

**THE COUNCIL OF STATE GOVERNMENTS
RESOLUTION 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 Council of State Governments adopted a resolution at the 2007 CSG Spring Meeting in Lexington, Kentucky, entitled “Resolution Opposing Amendment or Repeal of the Tower Amendment” which opposes the extension of federal disclosure laws to state and local government issuers; and

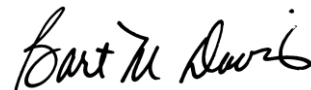
NOW, THEREFORE BE IT RESOLVED, that The Council of State Governments acknowledges the recent dialogue rating agencies have conducted with state treasurers and other issuers in this regard and recommends that: (1) rating agencies should utilize a single rating scale for all debt instruments such that 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.

BE IT FURTHER RESOLVED, that The Council of State Governments urges the Congress and the administration 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.

Adopted this 14th Day of November, 2009 at the CSG Annual Conference in La Quinta, CA.



Governor Joe Manchin III, West Virginia
2009 CSG President



Sen. Bart Davis, Idaho
2009 CSG Chair