



Washington Update



VOTERS SELECT AUDITORS/TREASURERS IN THREE STATES

While 2015 is an “off” election year, three states still had state auditor and state treasurer seats up for grabs last week.

- **Kentucky:** The Bluegrass State will have two new NASACT members. Incumbent State Auditor Adam Edelen was defeated by State Representative Mike Harmon. The state treasurer seat was being vacated by term-limited Todd Hollenbach, and the new state treasurer will be attorney Allison Ball.
- **Louisiana:** Incumbent State Treasurer John Kennedy was unopposed in the general election.
- **Mississippi:** Incumbent State Auditor Stacey Pickering retained his seat, defeating Joce Pritchett, a civil engineer. Incumbent State Treasurer Lynn Fitch also retained her seat, defeating Reform Party candidate Viola McFarland.

NEW WAYS AND MEANS CHAIR SELECTED

Rep. Kevin Brady (R-TX) has been selected to be the new chairman of the House Ways and Means Committee. With approval of the full Republican conference Thursday, Brady will follow now-Speaker Paul Ryan (R-WI) as leader of the oldest committee of the United States Congress and the chief tax-writing committee in the House of Representatives. Brady, a ten-term member of the House, has led two of the committee’s key panels—Health and Trade—and is the top House Republican on the Joint

Economic Committee. In a statement, Brady noted several issue areas where he will begin to focus: reforming the tax code, reforming welfare, saving Social Security and Medicare for the long term, and enlarging America’s economic freedom to trade.

SANDERS INTRODUCES BILL DECRIMINALIZING MARIJUANA

Last Wednesday, Sen. Bernie Sanders (D-VT) introduced a bill (S. 2237) that would decriminalize marijuana at the federal level and allow the states to decide whether to operate recreational and medical marijuana businesses of their own. The bill, The Ending Federal Marijuana Prohibition Act of 2015, removes marijuana from the Schedule 1 list of Controlled Substances, and has far-reaching consequences, as it would allow banks to conduct transactions with marijuana businesses where the product is already legal.

State audit offices in Colorado and Washington already conduct performance audits of their marijuana industries. Recently, Colorado announced its latest marijuana tax totals from July 2014 to June 2015, generating almost \$70 million in revenue.

Sanders’ bill is modeled after a bill first proposed by Rep. Jared Polis (D-CO) in 2013. In a statement, Rep Solis issued his support:

“Just as alcohol prohibition failed in the 1920s, it is clear marijuana prohibition is failing today. For decades, the federal ban on marijuana has wasted tax dollars, impeded our criminal justice system, lined the pockets of drug cartels, and trampled on states’ ability to set their own public health laws. ...Today’s introduction of the Ending Federal Marijuana Prohibition Act in the Senate is a huge step forward in the movement to enact the commonsense drug laws needed to grow our economy and restore fairness to our justice system.”

The bill has been referred to the Senate Judiciary Committee.

FINANCIAL SERVICES MOVES HQLA MUNI BILL

The House Financial Services Committee has approved a bill that would treat investment grade and actively traded municipal securities as high quality liquid assets (HQLA)

under new bank liquidity rules. The bill (H.R. 2209) would consider municipal bonds that are investment grade and actively traded in the secondary market as Level 2A assets.

Bill sponsor Rep. Luke Messer (R-IN) stated:

“A lot of times, it seems like bank regulations have very little impact on our day-to-day lives, but that’s just not the case here. By excluding all municipal securities from HQLA eligibility, financial institutions are discouraged from holding municipal debt. This has a real-world impact. It could raise borrowing costs for state and local governments to finance infrastructure projects and force municipalities to reduce, or even stop, projects that are financed with municipal bonds.”

In conjunction with the passing of the bill, Indiana State Treasurer Kelly Mitchell stated, “H.R. 2209 allows banks to keep the costs of borrowing low to our communities which strengthens local governments’ ability to meet the needs of Hoosiers throughout our state. I want to thank Congressman Messer for his leadership on this important issue.”

The bill now goes to the House floor; H.R. 2209 has 20 cosponsors. Actions and bill text can be found at <https://www.congress.gov/bill/114th-congress/house-bill/2209/all-actions>.

NGA NAMES NEW EXECUTIVE DIRECTOR: A NAME FAMILIAR TO NASACT

The National Governors Association has announced that Scott Pattison will be its new executive director and chief executive officer. Pattison was the executive director of the National Association of State Budget Officers (NASBO) and has spoken many times at NASACT conferences over the years.

Prior to his time at NASBO, he worked in Virginia state government and at the Federal Trade Commission. Pattison has a law degree from the University of Virginia and a bachelor’s degree from the George Washington University.

In a statement announcing his hiring, Pattison said:

“I am honored to be selected to serve the nation’s governors. Innovative solutions to today’s most pressing public policy challenges are happening at the state level. I’m excited to join this critical organization to work with governors and the NGA staff to ensure states and the federal government are working together to reach positive results.”

TREASURY OFFICIAL CALLS FOR PUERTO RICO BANKRUPTCY FIX

Kent Hiteshew, director of the Office of State and Local Finance at the Department of the Treasury, issued a statement last week encouraging Congress to pursue a bankruptcy fix for Puerto Rico as the territory deals with a major debt crisis. Of note in his remarks:

“Puerto Rico’s debt service consumes more than one-third of governmental revenues and is six times the U.S. state median... and the commonwealth’s \$70 billion of debt and \$45 billion in unfunded pension liabilities now dwarf Puerto Rico’s stagnant economy...”

Given these stark figures, it is time to face reality: Puerto Rico has lost market access, is out of cash, and its debts are unsustainable...

The Administration has concluded that, as part of a comprehensive approach to Puerto Rico’s crisis, a tested federal bankruptcy regime is necessary to provide an orderly framework for restructuring the commonwealth’s large, complex and intertwined debt stock...

Under the U.S. Constitution, territories and states have different legal relationships with the federal government—our proposal is limited to the territories. As under current law, states would remain ineligible to file for bankruptcy under this or any other bankruptcy regime...”

View his entire post at www.treasury.gov/connect/blog/Pages/Puerto-Rico-Needs-Access-to-Bankruptcy-Protection.aspx.

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