



GOVERNMENT FINANCE OFFICERS ASSOCIATION 2010 LEGISLATIVE AND REGULATORY AGENDA

For 2010, President Obama and Congress have outlined several priority areas for review and reform, including job creation initiatives, financial services regulatory reform, health care reform, tax legislation and measures to foster retirement security – all of which will have implications for state and local governments. The GFOA Federal Liaison Center will monitor legislative and regulatory activities in these areas and work to advance the public policy positions adopted by the GFOA membership.

The association's legislative and regulatory priorities for the year are listed below.

Economic Recovery and Job Creation

Implementation of the American Recovery and Reinvestment Act (ARRA): States and localities that receive grant funding under the ARRA will continue to file their quarterly reporting statements in accordance with the accountability and transparency requirements set forth in Section 1512 of the Act and the guidance promulgated by the Office of Management and Budget. The GFOA will continue to monitor and report on all ARRA activities related to reporting requirements, grant opportunities and bond programs.

JOBS Bill: Before adjourning for its winter recess, the House of Representatives approved a \$154 billion *Jobs for Main Street Act* (H.R. 2847) to help states and localities preserve public sector jobs, and provide a boost to infrastructure investment projects around the country. The Senate is poised to consider a similar measure in early 2010. The GFOA will work with other state and local government organizations to advocate for federal funding sources to preserve vital public sector positions and create new opportunities throughout communities.

Financial Services Regulatory Reform

The House approved the *Wall Street Reform and Consumer Protection Act of 2009*, (H.R. 4173), which contains several provisions that are important to state and local governments and supported by the GFOA. These measures include mandating uniform ratings for both municipal and corporate securities, regulating financial advisors, swap advisors and GIC providers involved in the sale of municipal securities, and regulating the derivatives market. The Senate will likely take up the legislation in early 2010. Currently, the Senate Banking Committee's draft legislation does not include the uniform ratings provision found in the House-passed bill. In addition, the draft legislation contains provisions that would have the Government Accountability Office conduct a study on municipal securities issuers' disclosure obligations and review whether the Tower Amendment, which prohibits the SEC from regulating state and local government bond issuers, should be repealed. It also calls for the SEC to conduct a study on current and possibly new funding sources for the GASB. The GFOA will continue to work with the Senate Banking Committee to include the uniform ratings provision, as passed in the House, in its revised draft and to make changes to the disclosure and GASB funding studies.

Municipal Bonds

A number of tax-exempt and tax-credit bond programs expanded and created under the ARRA are slated to expire at the end of 2010. The GFOA will monitor Congressional action as it considers these and other tax-exempt bond proposals, and will advocate for the extension of programs that have proven useful to states and local governments. At the top of our advocacy efforts is supporting efforts to extend – or make permanent – the \$30 million bank deductibility limits. The increase to \$30 million in 2009 from the original \$10 million limit has allowed many small governments to take advantage of placing their debt with community banks, rather having to sell their debt in the open market and therefore reduce issuance costs. GFOA also will monitor and comment, when appropriate, on various Treasury and IRS proposed regulations related to tax-exempt bond laws.

Federal Government Intervention in the Issuance of Municipal Securities and the GASB

SEC officials have stated on multiple occasions that they may ask Congress to expand the SEC's jurisdiction to have oversight authority over issuers of municipal securities and the Governmental Accounting Standards Board. The GFOA strongly opposes any efforts by the SEC or Congress to expand the SEC's jurisdiction in these areas.

Tax Measures

Repeal the Withholding Requirement on Government Payments Law: Section 511 of the *2005 Tax Increase Prevention and Reconciliation Act – P.L. 109-222 (TIPRA)* requires governments that spend more than \$100 million per year on goods and services to withhold 3 percent of the payments made to vendors and contractors and remit that 3 percent to the federal government. The withholding requirement is set to begin Jan. 1, 2012 (a one-year implementation delay was included in the *ARRA*) and constitutes an unfunded mandate on state and local governments. The GFOA supports legislation that repeals Section 511 of *TIPRA* (S. 292 and H.R. 275) and is working with other state and local government organizations to have this legislation adopted.

Collection of Remote Sales Tax: The GFOA will continue to support legislation that would allow for the collection of taxes from sales made by remote means (e.g., Internet and catalog). In addition, GFOA will continue to oppose any efforts to include in such legislation the requirement that state and local governments simplify their telecommunication tax structures before being able to collect taxes on remote sales.

Telecommunications Taxation: The GFOA will continue to focus its efforts on ensuring that state and local governments retain their taxing authority related to telecommunication services, as well as their ability to offer municipal broadband.

Deductibility of State and Local Taxes: The GFOA supports legislation that would permanently allow taxpayers to deduct state and local sales taxes on their federal tax return. Recent Congressional action has provided the sales tax deduction on a year-to-year basis. Legislation to permanently allow the deduction has been introduced already in the 111th Congress -- S. 23, S. 35, H.R. 16 and H.R. 379.

Pre-emption of State and Local Hotel Taxes. The GFOA opposes any efforts by Congress to exempt hotel occupancy taxes from being collected for reservations made through an online vendor (e.g., Expedia, Travelocity, Hotels.com). Such legislation would preempt authority to implement these taxes and strip anticipated and needed revenues from local governments.

Pension and Retirement Savings

In the wake of the recent market turmoil and the ensuing losses in pension and other retirement savings, legislative and regulatory initiatives related to retirement security are likely to receive considerable attention. Some of these initiatives likely will include the increased use of automatic enrollment, increased transparency and regulation of pension investments in hedge funds, private equity and commodities, fee disclosures for defined contribution plans and prohibitions on pay-to-play activities. The GFOA supports initiatives that safeguard the operations of state and local government employee retirement systems and opposes measures that might undermine the strength and viability of these systems.

Health Care Reform

Both the House and the Senate have approved health care reform measures, which would vastly expand coverage for the uninsured, as well as prohibit discrimination in the purchase of insurance based on pre-existing conditions. The GFOA will closely monitor negotiations on the compromise measure to assess the impact the final legislation will have on states and localities.

**More information about each of these items may be found on the
federal relations page of the GFOA's web site, www.gfoa.org.**