

[DISCUSSION DRAFT]

111TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

To [To be inserted.]

IN THE HOUSE OF REPRESENTATIVES

M\_\_\_\_. \_\_\_\_\_ introduced the following bill; which was referred to the  
Committee on \_\_\_\_\_

**A BILL**

To [To be inserted.]

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Municipal Bond Insur-  
5 ance Enhancement Act of 2009”.

1 **SEC. 2. OFFICE OF PUBLIC FINANCE AND FEDERAL REIN-**  
2 **SURANCE FOR INSURERS OF TAX-EXEMPT**  
3 **MUNICIPAL BONDS.**

4 (a) IN GENERAL.—Subchapter I of chapter 3 of title  
5 31, United States Code, is amended by adding at the end  
6 the following new section:

7 **“SEC. 314. THE OFFICE OF PUBLIC FINANCE.**

8 “(a) ESTABLISHMENT AND PERSONNEL.—

9 “(1) ESTABLISHMENT.—There is hereby estab-  
10 lished in the Department of the Treasury an office  
11 to be known as the ‘Office of Public Finance’ (in  
12 this section referred to as the ‘Office’).

13 “(2) DIRECTOR; STAFFING.—The Secretary of  
14 the Treasury shall appoint the Director of the Of-  
15 fice, as well as such other staff as the Secretary be-  
16 lieves necessary for the Office to carry out its duties  
17 under this Act.

18 “(b) FEDERAL REINSURANCE FOR INSURERS OF  
19 TAX-EXEMPT MUNICIPAL BONDS.—

20 “(1) ESTABLISHMENT.—The Director of the  
21 Office of Public Finance shall carry out a program  
22 under this subsection to provide reinsurance for in-  
23 sured losses of qualified municipal bond insurers.

24 “(2) QUALIFIED MUNICIPAL BOND INSURERS.—  
25 Reinsurance coverage under this subsection may be

1       made available only for an insurer, including an in-  
2       surer that is an affiliate of another entity—

3               “(A) that is licensed or admitted to engage  
4               in the business, in any State, of providing in-  
5               surance for the payment of principal and inter-  
6               est due under any bond, note, security, or other  
7               debt obligation issued by any State, any polit-  
8               ical subdivision of a State, one or more political  
9               subdivisions of a State, or a State and one or  
10              more of its political subdivisions, by any agency,  
11              department, office, authority, or other instru-  
12              mentality of a State, any political subdivision of  
13              a State, one or more political subdivisions of a  
14              State, or a State and one or more of its polit-  
15              ical subdivisions, or by any other entity eligible  
16              to issue bonds the interest on which is exclud-  
17              able from gross income under section 103 of the  
18              Internal Revenue Code of 1986 (26 U.S.C.  
19              103); and

20              “(B) whose corporate or other governing  
21              charter prohibits the insurer from providing  
22              coverage for risks other than the risks specified  
23              in subparagraph (A).

1           “(3) TERMS OF REINSURANCE.—Reinsurance  
2 coverage under this subsection shall be subject to  
3 the following requirements:

4           “(A) PREMIUMS.—The Director shall es-  
5 tablish and collect risk-based premiums for  
6 such coverage. Premium charges under this  
7 subparagraph shall be established in amounts  
8 that are sufficient, but do not exceed, the min-  
9 imum amounts necessary to cover the costs (as  
10 such term is defined in section 502 of the Fed-  
11 eral Credit Reform Act of 1990 (2 U.S.C.  
12 661(a)) of such reinsurance coverage and to  
13 cover administrative costs of the Secretary that  
14 are associated with the program for such cov-  
15 erage.

16           “(B) OTHERS.—The Director shall estab-  
17 lish such other terms for such coverage as the  
18 Director determines are appropriate to provide  
19 additional capacity in the market for insurance  
20 of State and local bonds in the most cost-effi-  
21 cient manner.

22           “(4) PROGRAM LIMIT.—The aggregate par  
23 value of bonds, notes, security, and other debt obli-  
24 gations for which reinsurance is provided under the  
25 program under this subsection in any of fiscal years

1       2011 through 2015 may not exceed  
2       \$50,000,000,000.

3           “(5) AUTHORIZATION OF APPROPRIATIONS.—  
4       There is authorized to be appropriated such sums as  
5       may be necessary for administrative costs of car-  
6       rying out the program under this subsection during  
7       the first 12 months of the operation of such pro-  
8       gram.

9           “(6) DIVESTMENT.—Not later than the expira-  
10       tion of the 5-year period beginning on the date of  
11       the enactment of this Act, the Secretary of the  
12       Treasury shall—

13           “(A) establish and submit to the Congress  
14       a plan providing for the privatization of the op-  
15       eration of the program under this subsection  
16       through the submission of offers to purchase  
17       such operations; and

18           “(B) implement such plan, including solici-  
19       tating offers for the purchase of such operations.

20           “(7) DEFINITIONS.—For purposes of this sub-  
21       section, the following definitions shall apply:

22           “(A) INSURED LOSS.—The term ‘insured  
23       loss’ means any loss resulting from the risks  
24       specified in paragraph (2)(A) that is covered by

1 insurance provided by a qualified municipal  
2 bond insurer.

3 “(B) QUALIFIED MUNICIPAL BOND IN-  
4 SURER.—The term ‘qualified municipal bond in-  
5 surer’ means an insurer that meets the require-  
6 ments in paragraph (2) for reinsurance cov-  
7 erage under this subsection.”.

8 (b) CLERICAL AMENDMENT.—The table of sections  
9 for subchapter I of chapter 3 of title 31, United States  
10 Code, is amended by adding at the end the following:

“314. The Office of Public Finance.”.

11 **SEC. 3. REINSURANCE BY OFFICE OF PUBLIC FINANCE NOT**  
12 **TREATED AS FEDERAL GUARANTEE UNDER**  
13 **TAX EXEMPT BOND REQUIREMENTS.**

14 (a) IN GENERAL.—Subparagraph (A) of section  
15 149(b)(3) of the Internal Revenue Code of 1986 is amend-  
16 ed by striking “or” at the end of clause (ii), by striking  
17 the period at the end of clause (iii) and inserting “, or”,  
18 and by adding at the end the following new clause:

19 “(iv) any guarantee by the Office of  
20 Public Finance.”.

21 (b) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to bonds issued after the date of  
23 the enactment of this Act.