

KTJ

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April 15th, 2020

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LEGAL ALERT

Federal Government's Aid to State and Local Governments

Over the last few weeks, we have created several e-notes, summarizing the new legislation arising from the Coronavirus pandemic. Much of the focus of our previous updates was on employee rights and general employer relief mechanisms. While, two of the actions taken by the federal government to address the pandemic were intended to aid state and local governments, unfortunately, smaller units of local government will not see direct relief from these measures.

First, the CARES Act created the Coronavirus Relief Fund, which authorizes the Treasury to distribute \$150 Billion to State and local governments. These payments will only apply to State and local governments with more than 500,000 people. Within Illinois, that only includes the City of Chicago, Cook County, DuPage County, Kane County, Lake County and Will County.

Second, the Federal Reserve, late last week, announced the Municipal Liquidity Facility. This program will enable the Fed to invest in various notes issued by State and local governments around the country. A portion of the money to be invested was appropriated by the CARES Act. This program also comes with population thresholds, though. Eligible note issuers include States, cities with populations exceeding one million residents, or counties with populations exceeding two million residents (or instrumentalities thereof that issue on behalf of eligible States, cities, or counties, for the purpose of managing their cash flows). For Illinois, this would include the State of Illinois, the City of Chicago, and Cook County.

Smaller local governments are feeling the pain from this pandemic, too. While most of the existing programs are not going to provide direct help to most local governments, KTJ will continue to monitor the legislation and programs coming out of Washington for possible avenues of relief to our clients.

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