

# United States Senate

May 14, 2020

The Honorable Steven T. Mnuchin  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

The Honorable Jerome Powell  
Chairman  
Board of Governors of the Federal Reserve  
System  
20th Street and Constitution Avenue NW  
Washington, DC 20551

Dear Chairman Powell and Secretary Mnuchin:

Thank you for your work to help stabilize the U.S. economy during this unprecedented time. We appreciate the steps the Treasury and Federal Reserve have taken to provide short-term cash flow support to state and local governments facing tax collection delays and unforeseen emergency expenditures. We write to encourage the Treasury and the Federal Reserve to take further action to stabilize the municipal bond market to ensure state and local governments have access to needed medium- and long-term financing.

State and local governments are on the frontlines in the fight against COVID-19. These entities are quickly deploying desperately-needed funds to hospitals, public health departments, nursing homes, water and power utilities, public transit, and other essential services. At the same time, business closures and rising unemployment are expected to lead to significant revenue declines for nearly every state and local government in the country. In fact, the economic upheaval has already led some cities and states to furlough or lay off public workers. This dynamic will become more widespread as the pandemic further weakens state and local finances. Ultimately, a retrenchment of state and local government spending will pose a grave threat to the Federal Reserve's goal of maximum employment.

Consequently, the municipal bond market has been under extraordinary stress. New bond issuances have declined drastically. Yields compared to U.S. Treasuries of comparable maturity have skyrocketed. Investors in the secondary market have withdrawn their funds at record speed. Such disarray in the market will only make it more difficult for states and cities to finance the economic recovery.

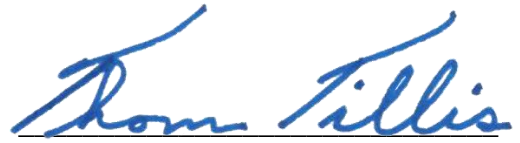
Your effort to address the immediate challenges through the Municipal Liquidity Facility is a sensible and necessary first step. However, to enhance state and local governments' continued ability to finance the delivery of key public services for the COVID-19 health emergency and rebuild our economy, the Treasury and Federal Reserve must also ensure sufficient access to medium- and long-term capital for state and local governments. The authority provided under Section 4003 of the CARES Act enables Treasury and the Federal Reserve to design a program that can support all types of issuers and credits. Establishing a facility to purchase municipal bonds from issuers and in the secondary market across all points of the yield curve would ensure state and local governments across the country can meet their financing needs as they respond to the health crisis and lay the foundation for future economic growth.

Thank you for your dedication to this issue and we look forward to your support of our state and local governments in our joint fight against COVID-19.

Sincerely,



Robert Menendez  
United States Senator



Thom Tillis  
United States Senator



Sherrod Brown  
United States Senator



Lisa Murkowski  
United States Senator