

## RESOLUTION

**URGING CONGRESS TO EXTEND THE BUILD AMERICA BOND PROGRAM DURING THE CURRENT FISCAL CRISIS FOR STATES, TO PROVIDE THAT FEDERAL OFFSETS BE LIMITED TO NON-COMPLIANCE WITH THE REQUIREMENTS OF BUILD AMERICA BONDS, AND TO PROVIDE FOR APPROPRIATE ADVANCE NOTICE TO ISSUERS OF DIRECT PAYMENT BONDS IF DIRECT PAYMENT SUBSIDIES ARE EXPECTED TO BE REDUCED OR WITHHELD**

Encouraging the Congress to enact legislation to provide an extension of the Build America Bond Program during the current fiscal crisis for states, while not harming the current tax exemption for other municipal issues

**WHEREAS,** Build America Bonds have proven to be a useful way for state and local governments to finance capital expenditures; and

**WHEREAS,** Build America Bonds have proven very popular with investors, thus making it easier for issuers to acquire the funding required for state and local projects; and

**WHEREAS,** Build America Bonds have enabled states, cities, and other local government entities to tap new capital markets and to lower their financing costs; and

**WHEREAS,** Build America Bonds currently receive a federal subsidy for a portion of their borrowing costs equal to 35 percent of the total coupon interest paid to investors; and

**WHEREAS,** this current 35 percent subsidy rate is viable in the current economic environment and a lesser subsidy rate is not; and

**WHEREAS,** some issuers of Build America Bonds have had their direct subsidy payments reduced because of money owed to the federal government by an entity of the state or government in which the bonds were issued; and

**WHEREAS,** bond issuers often have no prior knowledge that such a federal debt exists; and

**WHEREAS,** unexpected direct payment subsidy reductions can impair the ability of bond issuers to meet required payments to bond holders; and

**WHEREAS,** subsidy payments are at risk of being intercepted for amounts owed the federal government totally unrelated to the Build America Bond program or the infrastructure being financed; and

**WHEREAS,** the risk of offset should be limited to non-compliance with the requirements of Build America Bonds; and

**WHEREAS,** it is appropriate that bond issuers be notified in advance by the United States Internal Revenue Service as to the nature of the debt that is being collected, the entity that owes the debt, and the amount of the debt that is being withheld from the direct payment bond subsidy; and

**WHEREAS,** the current statute that established the Build America Bond program requires affirmative action by the Congress to end or reduce the tax payments made to issuers of Build America Bonds; and

**WHEREAS,** the prompt authorization of an extension of the Build America Bond program during this period of fiscal crisis for state governments would provide assurances to investors and reinforce the market for these bonds and could potentially lower interest costs for governments; and

**WHEREAS,** neither the current Build America Bond program nor any future program in which the federal government directly subsidizes interest payments made by state and local bond issuers should provide a basis for termination of or harm to the tax-exempt status of municipal bonds; and

**WHEREAS,** Build American Bonds, taken together with traditional tax-exempt municipal bonds, provide states and localities with a variety of funding tools for their various borrowing needs; and

**WHEREAS,** the Build America Bond program is scheduled to expire at the end of calendar year 2010.

**NOW, THEREFORE BE IT RESOLVED,** by the National Association of State Treasurers:

- 1) that Congress should extend the Build America Bonds program;
- 2) that the subsidy rate to issuers of such bonds be sufficient to provide economic benefit;
- 3) that the current statutory tax exemption for state and local municipal bond issuers not be eliminated, reduced, or harmed in any way or at any time in the future; and
- 4) that Congress require the United States Internal Revenue Service to limit offsets to non-compliance with the requirements of Build America Bonds and to provide at least 45 days advance notice to the issuer of record for any direct payment bond issuance for which an associated direct subsidy payment may be offset as a result of a legally-enforceable debt owed to the federal government by an entity of the state in which the bond is issued; provide that such notification include the amount of the subsidy payment that is to be withheld; and that the notification include the nature of the debt and the identity of the debtor.

Approved this 24<sup>th</sup> Day of August, 2010, by the  
National Association of State Treasurers

A handwritten signature in black ink, appearing to read "James B. Lewis". The signature is written in a cursive style with a large initial "J" and a prominent flourish at the end.

Hon. James B. Lewis  
NAST President  
New Mexico State Treasurer