

# Washington Update



## MSRB REQUESTS COMMENT ON INDEPENDENCE OF INSTITUTIONAL/RETAIL INVESTOR BOARD MEMBER, BOARD TERM LENGTHS AND DISCLOSURE OF APPLICATIONS

The Municipal Securities Rulemaking Board has requested comment on a proposal to modify the application of the standard of independence for the one public member of its board of directors designated to represent institutional or retail investors in municipal securities. The proposed amendment seeks to allow the MSRB to consider and select an investor representative with significant knowledge of the municipal securities market from a broader group of applicants.

The 21-member board, which establishes regulatory policies and oversees the operations of the MSRB, has 11 independent public members and 10 members drawn from entities regulated by the MSRB, including broker-dealers, banks and municipal advisors. The Securities Exchange Act requires that one public member be representative of institutional or retail investors.

“The MSRB believes that the current standard of independence is too restrictive, resulting in the elimination of qualified individuals with relevant knowledge and expertise that are particularly needed as the board discusses complex matters of market structure,” said MSRB Chief Legal Officer Robert Fippinger.

The MSRB is also requesting comment on whether it should modify the length of board member service to improve the engagement and effectiveness of individual board members, and improve the continuity and knowledge transfer on the board as a whole. Additionally, the MSRB is asking the public to comment on whether it should remove or modify the requirement to announce publicly the names of all board applicants. The current policy was aimed at providing transparency; however, the MSRB believes that the requirement deters applications from qualified individuals who are concerned that a failure to be selected will negatively affect their professional reputation.

Comments should be submitted to the MSRB no later than July 13, 2015. The comment link for #2015-08 can be found at [www.msrb.org/Rules-and-Interpretations/Requests-For-Comment.aspx](http://www.msrb.org/Rules-and-Interpretations/Requests-For-Comment.aspx).

## CATO DIRECTOR SAYS WASTEFUL FEDERAL SPENDING IS A STATE PROBLEM

Last Wednesday, the Senate Homeland Security and Governmental Affairs Subcommittee on Federal Spending Oversight and Emergency Management held a hearing on “Wasteful Spending in the Federal Government: An Outside Perspective.” Although the focus of the hearing was on the federal level, panelist Chris Edwards, director of tax policy studies and editor of [www.DownsizingGovernment.org](http://www.DownsizingGovernment.org) at the Cato Institute, took aim at state-level programs in his report to the subcommittee. Featuring an entire section dedicated to “Aid to the States Is Particularly Inefficient,” Mr. Edwards said that aid to the states is particularly susceptible to waste for a number of reasons:

- **Misallocation:** Allocating resources from Washington for local activities, such as schools, is less efficient than each state balancing the costs and benefits of its own spending programs.
- **Bad Incentives:** State and local governments have an incentive to overspend when the funds come “free” from the federal government.
- **Intense Bureaucracy:** Federal aid is not a costless injection of funding to the states. It engulfs government workers in unproductive activities such as proposal writing, program reporting, regulatory

compliance, auditing and litigation. Many of the 16 million people employed by state and local governments must deal with complex federal regulations related to the plethora of aid programs.

He concluded:

“Federal aid is a roundabout and inefficient way to fund state and local activities, and it should be cut... Without federal aid, states and cities would make more efficient investment choices using their own funding, and they would have more incentive to control project costs...”

The full hearing video, along with reports from all the panelists, can be seen at [www.hsgac.senate.gov/hearings/wasteful-spending-in-the-federal-government-an-outside-perspective](http://www.hsgac.senate.gov/hearings/wasteful-spending-in-the-federal-government-an-outside-perspective).

## VOLCKER ALLIANCE RELEASES NEW REPORT CRITICIZING STATE BUDGETING AND ACCOUNTING PRACTICES

Last week, the Volcker Alliance released a report examining the budgeting practices of California, New Jersey and Virginia, and assessing the effectiveness of each state’s practices. The report, entitled “Truth and Integrity in State Budgeting: Lessons from Three States,” advocates effective and transparent budgeting practices by “shining a spotlight on opaque and confusing practices and by identifying more appropriate approaches” when creating state budgets and fiscal policy.

The report attempts to lay the groundwork for a common approach toward responsible budget practices in all 50 states, including developing a framework for a scorecard with respect to budgeting and financing practices.

Criticizing current financial practices, the report states:

“...many states continue to balance their budgets using accounting and other practices that obscure rather than clarify spending choices. These practices make budget trade-offs indecipherable, lead to poorly informed policymaking, and limit future spending options...”

The Volcker Alliance was launched in 2013 by former

Federal Reserve Board Chairman Paul Volcker. The full report can be viewed at <https://volckeralliance.org/resources/truth-and-integrity-state-budgeting-3-states>.

## THE WEEK AHEAD: BALANCED BUDGETS, GOVERNING THROUGH GOAL-SETTING AND NUTRITION ASSISTANCE RULES

### Tuesday

The **House Education and the Workforce Committee** will examine “Child Nutrition Assistance: Are Federal Rules and Regulations Serving the Best Interests of Schools and Families?”

- <http://edworkforce.house.gov/calendar/eventsingle.aspx?EventID=399016>

### Wednesday

The **House Education and the Workforce Committee** will examine “Restricting Access to Financial Advice: Evaluating the Costs and Consequences for Working Families and Retirees.”

- <http://edworkforce.house.gov/calendar/eventsingle.aspx?EventID=399027>

The **House Budget Committee** will hold a hearing on “Why Congress Must Balance the Budget.”

- <http://budget.house.gov/hearingschedule2015/why-congress-must-balance-the-budget.htm>

The **Senate Budget Committee** will hold a hearing on the Congressional Budget Office’s analysis of the federal government’s deepening fiscal challenges. CBO Director Keith Hall will be the witness.

- [www.budget.senate.gov/republican/public/index.cfm/hearing-schedule?ID=bfd7a889-4787-4413-893e-d665ae3e28cf](http://www.budget.senate.gov/republican/public/index.cfm/hearing-schedule?ID=bfd7a889-4787-4413-893e-d665ae3e28cf)

The **Senate Homeland Security and Governmental Affairs Committee** will assess “Governing Through Goal Setting: Enhancing the Economic and National Security of America.”

- [www.hsgac.senate.gov/hearings/governing-through-goal-setting-enhancing-the-economic-and-national-security-of-america](http://www.hsgac.senate.gov/hearings/governing-through-goal-setting-enhancing-the-economic-and-national-security-of-america)

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