



2016 Federal Update

NAHEFFA CHICAGO CONFERENCE

September 30, 2016

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Topics
controls

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RESOURCES

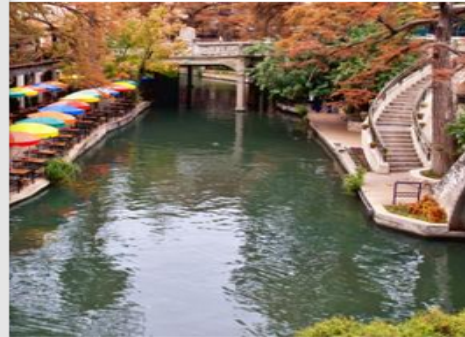
- Best Practices/Advisories
- Public Policy Statements
- E-Books
- Publications
- Other Products
- Government Finance Review
- Research Reports
- Resource Centers
- Federal Government Relations**
- Canadian Finance
- News and Announcements

CONSULTING

- Consulting Services
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TRAINING

- Search for Training
- CPE Guide
- Guide for Instructors
- Advanced Government Finance Institute
- Certification Program (CPFO)
- Training Policies



- Accounting & Financial Reporting
- Budgeting & Financial Planning
- CIP / Economic Development
- Debt Management
- Financial Management
- Pension & Benefit Administration
- Technology
- Treasury Management

Best Practice



GFOA Best Practice

GFOA Approves Five New Best Practices

GFOA's Executive Board approved five new best practices and seven revised best practices, providing recommendations to government finance...

[More](#)



2015 Budget Award Winners

GFOA has also posted the award winners for 2015 for entities that have received the award as of September 30, 2015. The GFOA will be posting...

[More](#)



GFOA Announces Members of Alliance for Excellence in Budgeting

GFOA announced the 35 districts that were selected to participate in GFOA's initial implementation of the school best practice documents.

[More](#)

Recent Updates

- ▶ [Awards for Excellence Applications Now Available](#)
- ▶ [House Committee Approves Bill to Classify Investment Grade Munis as HQLA](#)
- ▶ [Federal Budget Deal Enacted, Preventing Federal Default and Reopening SLGS Window](#)
- ▶ [GFOA Policy Statement Supports Repeal of Cadillac Tax](#)
- ▶ [GFOA Accepting Applications for Multiple Positions in Technical Services Center and Research and Consulting Center](#)

Resources

[Best Practices/Advisories](#)[Public Policy Statements](#)[E-Books](#)[Publications](#)[Other Products](#)[Government Finance Review](#)[Research Reports](#)[Resource Centers](#)

Federal Government Relations

[Municipal Advisor \(MA\) Rule Resource Center](#)[Marketplace Fairness Act Resource Center](#)[Federal Tax Exemption on Municipal Bond Interest Resource Center](#)[Liquidity Coverage Ratio Rule Resource Center](#)[Affordable Care Act Resource Center](#)

Federal Government Relations

GFOA's Federal Liaison Center - Our Mission:

The mission of the Federal Liaison Center is to inform GFOA members about federal legislation, regulations, judicial actions, and policies that affect public finance functions and to represent the interests of GFOA in Washington, DC. Center staff collects, analyzes, and disseminates information to GFOA members and provides policymakers with information on GFOA positions.

The center's activities include participating in many working groups with other state and local organizations on issues of importance to GFOA members including: public financing, tax, pension and benefits, and banking issues. We maintain close working relationships with many regulatory agencies including the Securities and Exchange Commission (SEC), the Internal Revenue Service (IRS), the Municipal Securities Rulemaking Board (MSRB), and have constant dialogue with other organizations such as the National Association of Counties (NACo), the National League of Cities (NLC), the National Governors Association (NGA), and the National Association of State Treasurers (NAST).

We always appreciate and would like your input and suggestions about the GFOA's Washington activities. Please e-mail [Dustin McDonald](#) or [Emily Brock](#) with your ideas.

Resource Center

[▶ 2015 GFOA Legislative and Regulatory Agenda](#)[▶ Liquidity Coverage Ratio Rule Resource Center](#)[▶ Federal Tax Exemption on Municipal Bond Interest Resource Center](#)[▶ Marketplace Fairness Act and RTPA Resource Center](#)[▶ Municipal Advisor \(MA\) Rule Resource Center](#)[▶ Affordable Care Act Resource Center](#)[▶ Internet Tax Freedom Act Resource Center](#)

Agenda

- I. **2016 Legislative Priorities and Outlook**
 - i. **Preservation of the Tax Exemption on Muni Bond Interest**
 - ii. **Bank Qualified Debt Legislation**
 - iii. **High Quality Liquid Assets (HQLA) Legislation**
 - iv. **Money Market Funds**
 - II. **2016 Regulatory Outlook**
 - i. **SEC Municipalities Continuing Disclosure Cooperation (MCDC) Initiative**
 - ii. **IRS/Treasury outlook**
-

Tax Reform Prospects (1)

- Likely under any election result.
- Unlikely Tax Exempt Bonds will be untouched.
- Fundamental reform or trim at the edges?
- Private activity bonds in jeopardy?
- Tenuous position for non-profit bonds.
- Recent discussions on stadia and college endowments

Tax Reform Prospects (2)

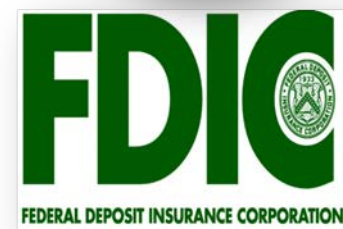
- The efficiency arguments.
- The subsidy arguments.
- The infrastructure argument
- Alternative financing mechanisms.
- Grass roots and grass tops lobbying.

HR 2229 S 3257- *Municipal Bond Market Support Act*

- Bipartisan bicameral legislation that would increase the bank qualified debt limit from \$10 million to \$30 million and apply limit to borrowers.
- **Great. Why Should I Care?**
 - BQ debt helps smaller issuers reduce debt issuance costs
(typically 25 to 40 basis points)
 - *25 – 40 bps costs savings on a 15-year, \$10M bond = \$232K - \$370K*
 - *25 – 40 bps cost savings on a 15-year, \$30M bond = \$696K - \$1.1M*
 - Send [letters](#) to your Senate Members!!!

HR 2209 – High Quality Liquid Assets Legislation

- 9/3/14 - Federal Reserve, FDIC, and Comptroller Of Currency approved new liquidity standards for banks.
- New rules are a response to the 2008 financial crisis and will require banks with at least \$250B in total assets to maintain designated levels of high-quality liquid assets (HQLA - assets that can easily be converted to cash) during a 30-day fiscal stress scenario.
- ***Rule classifies foreign sovereign debt securities as HQLA while excluding investment grade munis!***
- Excluding munis from HQLA means banks could not use municipal securities to satisfy the liquidity coverage requirement of the new rules.
- 1/1/15 - Rules went into effect.




House vs. Senate HQLA

- House: Classifies municipal securities as 2A
 - 20% threshold
 - 15% haircut

- Senate: Classifies municipal securities as 2B
 - But otherwise identical to HR 2209
 - Motivation unclear
 - 15% threshold
 - 50% haircut

HR 2209 - High Quality Liquid Assets Legislation

2015 & 2016 Activity

- **May 2015** – Bipartisan legislation introduced to amend the Rule.
- **Nov 2015** – House Financial Services Committee approved HR 2209 by a vote of 56 – 1.
- **Feb 2016** – House to vote on HR 2209 (*under suspension of the House rules*).
– GFOA working with Senators to introduce Senate companion legislation to HR 2209.
- **September 2016** – Senate introduces S????
- **How Can You Help?**  end [letters](#) to your Senators!!!

MMF Regulation

- October 14 SEC money market rule – NAV from fixed to floating – avoid large scale withdrawals.
- Effect on MMF muni holdings.
- Legislative fix.

SEC – MCDC Initiative

- 2014 Initiative to improve continuing disclosure compliance by compelling government bond issuers to self-report violations of federal securities laws.
- Initiative offered issuers standardized and “favorable” settlement terms if they self-reported instances of inaccurate statements in bond offering documents about their prior continuing disclosure obligations.
- August 24, 2016 SEC Announces 71 settlements against issuers and obligated persons

SEC – MCDC Initiative

- **Standardized and “Favorable” Settlement Terms**

- Issuer will consent to a cease and desist order, which they will have to carry on their future official statements for 5 years.
- Issuer agrees to further cooperate with any additional SEC investigations, including those regarding the roles of individuals involved.
- No monetary penalties for issuers, however the SEC reserves the right to impose monetary fines on individuals who it determines are at fault for violating federal securities laws.
- Issuer agrees to establish appropriate continuing disclosure policies, procedures and training and update its past delinquent continuing disclosure filings.

SEC – MCDC Initiative, Underwriter Settlements

- **Underwriter Settlements – Two rounds in 2015**
 - 90 underwriting firms paid just over \$18M for failing to identify misstatements and omissions before offering and selling bonds as required by SEC Rule 15c2-12.
 - Violations were from 2010 – 2014.
 - Included failure to file material event notices and late filings (some as little as 14 days)
 - All but four of the deals (90%) were negotiated.
 - 63% Failed to file annual financial information, 21% failed to file other CD information, 100% failed to file a notice of late filing

SEC – MCDC Initiative, Issuer Settlements

- **Issuer Settlements – One (First?) round in 2016**
 - 71 Issuers or obligated persons
 - Violations were from 2011 – 2014.
 - Included failure to file material event notices and late filings (some as little as 36 days, some as many as several years)
 - 258 total violations 41 (15%) were competitive.
 - 70 violations were filing late financial information, one failure to file notice of defeasance
 - September 6, 2016 – GFOA Issued [Alert](#) To Members

SEC-MCDC Initiative

Small Government/New Issuer-Debt Issuance Checklist: Considerations

When Issuing Bonds – This GFOA BP walks new and infrequent issuers through key considerations for issuing debt and provides links to other useful and related GFOA debt management resources.

Understanding Your Continuing Disclosure Responsibilities –

This BP offers issuers guidance on important components to include in their continuing disclosure policies and emphasizes the need for governments to adopt procedures to ensure that continuing disclosure responsibilities are met.

Disclosures of Pension Funding Obligations in Official Statements –

Recognizing the increased scrutiny in recent years on the state of government pension liabilities, this BP offers guidance about the information that issuers should consider including in their official statements about their pension funding obligations.

GFOA Advocates timely Continuing Disclosure

Maintaining an Investor Relations Program –This GFOA best practice provides guidance to issuers on key components to include in an investor relations program.

Using Technology for Disclosure –As the use of technology for communication with the municipal market has increased the GFOA developed this best practice to provide recommendations to issuers about how to use issuer websites and the MSRB’s Electronic Municipal Market Access (EMMA) platform to share required and voluntary financial information with investors.

Debt Management Policy –The GFOA recommends that state and local governments adopt comprehensive written debt management policies, and this best practice introduces finance officers to the core elements that comprise a working debt management policy, **including disclosure practices.**

- Threat of changes to SEC authority over issuers?

IRS/Treasury Regulations

Issue Price Proposal

- What is it and why should Issuers care?
- Two rounds of proposals
- Expected to be released this fall
- GFOA concerns

IRS/Treasury Regulations

Political Subdivisions

- Over 200 letters received – from “Big 7” and many others
- On IRS [Priority Guidance Plan](#)
- GFOA concerns and potential timing

Questions?

