



Washington Update



PRESIDENT PULLS BACK ON TAXING STATE'S 529 PLANS

In just one week's time, President Obama went from proposing the elimination of a tax break for the college saving accounts known as 529 plans to completely dropping the idea. A 529 plan is an education savings plan operated by a state or educational institution designed to help families set aside funds for future college costs, and is named after Section 529 of the Internal Revenue Code which created these types of savings plans in 1996. Nearly every state has one type of 529 plan available, and the money can be withdrawn without paying capital gains taxes as long as the proceeds are used for education expenses. During his State of the Union address, the President had proposed that the withdrawals from these plans would now be eligible to be taxed. Opposition to the idea was swift and transcended an array of interest groups, including both Republicans and Democrats, state treasurers, financial firms, and educational institutions. During his press briefing last Wednesday, White House Deputy Press Secretary Eric Schultz stated: "It was a

distraction, we decided to move forward with the rest of our [higher education] plan, and we hope Congress moves on it shortly."

MSRB TO ISSUERS: DISCLOSE BANK LOANS

The Municipal Securities Rulemaking Board has published its second notice calling for more transparency of undisclosed debt of municipal bond issuers. The MSRB is concerned that investors and other market participants are often unaware of the potential impact of bank loans and other debt-like obligations on the seniority status of existing bondholders and the credit or liquidity profile of an issuer, among other implications. The MSRB first encouraged state and local governments in 2012 to make information about their bank loans publicly available on a voluntary basis on the MSRB's Electronic Municipal Market Access website, also known as EMMA. The MSRB has also urged the U.S. Securities and Exchange Commission to consider requiring bank loan disclosure as part of an extensive review of the federal municipal market disclosure regime established by SEC Rule 15c2-12.

The notice highlights the importance of bank loan disclosure for the transparency and efficiency of the municipal securities market and provides best practices to support voluntary disclosure of bank loan information through EMMA. MSRB Executive Director Lynnette Kelly noted:

"The MSRB believes that access to bank loan information can provide current or prospective bondholders and other market participants with key information that can be useful in assessing their current holdings of municipal securities or in making informed investment decisions regarding transactions in municipal securities."

The seven-page notice can be found at www.msrb.org/News-and-Events/Press-Releases/2015/~/_/media/Files/Regulatory-Notices/Announcements/2015-03.ashx.



GAO IDENTIFIES SKILLS GAPS FOR FEDERAL AUDITORS

The U.S. Government Accountability Office has released a report on skills gaps at the federal level. The report, “OPM and Agencies Need to Strengthen Efforts to Identify and Close Mission-Critical Skills Gaps,” takes a look at the Chief Human Capital Officer (CHCO) Council Working Group (Working Group) that has previously identified skills gaps in six government-wide occupations, such as cybersecurity and auditing. Regarding federal auditors, GAO found:

“Members of the Council of Inspectors General on Integrity and Efficiency—an Executive Branch interagency council devoted, in part, to providing training for federal auditors—told us that they had not been consulted about the existence of skills gaps in the auditor occupation and were initially unsure why the auditor occupation was designated by the Working Group as a Mission-Critical Occupation for skills gap closure.”

In consultation with the Office of Personnel Management, GAO also found that:

“...the current qualifications for federal auditors do not align with the nature of federal audit work. To address this challenge, OPM is studying how to change the qualifications for federal auditor positions to improve agencies’ experiences with recruiting and hiring qualified candidates for that occupation.”

The full GAO report can be found at www.gao.gov/products/GAO-15-223.

THE WEEK AHEAD

Now that both the Democratic and Republican House retreats have taken place, the House will resume a full schedule this week, with both chambers looking into the President’s budget proposal.

Tuesday

- **House Ways and Means Committee** Chairman Paul Ryan (R-WI) will hold a hearing on President Obama’s budget proposals for fiscal year 2016. The witness will be Treasury Department Secretary Jacob Lew.
<http://waysandmeans.house.gov/news/documentsingle.aspx?DocumentID=397952>

Wednesday

- The **House Transportation and Infrastructure Committee** and the **Senate Environment and Public Works Committee** will hold a joint hearing on the impacts of the proposed Waters of the United States Rule on State and Local Governments. Panelists will include E. Scott Pruitt, attorney general (OK); Adam Putnam, commissioner of agriculture (FL); Sallie Clark, commissioner, El Paso County (CO), on behalf of the National Association of Counties (NACO); and Lemuel Srolovic, bureau chief, Environmental Protection Bureau, Office of the State Attorney General (NY).
<http://transportation.house.gov/calendar/eventsingle.aspx?EventID=398554>
- The **Senate Finance Committee** begins two days of hearings on the budget, with U.S. Department of Health and Human Services Secretary Sylvia Mathews Burwell testifying on day one.
www.finance.senate.gov/hearings/hearing/?id=b6010517-5056-a032-5239-60dade2ac4b9

Thursday

- Jacob Lew makes another stop in Congress, this time appearing at day two of the **Senate Finance Committee’s** budget hearings.
www.finance.senate.gov/hearings/hearing/?id=f3077da0-5056-a032-522a-9263247dfa14

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