

# Washington Update



## FEDERAL GOVERNMENT SHUTDOWN LOOMS ONCE AGAIN

The federal government could be under the threat of a shut-down this week if Congress is unable to reach agreement on a continuing resolution to keep the government running. The federal fiscal year runs from October 1 to midnight September 30. If Congress fails to pass all of its spending bills or a continuing resolution to extend spending beyond the end of the fiscal year, or if the President fails to sign or vetoes any of the spending bills, certain non-essential government functions will cease due to a lack of congressionally-authorized funding.

At this time, the Senate is scheduled to vote on a bill that would keep the government running through December 11; however efforts to defund Planned Parenthood are still an issue and the vote today is just the first in a series of procedural votes. Additionally, House Speaker John Boehner announced his intention to resign at the end of October, which could increase the likelihood that a shutdown would be averted until December.

Things remain fluid at this time. With the exception of updated federal agency contingency plans, very little other guidance has been released. We are providing some resources related to the 2013 shutdown that may offer some insight to potential effects a shutdown could have on the states. We will continue to provide additional information as it becomes available.

### Federal Government Shut Down Information

- **Memo to Federal Agencies on Planning for Agency Operations During Potential Lapse in Appropriations**, (from the U.S. Office of Management and Budget, includes FAQs that may be helpful): [www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-22.pdf](http://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-22.pdf)
- **Federal Agency Contingency Plans**: [www.whitehouse.gov/omb/contingency-plans](http://www.whitehouse.gov/omb/contingency-plans)
- **Effects of a Federal Shutdown** (from the Congressional Research Service): [www.fas.org/sgp/crs/misc/RL34680.pdf](http://www.fas.org/sgp/crs/misc/RL34680.pdf)



- **Shutdown Furlough Guidance** (from the Office of Personnel Management): [www.opm.gov/policy-data-oversight/pay-leave/furlough-guidance/#url=Shutdown-Furlough](http://www.opm.gov/policy-data-oversight/pay-leave/furlough-guidance/#url=Shutdown-Furlough)
- **Report 15-86** (October 15, 2014, from the U.S. Government Accountability Office): [www.gao.gov/assets/670/666526.pdf](http://www.gao.gov/assets/670/666526.pdf)
- **Procedures Relating to a Lapse in Appropriations** (2015, from the Department of Homeland Security): [www.dhs.gov/sites/default/files/publications/dhs-lapse-contingency-plan-02-27-2015\\_0.pdf](http://www.dhs.gov/sites/default/files/publications/dhs-lapse-contingency-plan-02-27-2015_0.pdf)
- **Understanding the Impacts and Challenges for States** (2013, from the National Association of State Budget Officers): [www.nasbo.org/sites/default/files/pdf/Federal%20Shutdown%20Issue%20Brief%20101013\\_0.pdf](http://www.nasbo.org/sites/default/files/pdf/Federal%20Shutdown%20Issue%20Brief%20101013_0.pdf)

## NEW IRS RESOURCE HELPS EMPLOYERS UNDERSTAND THE HEALTH CARE LAW

The new “ACA Information Center for Applicable Large Employers” page on [IRS.gov](http://IRS.gov) features information and resources for employers of all sizes on how the health care law may affect them if they fit the definition of an applicable large employer. The web page includes the following sections:

- What’s Trending for ALEs.
- How to Determine if You are an ALE.
- Resources for Applicable Large Employers.
- Outreach Materials.

Visitors to the new page will find links to:

- Detailed information about tax provisions including information reporting requirements for employers.
- Questions and answers.
- Forms, instructions, publications, health care tax tips, flyers and videos.

Although the vast majority of employers will not be affected, some “applicable large employers,” or ALEs, will be. Employers who averaged at least 50 full-time employees, including full-time equivalent employees, during 2014, are most likely considered an ALE for 2015. Employers with fewer than 50 full-time employees may still be considered an ALE if they share a common ownership with other employers.

In 2016, ALEs must file an annual information return—and provide a statement to each full-time employee—reporting whether they offered health insurance, and if so, what insurance they offered their employees.

Employers who will file 250 or more information returns for 2015 must file the returns electronically through the ACA information reports system. Those employers should review draft Publication 5165,

*Guide for Electronically Filing Affordable Care Act (ACA) Information Returns*, for information on the communication procedures, transmission formats, business rules and validation procedures for returns that must be transmitted in 2016.

The ACA page can be found at [www.irs.gov/Affordable-Care-Act/Employers/ACA-Information-Center-for-Applicable-Large-Employers-ALEs](http://www.irs.gov/Affordable-Care-Act/Employers/ACA-Information-Center-for-Applicable-Large-Employers-ALEs).

## MSRB REQUESTS COMMENT ON REQUIRING DISCLOSURE OF MARK-UPS

The Municipal Securities Rulemaking Board is seeking public comment on a proposal to require municipal securities dealers to disclose on retail customer confirmations the amount of the mark-up in a class of principal transactions. The mark-up disclosure proposal seeks to enhance the transparency of investor transaction costs and dealer compensation in the municipal securities market and is the first proposal of its kind in over 20 years. MSRB Executive Director Lynnette Kelly stated:

“Investors need a way to understand the true costs of their municipal securities transactions. Our new proposed approach would offer greater clarity for investors as to dealer compensation while leveraging the existing processes and systems dealers use to comply with their fair-pricing obligations.”

The draft amendments to MSRB Rule G-15, in essence, would require dealers acting as principal to disclose to retail customers their mark-up from the prevailing market price of a municipal security if the dealer makes a corresponding trade within two hours of the customer trade. To assist investors in learning more about the market for their traded security, the draft amendments also would require all retail customer confirmations to include a link to the main page for the security on the MSRB’s Electronic Municipal Market Access website.

The MSRB will also host an educational webinar to review its request for comment on Thursday, October 29, 2015 at 3:00 p.m. Eastern time. Comments should be submitted no later than November 20, 2015.

More information can be found at [www.msrb.org/News-and-Events/Press-Releases/2015/MSRB-Requests-Comment-on-Requiring-Disclosure-of-Mark-Ups.aspx](http://www.msrb.org/News-and-Events/Press-Releases/2015/MSRB-Requests-Comment-on-Requiring-Disclosure-of-Mark-Ups.aspx).

## SEC PROPOSES LIQUIDITY MANAGEMENT RULES FOR MUTUAL FUNDS AND ETFs

The U.S. Securities and Exchange Commission has voted to propose a comprehensive package of rule reforms designed to enhance effective liquidity risk management by open-end funds, including mutual funds and exchange-traded funds (ETFs). SEC Chair Mary Jo White stated:

“Promoting stronger liquidity risk management is essential to protecting the interests of the millions of Americans who invest in mutual funds and exchange-traded funds. These significant reforms would require funds to better manage their liquidity risks, give them new tools to meet that requirement, and enhance the Commission’s oversight.”

Under the proposed reforms, mutual funds and ETFs would be required to implement liquidity risk management programs and enhance disclosure regarding fund liquidity and redemption practices. The proposal is designed to better ensure investors can redeem their shares and receive their assets in a timely manner. A fund’s liquidity risk management program would be required to contain multiple elements, including:

- Classification of the liquidity of fund portfolio assets based on the amount of time an asset would be able to be converted to cash without a market impact.
- Assessment, periodic review and management of a fund’s liquidity risk.
- Establishment of a fund’s three-day liquid asset minimum.
- Board approval and review.

In addition, the proposal would codify the 15 percent limit on illiquid assets included in current Commission guidelines.

The proposed reforms also would provide a framework under which mutual funds could elect to use “swing pricing” to effectively pass on the costs stemming from shareholder purchase or redemption activity to the shareholders associated with that activity. The swing pricing proposal would enable mutual funds, subject to board approval and oversight, to reflect in a fund’s net asset value costs associated with shareholders’ trading activity. It is designed to protect existing shareholders from dilution associated with shareholder purchases and redemptions and would be an additional tool to help funds manage liquidity risks.

The proposals will be published on the Commission’s website and in the Federal Register. The comment period for the proposed rules will be 90 days after publication in the Federal Register.

## THE WEEK AHEAD: PUERTO RICO MUNICIPAL DEBT, END OF YEAR SPENDING, AND IMPROPER PAYMENTS

### Tuesday

The **Senate Finance Committee** will hold a hearing on the Puerto Rico debt crisis. Rep. Pedro Pierluisi, Congressman for Puerto Rico, and Ms. Melba Acosta, president of the Government Development Bank for Puerto Rico, will testify.

- [www.finance.senate.gov/hearings/hearing/?id=a4269d2b-5056-a055-648d-97d18f9149c9](http://www.finance.senate.gov/hearings/hearing/?id=a4269d2b-5056-a055-648d-97d18f9149c9)

### Wednesday

The **Senate Homeland Security and Governmental Affairs Subcommittee on Federal Spending Oversight and Emergency Management** will conduct a hearing entitled “Prudent Planning or Wasteful Binge? A Look at End of the Year Spending.” The hearing will explore the phenomenon of end of year spending, often referred to as “use it or lose it.” This practice of trying to obligate all remaining funds in an agency budget before those funds expire at the end of the year is known in virtually every government. The hearing will explore this issue at the federal level, to what magnitude it exists, and examine possible solutions.

- [www.hsgac.senate.gov/hearings/prudent-planning-or-wasteful-binge-a-look-at-end-of-the-year-spending](http://www.hsgac.senate.gov/hearings/prudent-planning-or-wasteful-binge-a-look-at-end-of-the-year-spending)

### Thursday

The **Senate Finance Committee** will convene once again to conduct a hearing on improper payments, featuring Comptroller General Gene Dodaro.

- [www.finance.senate.gov/hearings/hearing/?id=9f4e0ba4-5056-a055-64bc-bd21bcc020fa](http://www.finance.senate.gov/hearings/hearing/?id=9f4e0ba4-5056-a055-64bc-bd21bcc020fa)

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