



National Association of State Auditors, Comptrollers and Treasurers

WASHINGTON UPDATE

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Banking Committee Moves Mary Jo White to Full Senate Vote

Last Tuesday, the Senate Banking Committee approved Mary Jo White to be the next chairman of the U.S. Securities and Exchange Commission by a 21-to-1 margin. Senator Sherrod Brown (D-OH) was the lone dissenting vote. White's nomination now moves to the full Senate for a final confirmation vote. She is expected to be approved with little resistance.

Ways and Means Focuses on Municipal Bonds

Also last Tuesday, the House Ways and Means Committee held a hearing on federal tax provisions that affect state and local governments, specifically the favorable federal tax treatment of certain types of bonds, including tax-exempt bonds, tax-credit bonds, and "direct-pay" bonds.

Of the four panelists invited to speak before the committee, only one was for repealing the tax-exempt status of municipal bonds: Scott Hodge, president of The Tax Foundation. His group claims: "Tax Foundation research has found that allowing individuals to deduct income taxes paid to state and local governments and interest earned from municipal bonds leads to higher spending by state and local governments, and higher level of public debt." He said that cities are "crying wolf" when they claim that losing the tax exemption would drive up borrowing costs, and that municipal bonds are an "inefficient" way to finance municipal projects. Rep. Neal (D-MA), the former mayor of Springfield, sternly refuted that commentary, saying that municipal bonds were the most important tool for financing investments in schools, roads, bridges and water.

Also during the hearing, Rep. Buchanan (R-FL) broached a familiar subject: How safe are municipal bonds as a sound investment for retirees? The first to respond to his inquiry was panelist David Parkhurst, director of the Economic Development and Commerce Committee of the National Governors Association. Mr. Parkhurst replied: "Municipal bonds are probably one of the (if not the safest) investments that retirees could invest in...with an under one percent default rate."

Testimony from all panelists can be found at <http://waysandmeans.house.gov/calendar/eventsingle.aspx?EventID=323582>.

Video of the hearing can be found at http://waysandmeans.granicus.com/MediaPlayer.php?view_id=2&clip_id=445.

House Committee Releases Medicaid Report

The House Energy and Commerce Committee released a staff report last week that contemplates whether Medicaid beneficiaries get appropriate, high-quality care and what an expansion of Medicaid means for the program. In addition, it highlights major reasons to reform the program, including:

Lack of State Flexibility: The level of flexibility afforded to the states has been restricted since the program's creation, reducing states' abilities to adjust the quickly growing program and improve care. The program's centralized micromanagement, complex bureaucratic requirements, and outdated service delivery are often cited by the states as impeding their ability to provide quality health coverage.

Improper Payments Loom Large: The Medicaid Program has been classified as a high-risk program by the U.S. Government Accountability Office and in 2011, the program generated more than \$21.9 billion in improper payments – with more than \$15 billion in overpayments due to eligibility review errors or lacking information.

To view the Energy and Commerce staff report, "The Medicaid Check Up: Reasons for Reform," visit <http://energycommerce.house.gov/sites/republicans.energycommerce.house.gov/files/analysis/20130318Medicaid.pdf>.

Oversight Committee Moves Transparency, Contractor Bills

Last Wednesday, the House Oversight and Government Reform Committee moved by voice vote a selection of bills aimed at improving accountability and transparency of federal govern-

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ment contracts and travel expenditures. The committee explained the need for the bills as follows:

H.R. 249 (Federal Employee Tax Accountability Act): Tax delinquent federal workers owe a total of \$1 billion in federal taxes. H.R. 249 would not only terminate the employment of current tax delinquent federal employees, but would also prohibit the hiring of future federal employees who already have a seriously delinquent tax debt.

H.R. 882 (Contracting and Tax Accountability Act): The GAO has reported that government contractors owed over \$5 billion in unpaid federal taxes. H.R. 882 would mandate tax compliance as a prerequisite for receiving a federal contract. Similar legislation was also introduced in the 110th Congress by then-Senator Barack Obama.

H.R. 313 (Government Spending Accountability Act): The legislation caps federal non-military travel spending and requires detailed itemized report of federal conference spending. The committee accepted an amendment which would require an agency head to issue a waiver for international conferences that would exceed the attendance cap, and an amendment to establish a minimum threshold for detailed conference reporting.