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## United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

April 11, 2022

Mr. Neel Kashkari  
President and Chief Executive Officer  
Federal Reserve Bank of Minneapolis  
90 Hennepin Avenue  
Minneapolis, MN 55401

Dear President Kashkari:

I write regarding the Federal Reserve Bank of Minneapolis's (Minneapolis Fed) active and political lobbying efforts to change Minnesota's constitution on K-12 education policy. These political lobbying efforts by you and other Minneapolis Fed officials, which the board of the Minneapolis Fed has shockingly endorsed, are well beyond the Federal Reserve's mandate, violate Federal Reserve Bank policies, constitute a misuse of Minneapolis Fed resources, and ultimately undermine the Federal Reserve's independence and credibility.

For more than two years, you have been improperly using your position as president of the Minneapolis Fed and Minneapolis Fed resources to aggressively lobby Minnesotans to support the Page Amendment, an amendment to the Minnesota constitution that you helped develop and would create a new "fundamental right to a quality *public* education."<sup>1</sup> This amendment is highly political, as it wades into an ongoing debate about whether government-run school systems are preferable to parental choice in education. It is also controversial because it could be used by liberals to challenge education spending levels in court and give activist judges grounds for overriding levels set by the state's legislature, which is elected by and accountable to voters.

In January 2020, the Minneapolis Fed announced—on its official webpage devoted to advocating for the Page Amendment—that "[a]rmed with compelling research from Minneapolis Fed economists about Minnesota's statewide achievement gaps, former Supreme Court Justice Alan Page and Minneapolis Fed President Neel Kashkari are leading a broad-based effort to amend the Minnesota constitution and guarantee a quality education for all of Minnesota's children."<sup>2</sup> Among other things, this "broad-based effort to amend the Minnesota constitution" has involved you and other Minneapolis Fed officials testifying in support of the Page Amendment at a

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<sup>1</sup> Closing Minnesota's achievement gaps: Why a constitutional amendment?, Federal Reserve Bank of Minneapolis, <https://www.minneapolisfed.org/policy/education-achievement-gaps/why-a-constitutional-amendment> (emphasis added).

<sup>2</sup> A Statewide Crisis: Minnesota's education achievement gaps demand a bold approach, Federal Reserve Bank of Minneapolis, (Jan. 20, 2020), <https://web.archive.org/web/20200120192414/https://www.minneapolisfed.org/policy/education-achievement-gaps>.

Minnesota legislative hearing;<sup>3</sup> publishing op-eds in support of the Page Amendment in Minnesota newspapers and on the Minneapolis Fed’s website;<sup>4</sup> enlisting Minneapolis Fed employees to conduct research and publish press releases in support of the Page Amendment;<sup>5</sup> and holding various “community conversation” events with Minnesota community leaders to build political support for the Page Amendment across the state.<sup>6</sup>

Setting aside the merits of your proposal, these political lobbying efforts on the issue of K-12 education are well beyond the Federal Reserve’s mandate. Nowhere in the Federal Reserve’s governing statute is there a mention of education policy.<sup>7</sup> As the nation’s central bank, the Federal Reserve has an important, apolitical, and narrow statutory mandate: to “promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates.”<sup>8</sup> A Federal Reserve Bank engaging in an aggressive campaign to amend a state’s constitution regarding primary and secondary education clearly does not fall within this mandate.

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<sup>3</sup> See Neel Kashkari and Alene Tchourumoff, Testimony to the Minnesota House Education Policy Committee (Mar. 8, 2021), <https://www.house.leg.state.mn.us/hjvid/92/893564>; see also Letter from President Neel Kashkari to Members of the House Education Policy Committee (Mar. 5, 2021), <https://www.house.leg.state.mn.us/comm/docs/iIJQqwb7r0eDO3lxup1Wjg.pdf> (thanking the committee for “welcoming the Federal Reserve Bank of Minneapolis to speak on behalf” of the Page Amendment).

<sup>4</sup> See, e.g., President Neel Kashkari and Justice Alan Page, *Star Tribune op-ed: Journey toward equity must begin at school* (May 4, 2021), <https://www.minneapolisfed.org/article/2021/star-tribune-op-ed-journey-toward-equity-must-begin-at-school>; President Neel Kashkari and Justice Alan Page, *Minnesota School Boards Association Journal op-ed: Quality education should be a civil right* (Mar. 3, 2021), <https://www.minneapolisfed.org/article/2021/minnesota-school-boards-association-journal-op-ed-quality-education-should-be-a-civil-right>; President Neel Kashkari and Justice Alan Page, *Star Tribune op-ed: Our push for an education amendment has only gotten more relevant* (Jul. 13, 2020), <https://www.minneapolisfed.org/article/2020/neel-kashkari-alan-page-our-push-for-an-education-amendment-has-only-gotten-more-relevant>.

<sup>5</sup> See e.g., Alyssa Augustine, *Tackling Minnesota’s education achievement gaps*, Federal Reserve Bank of Minneapolis (Mar. 31, 2020), <https://www.minneapolisfed.org/article/2020/tackling-minnesotas-education-achievement-gaps>; Alyssa Augustine, *Research shows broad support for a quality public education for all children*, Federal Reserve Bank of Minneapolis (Mar. 6, 2020), <https://www.minneapolisfed.org/article/2020/research-shows-broad-support-for-a-quality-public-education-for-all-children>; Anusha Nath and Scott Dallman, *Education Clauses in State Constitutions Across the United States*, Federal Reserve Bank of Minneapolis (Jan. 8, 2020), <https://www.minneapolisfed.org/article/2020/education-clauses-in-state-constitutions-across-the-united-states>; Anusha Nath, *No evidence that education amendments increase litigation*, Federal Reserve Bank of Minneapolis (Feb. 3, 2021), <https://www.minneapolisfed.org/article/2021/no-evidence-that-education-amendments-increase-litigation>; Vanessa Palmer and Alene Tchourumoff, *New educational-disparities tool provides transparency, empowers Minnesotans to pursue change*, Federal Reserve Bank of Minneapolis (Sept. 15, 2021), <https://www.minneapolisfed.org/article/2021/new-educational-disparities-tool-provides-transparency-empowers-minnesotans-to-pursue-change>.

<sup>6</sup> See e.g., Children First: A Community Conversation on Educating All Children (Jan. 13, 2020), <https://www.minneapolisfed.org/events/2020/children-first-a-community-conversation-on-educating-all-children>; The Time Is Now to Put Minnesota Children First: A Conversation in St. Cloud (Dec. 7, 2021), <https://www.minneapolisfed.org/events/2021/the-time-is-now-to-put-minnesota-children-first-a-conversation-in-st-cloud>; see also Page amendment: Every child deserves a quality public education, Federal Reserve Bank of Minneapolis, <https://www.minneapolisfed.org/policy/education-achievement-gaps?page=2>.

<sup>7</sup> See 12 U.S.C. Ch. 3.

<sup>8</sup> 12 U.S.C. § 225a.

Instead of engaging in mission creep, the Minneapolis Fed should focus on its day job of fighting the runaway 40-year-high inflation that the Federal Reserve has allowed to spiral out of control.

Furthermore, it is improper for Federal Reserve officials to use their official positions and Federal Reserve resources to lobby in support of a specific public policy proposal—on any subject, let alone one that is far outside the Federal Reserve’s narrow statutory mandate—or to be engaged in political activity of any kind. Federal Reserve Bank policies explicitly prohibit political activities in order to preserve the Federal Reserve’s independence. The Minneapolis Fed’s own Code of Conduct states that:

The Federal Reserve Banks have a unique need to protect their independence from the political process. Therefore, although an employee may participate or become involved in issues of general public concern or debate, the employee’s association with the Bank must not be publicized in connection with any political activity. Further, an employee may not engage in political activity while on duty or on Bank premises, and must be extremely cautious to avoid any suggestion of Bank sponsorship or support of such activities.<sup>9</sup>

Your persistent use of your position as president of the Minneapolis Fed, as well as your use of Minneapolis Fed resources, including Minneapolis Fed employees and the Minneapolis Fed’s official website, to lobby in support of the Page Amendment plainly violates this provision of the Minneapolis Fed’s Code of Conduct. Indeed, rather than seeking to avoid associating these political activities with the Minneapolis Fed, you have been clear and unabashed in your support of them.<sup>10</sup> Moreover, you have publicly stated that your purpose for supporting the Page Amendment is explicitly political: your aim is “to solve a political problem” by using the law to “break through the political gridlock” on education issues.<sup>11</sup> This activity is especially

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<sup>9</sup> Code of Conduct, Federal Reserve Bank of Minneapolis (Revised Jun. 15, 2009), <https://www.minneapolisfed.org/~media/files/about/codeofconduct.pdf?la=en>.

<sup>10</sup> See e.g., Page amendment: Every child deserves a quality public education, Federal Reserve Bank of Minneapolis, <https://www.minneapolisfed.org/policy/education-achievement-gaps?page=2>.

<sup>11</sup> Remarks of President Neel Kashkari, *Page amendment: A community conversation with Moorhead, MN community leaders about educating all of our children* (Mar. 31, 2021), <https://www.minneapolisfed.org/events/2021/page-amendment-a-community-conversation-with-moorhead-mn-community-leaders-about-educating-all-of-our-children> (“Why hasn’t Minnesota been able to make that progress [in education]? And what I realized is that politics in Minnesota seems to be getting in the way. . . . I reached out to Justice Page because I knew he had spent 22 years on Minnesota’s Supreme Court, and I knew by reputation that he had a lifetime of passion for education equity. And I asked him a question. I said, Justice Page, I’m not a lawyer, I have a question for you: is there a way we could use the law to break through the political gridlock and to literally put children first and to lead the real change that we know needs to take place? . . . . So ultimately what are we trying to do? We’re trying to solve a political problem.”); President Neel Kashkari and Justice Alan Page, *Star Tribune op-ed: Journey toward equity must begin at school* (May 4, 2021), <https://www.minneapolisfed.org/article/2021/star-tribune-op-ed-journey-toward-equity-must-begin-at-school> (“We believe a constitutional amendment is necessary to put children first and break through the political gridlock that has prevented the state from eliminating its terrible education disparities, among the worst in the nation.”).

disconcerting because the resources expended on this education campaign ultimately come out of the taxpayers' pocket.

The Minneapolis Fed's political activities also undermine the Federal Reserve's independence and credibility. Historically, the Federal Reserve's independence and careful adherence to nonpartisanship have allowed it to avoid being seen as a politicized body. However, the Minnesota Fed's fervent political lobbying efforts have had the opposite effect. With runaway inflation at a 40-year high, the primary role of the Minneapolis Fed should be carrying out the Federal Reserve's dual mandate enshrined in statute—not solving the “political problem” of “political gridlock” in the Minnesota legislature concerning K-12 education policy.

Unfortunately, the Minneapolis Fed, under your leadership, has embraced politically-charged social causes far outside of the Federal Reserve's statutory mandate.<sup>12</sup> When I asked for records about these activities, the Minneapolis Fed engaged in unacceptable stonewalling of this legitimate Congressional oversight request by refusing to provide any records.<sup>13</sup> The Minneapolis Fed's pattern and practice of engaging in political lobbying efforts and pursuing a highly politicized social agenda unrelated to monetary policy highlight the pressing need to reform the Federal Reserve Banks to make them more accountable to Congressional oversight.

There are at least three reform ideas that Congress should examine. First, unlike the Board of Governors of the Federal Reserve System (Fed Board), the Federal Reserve Banks are not subject to the Freedom of Information Act (FOIA). That should change. Second, Congress should consider subjecting the Federal Reserve Bank presidents to presidential appointment and Senate confirmation. This idea is not novel. Senator Jack Reed (D-RI) has repeatedly introduced legislation that would make the president of the New York Fed a presidentially appointed and Senate confirmed position.<sup>14</sup> Third, Congress should examine whether the historical regional Federal Reserve Bank structure is still appropriate. For example, many of the original functions of the regional banks have been superseded by advancements in finance and commerce. Therefore, it may make sense to eliminate the Federal Reserve Banks entirely by having the Fed Board assume their responsibilities. Alternatively, Congress might consolidate them into fewer regional banks, making each a permanent voter on the Federal Open Market Committee.

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<sup>12</sup> See e.g., Letter from Senator Pat Toomey to President Neel Kashkari (May 23, 2021), [https://www.banking.senate.gov/imo/media/doc/toomey\\_to\\_minneapolis\\_fed.pdf](https://www.banking.senate.gov/imo/media/doc/toomey_to_minneapolis_fed.pdf).

<sup>13</sup> Letter from Senator Pat Toomey to President Neel Kashkari (Jun. 30, 2021), [https://www.banking.senate.gov/imo/media/doc/toomey\\_non-compliance\\_letter\\_to\\_minneapolis\\_fed.pdf](https://www.banking.senate.gov/imo/media/doc/toomey_non-compliance_letter_to_minneapolis_fed.pdf).

<sup>14</sup> See Vicki Needham, *Reed calls for boosting oversight of New York Fed*, The Hill (Feb. 23, 2015), <https://thehill.com/policy/finance/233558-reeds-calls-for-boosting-oversight-of-new-york-fed/>.

To be clear, I do not present these ideas lightly. The Federal Reserve was given independence to insulate monetary policy from politics. Congress, however, has a responsibility to ensure that the Federal Reserve does not become a political actor. In order to prevent further damage to the independence and credibility of the Minneapolis Fed, I urge you to cease these political lobbying efforts that are well beyond the Federal Reserve's mandate.

Sincerely,



Pat Toomey  
Ranking Member

cc: The Honorable Sherrod Brown, Chairman, Senate Committee on Banking, Housing, and Urban Affairs

The Honorable Jerome Powell, Chair, Federal Reserve Board of Governors

The Honorable Michelle W. Bowman, Governor, Federal Reserve Board of Governors

The Honorable Lael Brainard, Governor, Federal Reserve Board of Governors

The Honorable Christopher J. Waller, Governor, Federal Reserve Board of Governors

Srilata Zaheer, Chair, Board of Directors, Federal Reserve Bank of Minneapolis

Chris Hilger, Deputy Chair, Board of Directors, Federal Reserve Bank of Minneapolis

Jeanne Crain, Director, Board of Directors, Federal Reserve Bank of Minneapolis

David R. Emery, Director, Board of Directors, Federal Reserve Bank of Minneapolis

Brenda K. Foster, Director, Board of Directors, Federal Reserve Bank of Minneapolis

Gerald Jacobson, Director, Board of Directors, Federal Reserve Bank of Minneapolis

Sarah Walsh, Director, Board of Directors, Federal Reserve Bank of Minneapolis

Paul Williams, Director, Board of Directors, Federal Reserve Bank of Minneapolis