National Association of State
Auditors, Comptrollers and Treasurers

WASHINGTON UPDATE

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SEC Muni Office Official Steps Down

The U.S. Securities and Exchange Commission has announced that Elaine Greenberg, chief of the Enforcement Division's Municipal Securities and Public Pensions Unit, is leaving the agency after more than 25 years of service. She has led the Municipal Securities and Public Pensions Unit since its creation in January 2010, and will be stepping down at the end of July. In the SEC announcement, Commissioner Elisse Walter said that "Elaine's leadership of the unit and her efforts on behalf of investors have been groundbreaking and have had a tremendous impact on the behavior of participants in the municipal securities and public pensions markets."

The Municipal Securities and Public Pensions Unit is the enforcement arm of the $4 trillion municipal securities market and the $3 trillion public pension market. As the unit's inaugural chief, Ms. Greenberg established five areas of focus:

- Offering and disclosure fraud.
- Tax and arbitrage-driven fraud.
- Pay-to-play and public corruption violations.
- Public pension accounting and disclosure violations.
- Valuation and pricing fraud.

She also contributed to the SEC's *Report on the Municipal Securities Market*, which was issued in July of 2012.

Joint Report Released Showing Job Losses Associated With Possible Muni Bond Changes

The National League of Cities and the United States Conference of Mayors released a joint report last week showcasing the role of tax-exempt bond financing on the major types of state and local infrastructure spending. The report, *Job Impact of Proposals to Limit the Municipal Bond Market*, which examines the current Congressional proposals to curtail or eliminate the tax exemption for municipal bond interest, found that this would "…have a deleterious effect on the economies of our nation and our
Nation's metro areas." The report assigned numeric losses to the elimination of the tax-exemption, concluding that 892,000 jobs are at risk. Additionally, under the proposal to cap tax-exemptions at 28 percent, the projected loss is 311,000 jobs.

The report concluded:

> "We expect that over the next 30 years 94 percent of U.S. economic growth will occur in metro areas. Investment in metro areas lowers the costs of doing business, stimulating further business activity and economic growth. A loss of the tax exemption for municipal bonds threatens to curtail this critical investment in America's future."

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The full report can be viewed at http://usmayors.org/metroeconomies/0613/BondsImpactReport.pdf.

Counties Weigh in on Possible Changes to the Tax-Exempt Status of Muni Bonds

The National Association of Counties (NACo) also joined the conversation about possible Congressional changes to the tax-exempt status of municipal bonds last week. NACo released a three-pronged media alert:

> An analysis of the municipal bond market and of the estimated impact of a 28 percent cap and a repeal of the tax-exempt status of municipal bond interest on the 3,069 county governments reveals that any tax imposed on currently tax-exempt municipal bond interest will affect all Americans, as investors in municipal bonds and as taxpayers securing the payments of municipal bonds. In 2012 alone, the debt service burden for counties would have risen by $9 billion if municipal bonds were taxable over the last 15 years and by about $3.2 billion in case of a 28 percent cap.

To facilitate the discussion of the points in #1, NACo conducted a webinar, which can be found at (email required) Municipal Bonds Build America: A County Perspective.

NACO released a policy research report giving the county perspective on changing the tax-exempt status of municipal bond interest. The full report can be found at http://www.naco.org/research/Documents/NACo-Research_Policy_MuniBonds_2013.pdf.

In the media alert, NACo concluded:

"The tax-exemption of municipal bond interest from federal income tax represents one of the best examples of the federal-state-local partnership…With a cap or the elimination of the exemption entirely, investors will want to receive greater interest payments, which would be borne by the counties, states, localities and state/local authorities."

July 4th Recess Underway

Today begins the Fourth of July Congressional recess, with both the House and Senate out of session until next Monday, July 8. When they reconvene, there will be approximately 20 days left in the legislative session before the summer recess.