



January 27, 2021

The Hon. Janet L. Yellen  
Secretary  
U.S. Department of Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear Secretary Yellen,

On behalf of the National Association of State Treasurers (NAST), congratulations on your nomination and confirmation to serve as the 78<sup>th</sup> Secretary of the United States Treasury. We look forward to working with you to address the economic and monetary issues that face our nation and state and local governments.

As the only nonpartisan organization representing 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. As you know, our members are largely responsible for investment of state funds, state and municipal debt management, oversight and management of public pension funds, administration of 529 college savings and ABLE accounts, development and implementation of financial education and empowerment programs, and returning unclaimed property to its rightful owners. State Treasurers have also played a pivotal role in state responses to the public health and financial challenges posed by the COVID-19 pandemic. For background purposes, our resources and advocacy work relating to these unprecedented events are available to your staff on our web site [www.NAST.org/COVID](http://www.NAST.org/COVID).

In particular, we have worked with the U. S. Treasury 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, our cohesion is centered on our commitment to preserving the tax exemption on municipal bonds. Elimination, reduction or capping of the tax exemption would pose 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.

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 manage through economic downturns and increase infrastructure investment.

Designate a Dedicated Municipal Securities Expert to the Tax Policy Team: One of our closest relationships with the U. S. Treasury has been the Office of Tax Policy. For many years, issuers had turned to dedicated staffers on the Tax Policy team for expertise on the federal tax issues relating to state and local bonds. This expertise in the tax rules for qualified municipal securities and the manner in which the municipal bond markets operate had long been effective in drafting and implementing tax policy in the tax-exempt domain. While we maintain a strong relationship with and appreciate the

tremendous work of the Office of Tax Policy, there has not been a dedicated staffer working on state and local issues in this area since it was vacated in 2019. Filling this role would allow Treasury to better meet the consultation needs of municipal issuers.

Provide States with the Tools to Allow them to Reunite Owners with their Rightful Property: NAST has long believed that Departments of Unclaimed Property, which are typically the responsibility of State Treasuries, are best positioned to help reunite matured and unredeemed federal savings bonds with their rightful owners. Unfortunately, records on these savings bonds have not been fully digitized and the Treasury Department has held that the Federal Government, unlike other property holders, does not need to comply with state escheat laws. We encourage the Treasury Department to work in tandem with State Departments of Unclaimed Property to reexamine these barriers and help return the more than \$25 billion in unclaimed savings bonds to their rightful owners.

Finally, we virtually convene all the State Treasurers on occasion, and will do so during our Legislative Conference from February 22 – 25. We welcome the opportunity to have you join us as an honored guest at either our upcoming conference, or at another time of your convenience. We hope to discuss the current status of state finances and provide you the opportunity to share your priorities for the future.

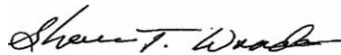
Please let us know how we can be the most helpful to you. We have asked our Policy Director, Brian Egan, to answer any questions and coordinate such a meeting when you and your staff are ready. Brian can be reached via email at [brian@statetreasurers.org](mailto:brian@statetreasurers.org) or via phone 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