



National Association of State
Auditors, Comptrollers and Treasurers

WASHINGTON UPDATE

444 N. Capitol Street NW, Suite 234 ♦ Washington, DC 20001 December 07, 2009

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Joint Economic Committee “Shines Light” on Derivatives

The Joint Economic Committee held a hearing last Wednesday to “shine a light” on the unregulated over-the-counter derivatives market. Robert Litan of the Brookings Institute and the bipartisan Task Force on Financial Reform told the committee that a key component of financial reform would be if all over-the-counter derivatives were recorded with trade registries, and the OTC transactions were encouraged to migrate to clearinghouses and exchanges. Committee Chairman Carolyn Maloney echoed those sentiments, noting that the Financial Services Committee and House Agriculture Committee are meeting this week to merge their two versions of the bill that will finally the over-the-counter market. She also noted:

“The merged bill will promote transparency by requiring that these previously unregulated derivatives be traded on exchanges or clearinghouses. Capital and margin requirements will be established so that financial institutions can no longer make risky bets. And information about prices and trading volumes will be publicized so that market participants will no longer be uncertain of the value of their securities...”

The hearing can be viewed at http://jec.senate.gov/index.cfm?FuseAction=Hearings.HearingsCalendar&ContentRecord_id=46341582-5056-8059-7659-41ca71df4ab9.

Rockefeller Report Shows State Fiscal Update

The Nelson A. Rockefeller Institute of Government released its latest state fiscal report entitled “Old News Is Bad News: Third Quarter Brings More Decline in Tax

Revenues.” The report focuses on the third quarter of 2009, and shows the continued decline in revenue at the state level. Total tax revenue declined in all 44 states for which comparable early data was available. Although there has been a flattening of the decline, the report concludes that “... further revenue shortfalls and more spending cuts are most likely on the way for many states — particularly those that did not take significant actions to balance revenues and expenditures in their FY 2010 budgets.”

The full report can be found at http://www.rockinst.org/pdf/government_finance/state_revenue_report/2009-11-23-State_Revenue_Flash.pdf.

Transportation Committee Showcases Recovery Act Projects in Several Border States

To show how Recovery Act funding is helping the economy with real-world examples, the House Transportation Subcommittee on Economic Development, Public Buildings, and Emergency Management held a hearing last Wednesday to showcase such projects. The hearing focused on border stations and land ports of entry projects in Maine, California, Arizona and Washington State. Through the Recovery Act, the General Services Administration was provided \$300 million for these developments.

William Guerin, executive in GSA’s Recovery Program Management Office, told the subcommittee that not only would these border projects create several thousand jobs, but that the new buildings are going to be models of high-performance federal “green” buildings. The buildings will feature several energy conservation measures. For example, the desert border projects will

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feature extensive renewable-energy generation, producing 20 percent of their energy from solar panels.

The full hearing can be viewed at <http://transportation.house.gov/hearings/hearingdetail.aspx?NewsID=1059>.

IRS/Treasury Release Priority Guidance plan

The 2009-10 version of the “Priority Guidance Plan” from the Internal Revenue Service and the U.S. Treasury Department was recently released, with a new focus on tax-exempt bonds. The plan lists 10 areas of focus for the two organizations in the muni market:

- Guidance on tax credit bonds.
- Guidance on Qualified School Construction Bonds.
- Guidance on Build America Bonds.
- Final regulations, including allocation and accounting principles. (Proposed regulations regarding allocation and accounting principles were published on September 26, 2006.)
- Final regulations on public approval requirements for private activity bonds.
- Proposed regulations on arbitrage investment restrictions.
- Final regulations on Qualified Zone Academy Bonds.
- Guidance on tax-exempt bonds issued in Midwestern and Hurricane Ike disaster areas.
- Final regulations on solid waste disposal facilities. (Proposed regulations were published on September 16, 2009.)
- Guidance on a revised arbitrage exception for certain state guarantee funds.

The 2009-10 “Priority Guidance Plan” contains 315 projects to be completed during a 12-month period from July 2009 through June 2010.

Also of note is the plan to release the final regulations concerning the 3% withholding requirement (Section 3402(t)).

The full plan can be found at www.irs.gov/pub/irs-utl/2009_-_2010_priority_guidance_plan.pdf.

Financial Industry Reform Bill Heads to House Floor

The many disparate pieces of legislation aimed at reforming the financial sector will be cobbled together under one bill and brought to the House floor this week. The new bill, entitled The Wall Street Reform and Consumer Protection Act of 2009 (H.R. 4173), will feature all the aspects of several smaller pieces of legislation: the establishment of a Financial Services Oversight Council, the regulation of the over-the-counter derivatives and swaps markets, and accountability and transparency in the actions of ratings agencies. The House Rules committee is set to take up the bill on Tuesday, with the full House possibly taking it up as early as Thursday.