



January 23, 2018

The Honorable Donald J. Trump
The White House
1600 Pennsylvania Ave, NW
Washington D.C. 20500

RE: Infrastructure Investment Proposal

Dear President Trump,

For more than 100 years, tax-exempt municipal bonds have been the primary financing mechanism for state and local infrastructure projects. These critical infrastructure tools have provided essential funding for states, counties and localities across the nation. In fact, three-quarters of all public infrastructure projects in the U.S. are built by states and local governments utilizing the public-private partnership embodied in these bonds.

As your Administration seeks ways to increase the investment in our nation's infrastructure, we urge you to maximize the use of tax-exempt municipal bonds. In September of 2014, the liquidity coverage ratio (LCR) requirement was adopted by the Federal Reserve, Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC). The rule requires large banking organizations to hold a minimum amount of high-quality liquid assets (HQLA) that can be readily converted into cash during a 30-day period of financial stress. The LCR does not currently include municipal securities as HQLA.

By excluding municipal securities as HQLA under the 2014 LCR, the National Association of State Treasurers (NAST) is concerned that borrowing costs for state and local governments to finance public purpose projects will increase, as banks will demand higher interest rates on yields on the purchase of municipal securities, or even forgo the purchase of municipal securities altogether.

NAST supports bipartisan legislative proposals that provide uniformity among the FDIC, OCC, and Federal Reserve on investment grade municipal securities. H.R. 1624 passed the House by voice vote in 2017, and S. 828 has been reported out of the Senate Banking Committee as part of a bipartisan economic growth package. The nation's Treasurers believe these securities should carry, at minimum, a level 2B designation for general obligation, appropriations backed, and revenue credit municipal bonds among all three entities. We ask that you join us in supporting this designation in the interest of maintaining a robust municipal marketplace. By classifying these investment grade municipal securities as HQLA, you would provide much needed support for states, counties, and localities that rely on municipal securities as low-cost, efficient sources of funding for schools, roads, bridges and other essential public infrastructure projects.

Sincerely,

A handwritten signature in blue ink that reads "Shaun Snyder".

Shaun Snyder, JD, MBA
Executive Director

President

Beth Pearce, VT

Executive Committee

David Damschen, UT
Duane Davidson, WA
Manju Ganeriwala, VA
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