



IMPORTANT NOTIFICATION REGARDING YOUR BOND PAYMENT

To: All participants of BABs, REDZBs, & QSCBs
From: Toni Reed, Program Officer
Cc: Department of Education and US Bank
Date: August 26, 2019
Re: Update on sequestration reduced subsidy credit payments

This notification is to advise you of the most recent notification regarding 2020 federal subsidy payments to issuers of all direct-pay bonds and the reduction of subsidy payments to such issuers of direct-pay bonds from the Internal Revenue Services. Due to the mandatory spending cuts that went into effect March 10, 2014 with sequestration, the federal subsidy credits are being adjusted again. The new sequestration reduction rate is **5.9 percent** and is expected to be applied to your next invoice in beginning in October 2019. Please also be advised that this reduction rate and when it is applied to your invoice is subject to change.

Mandatory cuts are currently required for subsidy payments to issuers of all direct-pay bonds including:

- Build America Bonds (BABs) **Series 2010 B & E**
- Qualified School Construction Bonds (QSCBs) **Series 2011B, 2011D, 2011G, 2012D & 2013C**
- Recovery Zone Economic Development Bonds (RZEDBs) **Series 2010F & R**

Interest subsidy reductions may pose budgetary issues for any State or local government that issued bonds under one or more of these programs, because the full interest payment on the bonds is due to the bondholders, even if the Federal government does not pay the full interest subsidy. Please review your loan agreement and other loan documents to ensure you are budgeting correctly to avoid any payment shortfalls. Please exercise responsible fiscally conservative budgeting and budget the full amount owed without deducting federal subsidy to circumvent any risk of payment default. The Maine Municipal Bond Bank will adjust your invoice with the appropriate reduction in federal subsidy.

I have attached a copy of the notification from the Internal Revenue Service. To view the IRS notification you may also visit the IRS website at:

<https://www.irs.gov/tax-exempt-bonds/effect-of-sequestration-on-state-local-government-filers-of-form-8038-cp>

Thank you and as always please let me know if you have any questions or concerns.