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Treasury Official: No Decision on Closing SLGS Window.

The Treasury Department has made no decision about whether to continue or halt sales of State and Local Government Series Securities when the suspension of the debt ceiling expires on May 19, but in either case would honor any requests received before that date, an official said.

“So if the window does close, and I’m not commenting on whether it will or won’t, Treasury will provide advance notice about the closing of the window,” Vicky Tsilas, Treasury associate tax legislative counsel, told the American Bar Association tax-exempt financing committee at its meeting here Friday.

“If Treasury decides to close the SLGS window in connection with the expiration of the temporary debt ceiling suspension, Treasury will honor subscriptions received prior to the closure. Treasury has done it in the past and it is the intent of Treasury to do that,” she said.

Tsilas’ remarks come after Sam Gruer and Matt Roggenburg, with the advisory firm Cityview Capital Solutions LLC, warned in a commentary in The Bond Buyer last month that the Treasury would be unlikely to deliver SLGS to muni issuers after May 19 even if they had already subscribed for them. They urged muni issuers to consider buying open-market Treasuries for advance refunding escrows.

But Tsilas, who made no reference to the commentary, said the Treasury will honor all SLGS subscriptions made before the window closes, even if the settlements are later.

The Treasury Department has closed the SLGS window nine times in the past 20 years, she said. When the federal government reaches the debt limit, the SLGS window is typically the first of several accounting measures used to ensure the government doesn’t default on its debt obligations.

In February, President Obama signed legislation suspending the $16.4 trillion federal debt limit through May 18.

Meanwhile, Treasury Secretary Jacob Lew told CNBC late last week that the federal government will likely not hit its borrowing limit until September due in part to a one-time $59.4 billion payment from government-backed mortgage corporation Fannie Mae to boost federal coffers. This will allow Congress and the White House some extra breathing room to negotiate on a plan to raise the debt ceiling.

Tsilas also told lawyers at the meeting that the much anticipated arbitrage regulations, which will include guidance on issue price, will be released in the “next couple of months.”

She said the Treasury is currently exploring what will be included in next year’s guidance plans. The department has already received a handful of comments from market groups urging the department issue guidance on issue price and formalize some of the projects on this year’s guidance plan such as reissuance and Tax Equity and Fiscal Responsibility Act of 1982, or TEFRA, regulations. Bond lawyers contend reissuance guidance does not cover tax-exempt bonds that issuers privately place with banks. They also want the Treasury to finalize rules easing TEFRA’s public notice and hearing requirements for private activity bonds.

The Treasury Department has received comments requesting guidance concerning the application of the private business use tests for accountable care organizations and other arrangements that would be affected by the 2010 Patient Protection and Affordable Care Act, which will be implemented later this year. Some groups have expressed concern that Obamacare imposes a number of requirements on health care providers and hospitals and encourages partnerships between exempt organizations and entities that would otherwise be treated as private business users or tax exempt bond finance facilities.

“We certainly appreciate the urgency of providing that guidance,” Tsilas said. “We welcome your comments on those points.”