1. **What is the State & Local Government Series?**

   “Treasury Securities – State and Local Government Series” – also known as “SLGS” – are special purpose securities that the Department of the Treasury issues to state and local government entities, upon request by those entities, to assist them in complying with federal tax laws and Internal Revenue Service arbitrage regulations when they have cash proceeds to invest from their issuance of tax exempt bonds. There is no statutory or other requirement for the Treasury Department to issue SLGS, so the Treasury may suspend the sale of SLGS as the debt subject to limit approaches the debt limit.

2. **Who buys SLGS?**

   SLGS are purchased only by issuers with proceeds subject to yield restrictions and arbitrage rebate requirements under the Internal Revenue Code. Issuer refers to the government body or other entity that issues state or local government bonds described in section 103 of the Internal Revenue code.

3. **How does the debt limit affect SLGS?**

   Congress normally sets a limit (the debt limit) on the amount the Government is allowed to borrow. When the debt subject to limit approaches the debt limit, Treasury may suspend the issuance of additional SLGS to delay reaching the debt limit. During past debt limit impasses, new Time and Demand Deposit SLGS sales have been suspended. Consistent with Treasury’s past practice, outstanding Demand Deposit securities will be rolled over into special 90-day certificates of indebtedness. These certificates of indebtedness may be redeemed early according to the same lead time requirements that apply to Demand Deposit securities and will continue to earn simple interest equal to the Demand Deposit daily factor in effect at the time of suspension.

4. **What did Treasury announce regarding SLGS?**

   The Treasury Department announced on February 4, 2014 that at 12:00 noon on February 7, 2014, it will suspend the sale of SLGS until further notice. Treasury is closing the SLGS window in order to assist in Treasury’s management of the debt subject to limit.

5. **Will the window close indefinitely? Do you know when you might open it again?**

   The Treasury Department will reopen the SLGS window when Congress enacts, and the President signs, legislation raising the debt limit.
6. **How long does it take to reopen the window once the debt limit is raised?**

Depending on the time of day and the amount of notice given, it will take up to three hours to reopen the SLGS window.

7. **When has Treasury suspended the sale of SLGS in the past?**

Over the past 20 years, the SLGS window has been closed nine times:

- October 18, 1995 – March 28, 1996
- February 19, 2003 – May 26, 2003
- October 14, 2004 – November 21, 2004
- February 16, 2006 – March 16, 2006
- September 27, 2007 – September 28, 2007
- May 6, 2011 – August 1, 2011

8. **Do you need to close the window this early?**

There’s no statutory or other requirement on the Treasury Department to issue SLGS securities, so it may suspend the sale of SLGS as the debt subject to limit approaches the debt limit. In line with past practice, Treasury is giving advance notice of its intention to stop accepting subscriptions. All subscriptions received prior to 12:00 noon ET on Friday, February 7, 2014 will be honored.

9. **How much headroom will this provide?**

SLGS count against the debt limit. Closing the SLGS window does not reduce the amount of outstanding debt that counts against the debt limit, but closing the window does stop the further increases in the debt that would be counted against the debt limit if SLGS continued to be issued to state and local government entities. Thus, closing the SLGS window does not provide new headroom under the debt limit, but it does conserve the remaining headroom available.

10. **What might the impact be on state and local governments?**

Some state and local governments issuing certain types of new debt after February 7, 2014 will have to invest the proceeds in alternative assets in order to remain in compliance with tax law. While this will not prevent new municipal bonds from being issued, this will impose some added cost and inconvenience on issuers.