GAO WATCHBLOG FOCUSES ON DATA ACT IN YEAR TWO

The Digital Accountability and Transparency Act of 2014 is officially two years old this month, which gave the U.S. Government Accountability Office’s Watchblog an opportunity to explore what GAO has found during the act’s implementation. Most notably, GAO has noted that Treasury has issued several versions of the technical guidance, but each iteration results in revisions that delay a final version and may delay full implementation of the act. In addition, GAO found that agencies identified changing guidance, along with competing priorities and a lack of resources, as significant challenges to reporting federal spending data as required by May 2017.

The full Watchblog DATA Act post, along with graphics and video, can be found at https://blog.gao.gov/2016/05/09/the-data-act-turns-2/.

CBO LAUNCHES NEW SEARCH TOOL FOR INTERGOVERNMENTAL AND PRIVATE-SECTOR MANDATES

The Congressional Budget Office has launched an online search tool for intergovernmental and private-sector mandates that the agency has identified in bills and public laws. Users can now search for mandates by entering keywords and selecting filters such as budget functions and costs relative to the statutory thresholds. In addition to the new search, CBO’s website also features background information about the agency’s work under the Unfunded Mandates Reform Act (UMRA) and historical data about mandates identified in bills and public laws.

UMRA defines a mandate as any provision in legislation that, when enacted, would do one of the following:

- Impose an enforceable duty on state, local, or tribal governments or on private-sector entities.
- Reduce or eliminate an authorization of appropriations to cover the costs of complying with existing mandates.
- Increase the stringency of conditions that apply to the provision of funds to state, local, or tribal governments through certain large mandatory programs or make cuts in federal funding for those mandatory programs if the affected governments lack the flexibility to alter the programs.

The goal of the new search tool is to make information on mandates easier to access, searchable, and more timely than had previously been the case for annual, printed reports.

The online UMRA site can be found at https://www.cbo.gov/publication/51335.

REP. HULTGREN TELLS HOUSE SUBCOMMITTEE OF THE VALUE OF THE MUNICIPAL TAX EXEMPTION

The House Ways and Means Subcommittee on Tax Policy Subcommittee held a hearing last Thursday to discuss member proposals for improvements to the U.S. tax system. One of the members who spoke, Rep. Randy Hultgren (R-IL), explained to the subcommittee the critical importance that the municipal tax exemption plays in the economy. Hultgren, who has partnered with Rep. Dutch Ruppersberger (D-MD) to create the Municipal Finance Caucus, commented on the many ways that municipal bonds and the tax exemption help the very infrastructure that props up the country:

“While serving in local government in Illinois, I saw firsthand the benefits provided by this reliable option for financing community development. I am talking about the roads we drive on, schools for our children, affordable family housing, water systems that supply...
safe drinking water, hospitals and clinics to treat the sick, airports and ports that help move products domestically and overseas, and utility plants that power our homes, businesses, and factories…A 2013 study by local government groups found that if the tax exemption is eliminated or capped, then it is more costly to issue debt. These costs are real.”

Citing that the U.S. municipal securities market is gigantic and valued at around $3.7 trillion, he also pointed out that state and local governments should be thinking of ways that they can partner with the private sector to support job growth through public private partnerships.

The full hearing and testimony from all panelists can be viewed at http://waysandmeans.house.gov/event/member-day-hearing-on-tax-legislation/.

**BRIEF EXAMINES COUNTY PUBLIC PENSION INTERACTION WITH STATES**

The Center for State and Local Government Excellence has released an issue brief on the importance of counties’ actions in public sector pension plans. The report, “Are Counties Major Players in Public Pension Plans?” examines county pension funding and costs as well as how they are administered. Most analyses of public pensions focus on states and cities, but this issue brief sheds light on pension activity at the county level by documenting the costs, funded status, and unfunded liabilities to determine whether counties should regularly be included in analyses of state and local pensions.

The brief identifies some key points:

- While the majority of county employees participate in state pension plans, counties in 22 states sponsor their own plans.
- County pension costs, which include contributions to plans they administer and to state-run plans they participate in, equal 4.8 percent of their revenues.
- The plans sponsored by counties are about 75 percent funded, slightly higher compared to other governmental entities.
- Overall, counties hold 12 percent of unfunded public pension liabilities, indicating that—with a few exceptions—they play a modest role in the pension world.


**SEC ANNOUNCES CHARGES IN TRIBAL BONDS SCHEME**

The U.S. Securities and Exchange Commission continues its enforcement foray into the municipal bonds market, as the Commission announced last week that it has charged a father and son and five associates with defrauding investors in sham Native American tribal bonds in order to steal millions of dollars in proceeds for their own extravagant expenses and criminal defense costs. The SEC alleges that Jason Galanis conducted the scheme in which the “primary objective is to get us a source of discretionary liquidity,” he wrote in an e-mail to other participants. Galanis and his father John Galanis convinced a Native American tribal corporation affiliated with the Wakpamni District of the Oglala Sioux Nation in South Dakota to issue limited recourse bonds that the father-and-son duo had already structured. Galanis then acquired two investment advisory firms and installed officers to arrange the purchase of $43 million in bonds using clients’ funds.

The SEC further alleges that instead of investing bond proceeds as promised in annuities to benefit the tribal corporation and generate sufficient income to repay bondholders, the money wound up in a bank account in Florida belonging to a company controlled by Jason Galanis and his associates. Among their alleged misuses of the misappropriated funds were luxury purchases at such retailers as Valentino, Yves Saint Laurent, Barneys, Prada, and Gucci. Investor money was also diverted to pay attorneys representing Jason and John Galanis in a previous criminal case.

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Washington Update