



March 20, 2020

VIA Electronic Mail

The Honorable Steven Mnuchin

Secretary of the Treasury
Main Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable Jerome Powell

Chair of the Board of Governors
The Federal Reserve
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Secretary Mnuchin and Chairman Powell,

On behalf of the nation's State Treasurers and finance officials, we applaud your efforts to keep Americans safe from COVID-19 and to deliver needed assistance to financial markets during this time. We write to you today to request that the Federal Reserve and the Department of the Treasury jointly take emergency action to support the municipal bond market. We urge you to authorize the temporary purchase of a broad base of municipal securities to restore equilibrium to our markets.

The National Association of State Treasurers (NAST) serves as the nation's foremost authority on state finance issues and State Treasury programs, practices, and policies. NAST's nonpartisan membership comprises all State Treasurers or state finance officials with comparable responsibilities from the United States, its commonwealths, territories, and the District of Columbia, along with employees of these agencies.

The stability of the \$3.8 trillion municipal bond market is particularly important during this crisis as state and local governments and the municipal bond market provide critical support for the infrastructure, including hospitals, needed to care for and support our citizens. Issuance of municipal bonds precipitously declined from \$10-15 billion per week in early March to zero today. Before the start of this crisis, the market was on track for a record amount of municipal bond issuance, projecting over \$450 billion this year. Absent support for the municipal market, state and local government budgets will be further stressed at the most inopportune time, particularly as state revenues decline as a result of business closures and rising unemployment.

The Federal Reserve and Treasury should design a program with the flexibility to support all issuers and credits in the municipal bond market. In this period of economic uncertainty, the sudden rush for cash hampers issuers across the credit spectrum, impacting communities and critical projects and services throughout the country. We are already witnessing the immediate

cost impact on states and localities of resetting floating rates. The closure of the primary market will have an even longer-term negative impact on states. Moreover, a significant percentage of municipal bonds are held by retail investors, either directly or via investments in mutual funds. Continued distress in this market will exacerbate the effect of this crisis on those investors as well.

Without timely and strong federal government support for the municipal bond market, our state governments and other issuers will be forced to take actions that will exacerbate the current economic contraction and offset the vital and unprecedented stimulus that Congress, the Federal Reserve, and the Administration have worked to provide.

We urge you to authorize the purchase of a broad base of municipal securities to counter the unprecedented impacts of these market conditions and thank you for your attention and continued support.

Sincerely,



Shaun Snyder
Executive Director
National Association of State Treasurers

CC: Members of the United States Congress