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THE TREASURY

October 17, 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

Dear Secretary Countryman,

As the Kentucky State Treasurer, I am writing to provide our agency's comments on the Financial Data Transparency Act (FDTA). I support strong financial transparency and standards, and believe that the reporting practices of the Commonwealth of Kentucky as well as other state and local governments provide are already significant. I am, however, deeply concerned regarding the FDTA's potential to overstep federal boundaries, create new unfunded mandates, and disproportionately burden smaller municipalities in the Commonwealth.

Federal Overreach and the 10th Amendment

The FDTA establishes a new regulatory framework that challenges the 10th Amendment's preservation of states' rights. Historically, and for good reason, 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 newly developed framework undermines this tradition by imposing unnecessary 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 constitutional and 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, result in delays or cancellations of vital projects, compromising public welfare and/or adversely affecting school system finances that are already underfunded. 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.

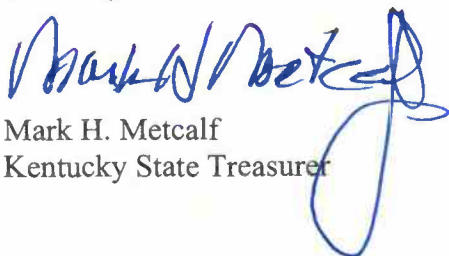
Disproportionate Impact on Smaller Municipalities

Smaller municipalities and school systems 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 government entities 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 when also now facing, post-COVID, significant increases in the costs of those infrastructure projects. Put bluntly, the FDTA will 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 and school systems. 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,



Mark H. Metcalf
Kentucky State Treasurer

CC: Senate Minority Leader Mitch McConnell

Senator Rand Paul

Representative Andy Barr

Representative James Comer

Representative Brett Guthrie

Representative Thomas Massie

Representative Morgan McGarvey

Representative Harold Rogers



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