



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

October 18, 2024

Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Financial Data Transparency Act, File No. S7-2024-05
Via electronic submission: [SEC.gov | Financial Data Transparency Act Joint Data Standards](https://www.sec.gov/financial-data-transparency-act-joint-data-standards)

Dear Secretary Countryman,

As the Michigan State Treasurer, I am writing to provide comments on the Financial Data Transparency Act (FDTA). I support strong financial transparency and standards, and believe that the reporting practices of Michigan and other governments provide are already significant. However, I have concerns about the FDTA's potential to overstep federal boundaries, create new unfunded mandates, and disproportionately burden smaller municipalities.

Federal Overreach and the 10th Amendment

The FDTA establishes a new regulatory framework that challenges the 10th Amendment's preservation of states' rights. Historically, municipal bonds have been exempt from federal securities registration and reporting requirements due to their distinct nature and the critical role they play in local governance. The FDTA's new framework undermines this tradition by imposing federal reporting requirements on municipal issuers, infringing upon state sovereignty and disrupting the balance between state and federal authority. This shift not only contradicts the longstanding understanding between states and the federal government, but also risks unnecessary federal encroachment into state financial matters.

Unfunded Mandates and Increased Costs

The FDTA also creates an unfunded mandate that will increase the costs and complexity of issuing municipal bonds. State and local governments will face additional regulatory compliance burdens, which will drive up the cost of critical public projects such as schools, bridges, and water treatment facilities. These increased expenses will ultimately be passed on to taxpayers or result in delays or cancellations of vital projects, compromising public welfare. The FDTA's potential one-size-fits-all approach does not take into account the diverse financial and operational capacities of municipalities across the country.

Disproportionate Impact on Smaller Municipalities

Smaller municipalities are particularly vulnerable to the added burden of compliance with the FDTA. Unlike larger municipalities that may have the resources and personnel to handle these new requirements, smaller governments often operate with limited staff and budgets. The FDTA's demands for additional reporting and transparency standards place an inequitable strain on these smaller entities, potentially limiting their access to bond markets and reducing their ability to finance essential infrastructure projects. In effect, the FDTA threatens to disenfranchise smaller communities, leaving them less able to meet the needs of their residents.

In light of these concerns, I respectfully urge the SEC to reconsider the scope and application of the FDTA's Joint Data Standards, ensuring that any new requirements are carefully tailored to avoid unnecessary federal overreach, unfunded mandates, and undue burdens on smaller municipalities. Local governments must retain the flexibility and autonomy necessary to serve their constituents effectively without excessive federal intervention.

Thank you for considering these comments. I look forward to further discussions on how to better balance transparency and efficiency without compromising the financial well-being of our state and local governments.

Sincerely,



Rachael Eubanks
Michigan State Treasurer

Cc: Alyson Hayden