



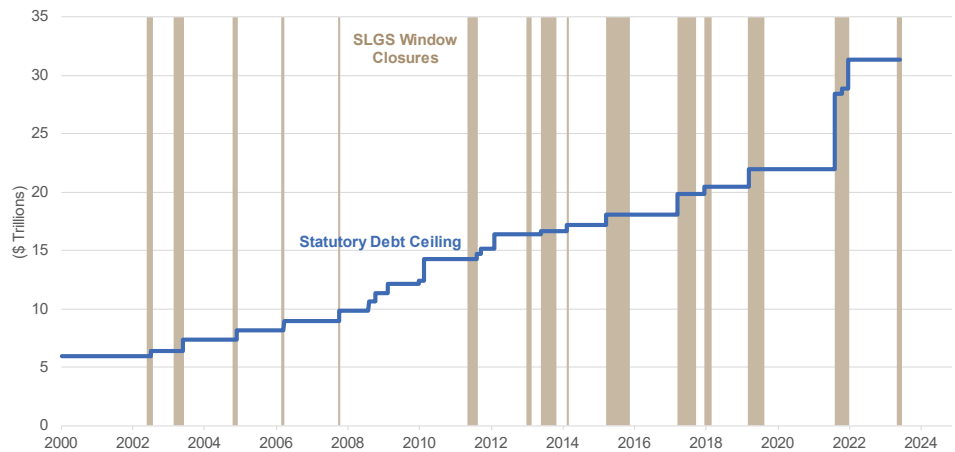
pfm Potential SLGS Program Suspension

Overview

On June 2, 2023, Congress passed into law the Fiscal Responsibility Act, which suspended the limit of federal debt through **January 1, 2025**.¹ Barring congressional action, on January 2, 2025, the debt ceiling will be reinstated based on the amount of debt existing at that time. If Congress does not pass a bill to further suspend or raise it, the borrowing capacity of the Treasury Department may be significantly constrained. The Treasury Secretary will likely enact extraordinary measures, which could include the suspension of the State and Local Government Series (SLGS) securities program, which means the Treasury department would no longer accept new subscriptions for Time and Demand Deposit SLGS securities. It is uncertain if that action would be taken immediately or if the Treasury Department would keep the SLGS program open for some period of time while enacting other extraordinary measures like it did in 2023. If suspended, the SLGS window will then likely be reopened when legislation raising or suspending the debt limit is signed into law.

Impact on Escrows

If the SLGS window closes, municipal issuers will have to choose between leaving escrows uninvested in cash or purchasing open-market-securities. If an issuer leaves their escrow uninvested in cash, this may come with a large opportunity cost in this higher interest rate environment.



Sources: Bloomberg and Treasury Direct.

What about existing subscriptions?

If the Treasury Department follows the same procedures it has in the past, all SLGS subscriptions that have been placed prior to the suspension will be honored.² Issuers will also have unrestricted access to their funds if they need to make redemptions in the same way they do when the SLGS window is open.

In our view, there is no reason to be exceptionally concerned; the SLGS window has been closed 16 times in the past.² PFM’s Structured Products Group, in coordination with your financial advisory and legal teams, will be ready to assist with the structuring and competitive procurement of open-market securities if the SLGS program is suspended yet again.

Contact the SPG Team

Contact us to learn how we can optimize your investment strategy and help drive your financial success.

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¹ Source: CRS Report. (October 4, 2024). [A Binding Debt Limit: Background and Possible Consequences](#).

² Source: Treasury Direct. [FAQs for SLGS](#).



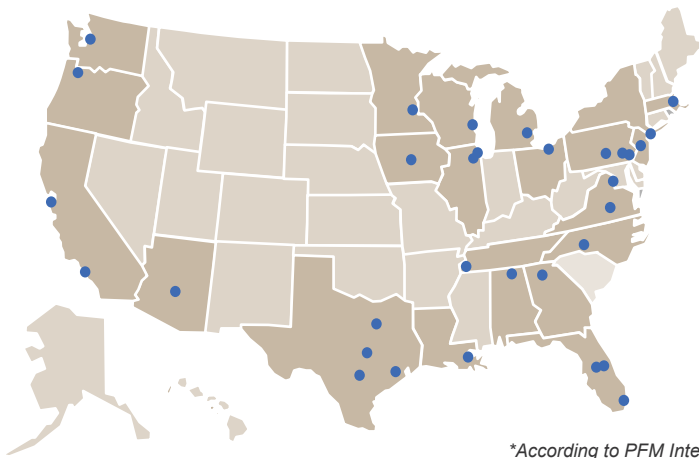
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*According to PFM Internal Resources as of August 01, 2024

¹ All transactions prior June 1, 2016, were effected through former affiliate, Public Financial Management Inc., which was founded in 1975 on the principle of providing sound independent advice to public entities.

² Ranked by Ipreo in terms of par amount as of December 31, 2023

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