The Office Of State Treasurer Denise L. Nappier

News

For Immediate Release
March 18, 2010

Connecticut State Treasurer Applauds President and Congress for Passing Improvements to School Bond Program in Jobs Bill, Saving Connecticut Taxpayers $48 Million

HARTFORD – Connecticut State Treasurer Denise L. Nappier today commended President Barack Obama and members of Congress for working together to pass the Jobs Bill. The new legislation, which was signed into law by President Obama earlier today, will grant incentives for businesses to hire unemployed workers through payroll tax relief and retention tax credits, provide funding for highway and transit projects, and improve school construction bonding opportunities for state and local governments originally authorized in the American Recovery Reinvestment Act (ARRA). Treasurer Nappier estimates the State of Connecticut will save over $48 million in interest costs over the next 16 years on school construction bonds to be issued under the program.

"I applaud President Obama and Congress for addressing the realities of the current economic crisis and taking a crucial step toward creating badly needed jobs," Nappier said. "As State Treasurer, I am responsible for the issuance of State debt, including the majority of the financing for school construction within Connecticut. The enhancements to the school construction bonding program will save Connecticut tens of millions over the coming years and preserve the original intent of the program by providing 0% financing for these critical construction projects."

In a March 4, 2010, letter, Treasurer Nappier strongly urged Congressional leaders to consider a direct subsidy on interest rates borne by Qualified School Construction Bonds (QSCBs) of 100 percent, effectively reducing the interest rate for these bonds to zero. The version of the Jobs Bill passed by the House in early March included the subsidy, but a proposed Senate amendment to the Bill would have reduced the subsidy rate to 45 percent or 65 percent, depending on the issuer. On Wednesday, the Senate passed a version of the Jobs Bill that maintained the 100 percent subsidy, a move that would make school construction bonds more attractive to investors and reduce interest costs borne by the State.

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State of Connecticut

DENISE L. NAPPIER
TREASURER

Hartford

March 4, 2010

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
The U.S. Capitol, Room H-232
Washington, D.C. 20515

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

The Honorable John Boehner
Minority Leader
U.S. House of Representatives
The U.S. Capitol, Room H-204
Washington, D.C. 20515

RE: House Resolution 2847 and Senate Amendment 3310

Dear Majority Leader Reid, Speaker Pelosi, Minority Leader McConnell and Minority Leader Boehner:

As a strong supporter of Congressional initiatives to stimulate the economy and create jobs, I commend the passage of House Resolution 2847 (the "Jobs Bill"). I write to register my concerns over one aspect of Senate Amendment 3310 (the "Amendment") to the Jobs Bill that relates to Qualified School Construction Bonds ("QSCB").

Specifically, the Jobs Bill adopted by the House proposed a direct subsidy rate of 100 percent of the interest rate borne by QSCBs. This accords with the original concept of QSCBs, namely that issuers were expected to achieve an effective zero interest rate on such bonds. However, Senate Amendment 3310 reduces the subsidy rate to 45% or 65% (depending on the ultimate issuer). While this subsidy rate remains attractive, and better than the 35% applicable if QSCBs were instead issued as BABs, it is not equivalent to a net effective zero interest rate that was the original objective for this important program. Therefore, I strongly encourage the final adoption of provisions more similar to the House version which provides a subsidy at the 100 percent level.

In my role as State Treasurer, a constitutional office of the State of Connecticut, I am principally responsible for the issuance of State debt – including virtually all financing for school construction financing within our State. Given that role, I have closely followed developments related to QSCBs with a view toward issuing QSCBs as part of the State's overall financing of school construction. However, the market for tax credit bonds such as QSCBs has not developed as expected. As adopted by the American Recovery and Reinvestment Act of 2009 ("ARRA"), QSCBs were intended to be issued at effectively a zero interest rate. Those entities who have issued QSCBs so far have generally not been able to achieve this effective interest rate. As a result, the QSCB program has not yet achieved its goals.

Thank you, in advance, for taking into consideration the spirit of the original language of the Jobs Bill as passed by the House, and preservation of the subsidy for QSCBs at 100 percent.

Please feel free to call on me should you require my assistance in furthering this important program.

Sincerely,

Denise L. Nappier
State Treasurer

SIFMA®
Securities Industry and
Financial Markets Association

February 22, 2010

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C., 20510

The Honorable Mitch McConnell
Republican Leader
United States Senate
Washington, D.C., 20510

The Honorable Max Baucus
Chairman, Senate Finance Committee
United States Senate
Washington, D.C., 20510

The Honorable Charles Grassley
Ranking Member, Senate Finance Committee
United States Senate
Washington, D.C., 20510

Dear Majority Leader Reid, Republican Leader McConnell, Chairman Baucus and Ranking Member Grassley:

The Securities Industry and Financial Markets Association ("SIFMA")[1] is grateful for the steps Congress has taken to help state and local governments regain access to capital during the financial crisis, particularly through provisions contained in the American Recovery and Reinvestment Act of 2009 ("ARRA"). While many of those provisions related to states' and municipalities' ability to issue bonds, Congress has correctly identified the need for adjustment related to the Qualified School Construction Bond ("QSCB") program, which has not proven as effective. We applaud Congress for considering legislation that would enhance the QSCB program and other tax-credit bonds by allowing bonds issued under those programs to be converted to a "direct-pay" taxable bond as an alternative to tax-credit bonds and thus provide a tool for increasing school construction and economic development. However, we believe the structure proposed in the Senate bill will not prove to be as efficient and beneficial to issuers as that proposed by the House.

Qualified School Construction Bonds

QSCBs are designed to provide school districts with zero-cost financing for new school construction by offering investors a federal income tax credit in lieu of interest that would have been paid by school district borrowers. The QSCB program in its current form, however, has not been able to deliver its intended benefits.

Most QSCB borrowers, in practice, have had to offer supplemental cash interest payments of about two percent on top of the tax credits to attract investors. As a result, while school districts are eager to access the program, only $2.9 billion of the $22.4 billion QSCBs authorized in the ARRA for 2009 and 2010 have been sold so far.

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[1] The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit www.sifma.org.

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We thank you for your consideration and look forward to working with Congress to help ensure that this valuable program be implemented in such a way that is most beneficial to all parties.

Sincerely,

Kenneth E. Bentsen, Jr.
Executive Vice President, Public Policy and Advocacy
SIFMA

cc: Sen. John D. Rockefeller IV
Sen. Kent Conrad
Sen. Jeff Bingaman
Sen. John F. Kerry
Sen. Blanche L. Lincoln
Sen. Ron Wyden
Sen. Charles Schumer
Sen. Debbie Stabenow
Sen. Maria Cantwell
Sen. Bill Nelson
Sen. Robert Menendez
Sen. Thomas Carper
Sen. Orrin G. Hatch
Sen. Olympia J. Snowe
Sen. Jon Kyl
Sen. Jim Bunning
Sen. Mike Crapo
Sen. Pat Roberts
Sen. John Ensign
Sen. Mike Enzi
Sen. John Cornyn
Rep. Charles Rangel
Rep. David Camp