



STATE OF CONNECTICUT
TREASURER SHAWN T. WOODEN

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TREASURER WOODEN TESTIFIES BEFORE CONGRESS IN REVIEW OF THE FEDERAL RESERVE'S EMERGENCY LENDING POWERS DURING THE PANDEMIC

*WOODEN DELIVERS TESTIMONY BEFORE THE SUBCOMMITTEE ON NATIONAL
SECURITY, INTERNATIONAL DEVELOPMENT, AND MONETARY POLICY TO
ADDRESS FUTURE ECONOMIC CRISES*

Washington D.C.— Today, Connecticut State Treasurer Shawn T. Wooden delivered testimony before the Financial Services Subcommittee on National Security, International Development, and Monetary Policy, chaired by Congressman Jim Himes (CT-4) in review of the Federal Reserve's Emergency Lending Powers during the COVID-19 pandemic. Treasurer Wooden shared recommendations aimed at improving the Municipal Liquidity Facility (MLF) program, which was authorized by Congress and established by the Federal Reserve in April of 2020. His proposals are based on Connecticut's experience during the pandemic, as well as his role as President-elect of the National Association of State Treasurers (NAST), a bipartisan association of State Treasurers from across the country.

"The Federal Reserve's swift actions in establishing the Municipal Liquidity Facility was critical, historic, and necessary," said Connecticut Treasurer Shawn Wooden. "It served as a market backstop and provided critical support for issuers' solvency by standing ready to purchase short-term notes from

state and local governments in an extremely uncertain environment. The program helped mitigate liquidity concerns early on in the pandemic and allowed for significant credit spread and municipal market improvements.”

In mid-March of 2020, during the onset of the COVID-19 pandemic, the municipal market experienced tremendous volatility. At that time, states were revising their budget projections and liquidity positions. Several states moved ahead and put in place lines-of-credit and other short-term borrowing facilities to address the unknown fiscal impact from the quickly spreading COVID-19.

Once the MLF program was established on April 9th, 2020 by the Federal Reserve, Treasurer Wooden convened a working group consisting of Treasury experts, bond attorneys, and members of the State’s budget office to consider the potential impact on the liquidity needs of the state of Connecticut and its municipalities. The working group discussions included the potential use of the MLF by local governments and its effect on the municipal market and statutory changes that would be required.

“Our experience in Connecticut, fortunately, was that the State and its municipalities were able to meet the pandemic’s unprecedented impact on budgets and other fiscal challenges,” said State Treasurer Shawn Wooden. “This was due to swift and effective federal action and assistance, as well as the State’s ability to adeptly draw on talent and quickly prepare for action. The Municipal Liquidity Facility program provided a necessary backstop to a large market without replacing the normal municipal market mechanisms for raising capital to alleviate liquidity concerns.”

The way the MLF was designed and implemented, it served as a “lender of last resort”. The rates were above market and not significantly tied to market movements. Borrowers were required to certify that they were unable to secure adequate credit accommodations from other banking institutions. To improve the structure of the MLF to be ready for the next financial crisis, as necessary, Treasurer Wooden provided seven recommendations to the Subcommittee. Read his testimony, along with corresponding letters on behalf of members of the National Association of State Treasurers, [here](#). View the live webcast of the hearing [here](#).

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About the Office of the State Treasurer

Under the leadership of Connecticut’s State Treasurer Shawn T. Wooden, the Office of the Treasurer is dedicated to safeguarding the state’s financial resources and taxpayers’ dollars, while maximizing returns and minimizing risks for pension beneficiaries and operating at the highest professional and ethical standards. Through investments and cash management, the office continues to enhance the

state's fiscal stability, financial literacy, college savings, and its approach to leveraging business partnerships to combat social issues such as gun violence, climate change, and equal opportunity for economic growth. Learn more about the Office of the Treasurer [here](#) and follow along on [Facebook](#), [Instagram](#) and [Twitter](#)

About National Association of State Treasurers

The National Association of State Treasurers seeks to provide advocacy and support that enables member states to pursue and administer sound financial policies and programs benefiting the citizens of the nation. Membership is composed of all state treasurers or state finance officials with comparable responsibilities from the United States, its commonwealths, territories, and the District of Columbia. The private sector is represented through the Corporate Affiliate Program that was established to build professional relationships and foster cooperation between the public and private sectors. The association serves its members through educational conferences and webinars, a variety of working groups, policy advocacy, and publications that provide information about developments in public finance. For more information, visit www.nast.org.