



# Washington Update



## GFOA ALERTS ISSUERS TO SEC'S MCDC SETTLEMENT ACTIONS

The Government Finance Officers Association recently released an alert to inform issuers that the U.S. Securities and Exchange Commission has begun reaching out to government debt issuers who participated in the Municipalities Continuing Disclosure Cooperation (MCDC) Initiative.

The GFOA has alerted its members who participated in the initiative that they may have very little time to agree to settlement terms once those terms are offered by the SEC's Enforcement Division. The GFOA offered the following advice to issuers if they are contacted by the SEC on this matter:

- Be prepared for tight settlement turnaround times. Issuers who need more time to review the proposed settlement should request additional time from the SEC Enforcement Division staff who are managing the settlement process.
- Consult with legal counsel and have them review the proposed settlement and settlement findings and provide advice on how best to respond to the SEC's Enforcement Division.
- Obtain advice regarding appropriate disclosures regarding the disposition of the settlement.
- Initiate conversations with elected officials and any other governing board members to brief them on the situation, and be aware of timeframes for internal approval processes to prepare decision-makers for the settlement process.

The alert also notes that SEC settlements with 72 underwriters and broker dealers under the MCDC initiative netted over \$18 million in fines for failing to identify misstatements and omissions before offering and selling bonds as required by SEC Rule 15c2-12. Violations identified in the settlements included failure to file material event notices and late filings (some as little as 14 days). The SEC Enforcement Division has not offered information on how many issuer settlements it is pursuing, how many rounds of issuer settlements will occur, the terms of any proposed settlements, and over what period of time these settlements will be announced.

The full alert can be found at [www.gfoa.org/gfoa-alert-sec-mcdc-initiative-and-issuer-settlements](http://www.gfoa.org/gfoa-alert-sec-mcdc-initiative-and-issuer-settlements).



## PUERTO RICO DEBT HEARING SCHEDULED

On Thursday, February 25, at 10:00 a.m., the House Committee on Natural Resources will hold an oversight hearing, “The U.S. Department of the Treasury’s Analysis of the Situation in Puerto Rico,” to continue discussions about the debt situation in the commonwealth of Puerto Rico.

Antonio Weiss, counselor to the secretary of the Treasury Department, will testify at the hearing. Earlier this month, Committee Chairman Rob Bishop (R-UT) discussed oversight efforts on Puerto Rico and the committee’s path forward to developing responsible solutions to the island’s economic crisis, stating:

“As long as Puerto Rico and its state-owned entities continue to lose money and run deficits, debt restructuring alone will not help the territory and its people find stability and build for growth. “Nobody should get a free pass when analyzing solutions. There are no sacred cows. This demands a thoughtful package of reforms that will help Puerto Rico achieve long overdue structural reform and long-term solvency. This includes solutions not only in the financial space but also bringing tools to bear to help serve the people of Puerto Rico with more efficient, reliable and affordable energy.”

The hearing notice can be found at <http://naturalresources.house.gov/calendar/eventsingle.aspx?EventID=399902>.

## GAO PROPOSES CHANGING MEDICAID FUNDING FORMULA

The U.S. Government Accountability Office on Wednesday released a new report recommending changes to the way states receive Medicaid funding. The report, “Medicaid: Changes to Funding Formula Could Improve Allocation of Funds to States,” sets out to identify alternative measures for allocating Medicaid funds across states, and to better allocate financial assistance to state Medicaid programs during economic downturns. These alternative measures could be used to allocate Medicaid funding to states more equitably than the current Federal Medical Assistance Percentage (FMAP) formula, which uses per capita income (PCI) to calculate each state’s federal matching rate.

GAO found that PCI is a poor proxy for both the size of a state’s population in need of Medicaid services and the ability of a state to fund Medicaid. GAO concluded:

“To ensure that federal funding efficiently and effectively responds to Medicaid’s countercyclical nature, GAO recommended that Congress could consider enacting an FMAP formula that targets variable state Medicaid needs and provides automatic, timely, and temporary assistance in response to national economic downturns.”

The full report can be found at [www.gao.gov/assets/680/675072.pdf](http://www.gao.gov/assets/680/675072.pdf).

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