

Senators Warren, Van Hollen, Cortez Masto Urge Mnuchin and Powell to Provide Greater Financial Assistance to State and Local Governments

" While Congress has the responsibility to immediately provide relief to these entities through direct fiscal support, there are actions that the Department of Treasury (Treasury) and Board of Governors of the Federal Reserve can take to keep states and localities solvent." "Our nation's recovery efforts must start with supporting local communities, . . .without additional efforts from the Fed and Treasury, giant corporations will reap all the benefits of this recovery while cities and state

Washington, D.C. - Senators Elizabeth Warren (D-Mass.), Ranking Member of the Senate Committee on Banking, Housing and Urban Affairs Subcommittee on Consumer Protection and Financial Institutions, Chris Van Hollen (D-Md.) and Catherine Cortez Masto (D-Nev.) sent a letter to Federal Reserve (Fed) Chairman Jerome Powell and Department of Treasury (Treasury) Secretary Steve Mnuchin urging that they provide greater financial assistance to state and local governments in

the current economic downturn. The letter notes the importance of aggressive Fed and Treasury efforts to help cash-strapped state and local governments, while acknowledging that Congress must also provide the fiscal support that is needed to support these governments in the long-term.

State and local governments have been [uniquely affected](#) by the COVID-19 pandemic and the associated economic downturn, with recent state budget shortfall projections alone totaling a cumulative \$555 billion through fiscal year 2022. These shortfalls have forced governments to [furlough workers, cut worker pay, or close facilities](#), and local budgets are also strained to meet the significant health needs of their populations. These budget cuts and furloughs, like the pandemic itself, hit communities of color the hardest: according to the most recent [data available from The Center for Economic Policy and Research](#), Black Americans make up about a quarter of the state and local workforce. And [funding for state and local services](#) "can help reduce barriers to opportunity that keep major parts of our society, from jobs to education to housing largely segregated along racial lines."

"Communities of color are already bearing the economic burden of this pandemic, and if state and local governments are forced to let go of workers who have been temporarily laid off, that burden will be exacerbated unnecessarily, amplifying existing racial inequalities," **the senators wrote**. "We therefore urge you to use all available tools at your disposal to prevent the irreversible damage that could occur if state and local governments are required to cut spending and services, fire furloughed employees, and permanently eliminate public sector jobs- all outcomes that would permanently worsen existing economic inequality."

The senators noted that, while Congress provided Treasury with a \$454 billion bailout fund in the Coronavirus Aid, Relief and Economic Security (CARES) Act to support

lending to eligible businesses, States, or municipalities. Treasury and the Fed have set aside \$35 billion of this funding to establish the Municipal Liquidity Facility (MLF) to provide loans for state and local governments, the MLF to date has been vastly underutilized, suggesting that the current terms of the facility are insufficient. They called on Treasury and the Fed to expand the MLF and make its terms better for state and local borrowers, including by reducing the minimum population thresholds and extending the duration and interest rates of the loans, similar to the terms set for big business. The senators also called on the agencies to consider allowing smaller municipalities to participate in the Main Street Lending Program.

"In recent weeks, Treasury and the Fed have successfully taken extraordinary measures to shore up financial markets, providing significant benefits to large corporations and shareholders," **the senators wrote.** "The millions of Americans who live paycheck-to-paycheck and rely on the services and employment provided by state and local governments need help too, and we cannot allow these communities to be left behind during our recovery."

The senators also reiterated their call for Congress to immediately provide more direct assistance to state and local governments.

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