

## RESOLUTION

### **Resolution of the National Association of State Treasurers on Rating Agency Reform and Preserving the Tower Amendment**

**WHEREAS,** State governments and other levels of government rely on the issuance of tax-exempt bonds to finance the construction of critically needed infrastructure; and

**WHEREAS,** Bond ratings have a direct impact on the interest rates at which governments can issue their bonds, and therefore the debt service their taxpayers must support; and

**WHEREAS,** Three rating agencies – Fitch, Moody’s and Standard & Poor’s – assign the great majority of ratings used in the municipal bond market and, therefore, their rating methodologies play an important role in determining the cost to taxpayers of investing in infrastructure; and

**WHEREAS,** Because the three rating agencies have a profound impact on the municipal bond market, there is an important public purpose in ensuring that bonds are rated fairly and appropriately; and

**WHEREAS,** Both Moody’s and Fitch acknowledge they have applied a stricter rating standard to the rating of municipal bonds compared to the rating of corporate bonds; and

**WHEREAS,** The primary obligation of an issuer of bonds is to pay the debt service on the bonds on time and in full; and

**WHEREAS,** The National Association of State Treasurers adopted a resolution on September 18, 2007 entitled “Opposing Amendment or Repeal of the Tower Amendment” which opposes the extension of federal disclosure laws to state and local government issuers; and

**WHEREAS,** The House Financial Services Committee is scheduled to hold a hearing on September 11, 2008 on disclosure requirements in municipal bond offerings that could consider the amendment or repeal of the Tower Amendment;

**NOW, THEREFORE BE IT RESOLVED,** that the National Association of State Treasurers acknowledges the recent dialogue rating agencies have conducted with state treasurers and other issuers in this regard and recommends that: (1) rating agencies should utilize a single rating scale for all debt instruments such that a rating applied to a municipal bond indicates the same credit risk as that same rating applied to corporate bonds, while also recognizing the need for relative ratings amongst municipal issuers; and (2) ratings should measure the ability of an issuer

to meet its obligation to investors as promised in the bond documents, such obligation primarily being to pay debt service on time and in full.

**NOW BE IT FURTHER RESOLVED**, that the National Association of State Treasurers urges the House Financial Services Committee and the Congress not to take any action that would preempt state and local finance authority and state oversight of the debt issuance process through revision or repeal of the Tower Amendment or enactment of legislation to subject state and local government issuers to federal disclosure laws.

Approved this 20th Day of August, 2008 by  
the National Association of State Treasurers

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Hon. Lynn Jenkins  
NAST President  
Kansas State Treasurer