notes should improve, enhancing certain municipal issuers' market access while current market conditions persist.

Municipal debt that meets the following criteria may be eligible:

1. Maturity does not exceed 12 months; and 2. At the time purchased from the Fund or pledged to the Reserve Bank:

    A. Has a top-tier short term rating if rated in the short-term rating category (e.g., rated SP1, MIG1, or F1, as applicable) from at least two major rating agencies, or if rated by only one major rating agency, is rated within the top rating category by that agency; or
B. Is rated in the top long-term rating category (e.g., AA or above) by at least two major rating agencies, or if rated by only one major rating agency, is rated within the top rating category by that agency.

Should you have any questions as to whether your local unit may benefit from this programmatic change, please speak to your financial advisor and/or counsel.

**I-bank Investment Policy Amendment**

New Jersey's Infrastructure Bank (I-bank) has amended its Investment Policy to permit the I-Bank to invest in local government unit Bond Anticipation Notes (BANs) in certain circumstances. The BAN purchase program is a limited and specialized resource made available only to address failed sales occurring during BAN rollovers. This program is designed to ensure solvency and fiscal stability for New Jersey's local units, providing protection against potential defaults during the present liquidity crisis. Its general terms are as follows:

i. The program is of limited duration, authorized only during a period in which the Governor has declared a State of Emergency.

ii. Only those BAN rollovers that require assistance due to failed sales, as defined by I-bank, may participate.

iii. Members from the I-Bank, Treasurer's Office, and Financial Advisor to the I-Bank shall determine the appropriate amount of available funds / liquidity to be invested.

iv. There will be sector, issue, and credit limits, interest rate guidelines, and a maturity limit of 90 days for any BAN submitted for consideration.

v. The Director of the Division of Investments in the Department of Treasury must approve the purchase of any BAN through the program.

The I-Bank, Director of DLGS, and Treasury Department will implement the Program. Please contact the I-bank with any questions about this program.

**II. CARES Bill Follow-up**

The $2 Trillion aid package passed last week in Washington will do a lot of good. But for the State of New Jersey and for New Jersey municipalities preparing their budget, at a time when all face almost certain revenue losses, more will need to be done. Please see our [March 25 blog post](#) for a preliminary snapshot of the CARES bill.

The State budget will be bolstered by $3.4 Billion in ‘stabilization aid.’ However that funding must be used to cover COVID-19 related costs. That, of course, is good news. But it will not help the State plug the budget gap that will be caused by lost and deferred tax collections. And, needless to say, it will not help municipal governments with the same problems.

House Speaker Nancy Pelosi has recognized the problem that needs to be addressed and has opened discussions with the U.S. Treasurer on another COVID-19 response bill.

The Speaker has stated that the next bill will include provisions to help states and municipalities bridge the revenue gaps that will arise due to postponed tax payments and lower collection rates. As you know, New Jersey municipalities collect property taxes on behalf of school districts and counties, as well as for their own local purposes. Only aid provided directly to municipalities, of whatever size, can help fill the gaps that all local
governments will experience.

Please reach out to Senators Menendez and Booker and your Member of the House of Representatives immediately. We need to insist that stabilization aid be provided directly to MUNICIPALITIES, of whatever size.

III. NJEDA Grants and Loans Available for Small Businesses

Last week the New Jersey Economic Development Authority (NJEDA) announced small business initiatives providing grants and loans for small businesses. For more information on the various programs available to small and medium-size businesses and non-profits please see our recent blog post.

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