Congress of the United States
House of Representatives
Washington, DC 20515

March 25, 2020

The Honorable Nancy Pelosi
Speaker
House of Representatives
Washington D.C. 20515

The Honorable Kevin McCarthy
Republican Leader
House of Representatives
Washington D.C. 20515

Dear Speaker Pelosi and Leader McCarthy,

The urgent need here is clear: The Fed must provide relief for the secondary market *and* purchase new state and municipal debt issuances as local governments respond to the emergency ahead. As legislative text is finalized for a recovery package for those affected by the COVID-19 pandemic, we call for requiring the Federal Reserve ("Fed") to commit to purchasing state and municipal debt in order to provide workers and government employees on the front lines of addressing the present public health crisis with the support they need. The municipal bond market has faced unprecedented stress in recent weeks. Interest rates on municipal bonds have soared, and state and local governments are facing unanticipated expenses and an expectation of declining tax revenues as our economy enters recession.

During the 2008 financial crisis and subsequent Great Recession, the Fed tested the limits of unconventional monetary policy by engaging in large-scale asset purchases (commonly known as "quantitative easing"). Throughout that recession, the Federal Reserve refused to extend that same level of support to state and local governments. Given how resistant the Fed has been towards offering assistance to state and local municipalities in the past, we believe that the Fed should be mandated to do so.

In New York City, the virtual shutdown from the coronavirus pandemic is threatening to create massive holes in the city budget. Massachusetts and New York state are similarly bracing for budget cliffs caused by massive shortfalls in tax revenue. On the other side of the country, the stock market crash may imperil much of the savings California set aside during the economic expansion we see coming to an end. Public transportation systems from the MBTA in Boston to San Francisco's MTA are swiftly losing riders -- and their fare dollars. Ohio Governor Mike DeWine recently instituted a hiring freeze throughout his state's government, while agencies like Chicago's Metropolitan Pier and Exposition Authority—which runs the nation's biggest center for conventions—are seeing revenue generating business disappear virtually overnight.

With the unprecedented uncertainty of how long and severe this crisis's effect will be on the $3.9 trillion municipal-bond market and our local governments, states must be equipped with the resources necessary to fight this health crisis. State governments should not have to simultaneously worry about financial market collateral damage depleting increasingly scarce fiscal resources and tackling this pandemic. **The Fed must use their authority to purchase municipal and state debt to ensure that state governments can meet their funding needs throughout the COVID-19 crisis, which would also relieve some of the stresses weighing on the secondary muni market.**

As the U.S. economy grinds to a halt and communities are experiencing a period of volatility and illiquidity across major asset classes, state and local municipalities should not be overlooked. Our cities, townships and county government, touches the lives of our residents directly and are too important to fail during this public health crisis. **We therefore urge you to insist on provisions protecting the functioning and liquidity of the municipal bond market in any negotiated package, so that our state and local governments have to the funding they urgently need to provide crucial services during this difficult period.**

Sincerely,

Rashida Tlaib
Member of Congress

Ayanna Pressley
Member of Congress

Alexandria Ocasio-Cortez
Member of Congress

Additional Signers:

- Jesús G. "Chuy" García
- Ilhan Omar
- Marcia L. Fudge
- Joe Neguse
- David N. Cicilline
- Alma S. Adams, Ph.D.
- Kathy Castor