



February 3, 2021

The Hon. Peter Buttigieg
Secretary
U. S. Department of Transportation
1200 New Jersey Avenue, SE
Washington, D. C. 20590

Dear Secretary Buttigieg:

On behalf of the National Association of State Treasurers (NAST), congratulations on your nomination and confirmation to serve as the 19th Secretary of the United States Department of Transportation (USDOT). We look forward to working with you and your Team to enhance our nation's transportation infrastructure.

As the most representative organization of State Treasurers and other statewide finance officials of similar roles — we offer ourselves, our members, and our professional staff in Washington, D. C. to serve as a resource to you and your Team. Our members are responsible for a host of state finance duties, including the issuance and management of more than \$900 billion municipal securities that finance essential transportation infrastructure projects throughout the nation. As such, we have long enjoyed and look forward to continuing our productive partnership with USDOT.

In particular, we have worked with USDOT on several areas of importance related to state finances and offer the following broad outline on our relevant priorities:

Preservation of the Tax-Exemption on Qualified Municipal Securities: Above all else, we are committed to the preservation of the tax exemption on municipal bonds. Elimination, reduction or capping of the tax exemption would result in immediate increased costs to the critical projects financed by state and local issuers. Added costs to capital projects would force state and local governments, already budget-strained by the ongoing pandemic, to make difficult and pro-recessionary choices. Furthermore, increased costs would ultimately be borne by the American taxpayer and result in reduced spending on transportation infrastructure.

Restoration of the Tax-Exemption for Advance Refunding Bonds: Before January 1, 2018, municipal issuers were able to issue a single tax-exempt advance refunding (i.e., prior to 90 days before call date). This critical tool allowed state and local governments to efficiently refinance existing bonds in order to take advantage of a more favorable interest rate environment. Advance refunding bonds frequently provided issuers with the flexibility to lower debt servicing charges to the benefit of their tax or rate payers. Restoration of the tax exemption on an advanced refunding would require an act of Congress, but it would be one of the most effective actions to provide state and local governments with more financial flexibility to free up capital for additional infrastructure investment. We sincerely thank you for your supportive remarks on the issue during your Senate hearing on January 21.

New Financing Tools and Funding Sources are Needed to Address our Infrastructure Needs: We encourage and support efforts to expand the infrastructure financing tools available to state governments, including reinstatement of direct subsidy bonds similar to the Build America Bonds program. We also reiterate the need for additional sources of funding for state infrastructure projects to complement our ongoing financing efforts. Additional federal investment will be required to meet the infrastructure deficit facing our nation.

Partner with State Governments and Treasurers: Please turn to state governments and our Treasurers as partners as you seek to address the infrastructure challenges facing the nation. Many State Treasurers play critical roles in the capital markets that finance the lion's share of our infrastructure, management of state infrastructure/bond banks, oversight of Transportation Infrastructure Finance Innovation Act (TIFIA) loans, and administration of other state infrastructure financing programs. We share your commitment to addressing critical priorities related to infrastructure and offer ourselves as resources.

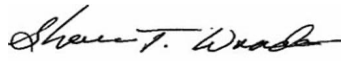
Please let us know how we can be the most helpful to you. We have asked our Policy Director, Brian Egan, to answer any questions or comments you may have. Brian can be reached via email at brian@statetreasury.org or via phone at 202-630-1880.

We look forward to your leadership and thank you in advance for your attention and consideration.

Sincerely,



The Hon. Kelly Mitchell
Treasurer, State of Indiana
NAST President



The Hon. Shawn Wooden
Treasurer, State of Connecticut
NAST Senior Vice President



Shaun Snyder
Executive Director
NAST