



CAPITOL TOPICS

EXECUTIVE COMMITTEE

President

Bhakti Patel
Bhakti.Patel@us.gt.com

President-Elect

Aaron Dvorak
Aaron.dvorak@cpa.texas.gov

Secretary

Stanton Martin
Stanton.martin@hhsc.state.tx.us

Treasurer

Lorna Schwimmer
Lorna.schwimmer@dfps.state.tx.us

Research Chair

Debi Weyer
debiweyer@gmail.com

Education/Programs Committee

John Barnes, Chair
John.Barnes@ers.state.tx.us

Benjamin Lyons

Benjamin.Lyons@ers.state.tx.us

Communications Committee

Shayla Prince
shayla.prince@dfps.state.tx.us

Ben Smith

ben.smith@dfps.state.tx.us

Community Service Committee

Priscilla Suggs
priscilla.suggs@gmail.com

Membership Committee

Kieran Coe
kieran.coe@us.gt.com
Leslie Branam

CPE Events Committee

Patty Aguilera, Co-Chair
Patty.Aguilera@ers.state.tx.us

Chapter Historian

Sharita Jefferson
Sharita.Jefferson@dfps.state.tx.us

Webmaster

Eddie Chan
eddie.chan@ers.state.tx.us

Regional VP

Helene Baker
helenebaker@satx.rr.com

PRESIDENT'S MESSAGE

APRIL 2017

Greetings AGA members! We're closing in on the last two months of our chapter year but we still have some exciting things coming your way.

First, I hope you all enjoyed Chance Watson during our March CPE luncheon speaking on the topic of Motivating Governmental Employees. The turnout at our March CPE luncheon was one of the highest on record! Thank you again for all of your support each month.

The April CPE luncheon will remain at Pappadeaux Seafood Kitchen. Paul Morris, our former AGA President and former Internal Audit Director for the Texas Department of Family and Protective Services will be speaking to the group on the topic of Red Book Quality Assurance and Improvement Program Requirements. I'm excited to see everyone there.

We will be holding elections for the 2018 CEC at the beginning of our April luncheon. Nominations have been coming in via email. However, I will be opening it up for nominations at the meeting as well. If you are interested in, or would like to nominate someone who you feel would be a good fit, please contact me or any of the board members for more information. Thank you in advance for your continued support of the chapter. See you all on April 13th!



Research

2017 Federal Outlook

By Emily S. Brock

As the new U.S. president settles in, we now enter the hectic time where the new administration lays out its key goals and looks for opportunities to find traction for these initiatives in a politically friendly Republican Congress. GFOA priority items for the new administration and Congress include: consideration of legislation dealing with an overhaul of the federal tax code through comprehensive tax reform; collection of state and local taxes on remote sales; legislation to classify investment-grade municipal bonds as high-quality liquid assets (HQLA); efforts to repeal or significantly reform the Affordable Care Act (ACA); and attempts to revise the Dodd-Frank Wall Street Reform and Consumer Protection Act (DoddFrank Act). What follows is an overview of expected federal activity in 2017, including discussion of GFOA's related advocacy campaigns.

TAX REFORM

While there has been a great deal of discussion both pre- and post-election about fixing and building new public infrastructure — and how to pay for it — tax writers in the House of Representatives are already drafting legislation that could have a significant impact on the preservation of the tax exemption on municipal bond interest. This is interesting timing, given that the most fundamental building block of our nation's infrastructure is, in fact, the municipal bond market. Ways and Means Chairman Tom Brady (R-TX) and Speaker of the House Paul Ryan (R-WI) are expected to pick up where they left off in 2016 on this matter.

In June 2017, after soliciting recommendations on restructuring the tax code in order to lower corporate and income tax rates and to simplify it, Brady and Ryan released a Blueprint for Tax Reform that is a guide for comprehensive tax reform. The strategy includes several significant reforms to the current tax code, including: reducing the corporate income tax rate to 20 percent; reducing the current seven bracket individual income tax rate to three brackets, with a top rate of 33 percent; and repealing the alternative minimum tax for both corporations and individuals.

While the blueprint preserves the mortgage interest deduction and the charitable giving deduction, it does not directly address the tax exemption of municipal bonds. The blueprint does mention repealing so-called "special interest" provisions. At the time of this publication, the plan does not include a discussion draft with legislative language, but top Congressional tax writers expect this legislation to be introduced in early 2017. GFOA will continue to communicate with and educate members of Congress about the importance of the maintaining the federal tax exemption to improve the nation's infrastructure and help promote job creation.

The House Municipal Finance Caucus has been engaged throughout the process and has communicated with the House Ways and Means leadership in support of preserving the tax exemption on municipal bonds. Representatives C.A. Dutch Ruppersberger (R-MD) and Randy Hultgren (D-IL) chair the caucus of 25 bipartisan members. GFOA's Federal Liaison Center will work to boost bipartisan membership in this caucus throughout 2017.

Brady's tax staff has indicated that the blueprint will be shared with the Trump administration, and his input has been solicited. While President elect Trump did not make municipal bonds a centerpiece of his campaign messaging, GFOA will work with the new administration to ensure that any new types of infrastructure plans recognize the importance of this century-long partnership, and that the tax exemption remains intact throughout the tax reform discussion.

Research

GFOA will also continue to promote its policies to ensure that governments have an additional advanced re-funding and that the bank qualified limit is increased, permanently, from \$10 million to \$30 million, and indexed to inflation thereafter. Draft letters and informational material is available on the GFOA's Federal Government Relations webpage at gfoa.org/flc.

GFOA will also work to defeat any proposals to limit or eliminate the federal deduction of state and local taxes. GFOA continues to support legislation that would permanently allow taxpayers to deduct state and local sales taxes on their federal tax return.

Implementation of the DoddFrank Act - When the Dodd Frank Act was debated and voted on, GFOA advocated for numerous provisions that are in the final law. These include ensuring that rating agencies use the same measures for all securities and improve transparency around their rating methodologies. Regulating municipal advisors and derivative products are also GFOA public policies contained in the act. Finally, changes to MSRB responsibilities to the marketplace and their mission are other important issues.

Legislation to Classify Municipal Securities as HQLA - GFOA will work with its state and local government and public finance partners to have legislation reintroduced that would classify municipal securities as high quality liquid assets. In September 2014 the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Office of the Comptroller of the Currency approved a rule establishing minimum liquidity requirements for large banking organizations. The liquidity coverage ratio rule was designed to ensure that large banks maintain liquid assets that can easily be converted to cash during times of national economic crisis. The rule identifies HQLA to meet this requirement but fails to include municipal securities in any of the acceptable investment categories (despite including foreign sovereign debt). The resulting cost impacts for state and local governments could be significant, with bank holdings of municipal securities and loans having increased by 86 percent since 2009 (according to 2016 data from the Securities Industry and Financial Markets Association).

While legislation to overcome this problem was passed in the House last year, the Senate failed to vote on legislation that was introduced by a bipartisan group. In 2017, GFOA will work to add sponsors to this legislation and push for its passage. A resources page on HQLA matters is available on the Federal Government Relations webpage at gfoa.org/flc.

IRS and Political Subdivisions - Last year, the Internal Revenue Service (IRS) proposed rulemaking that would redefine political subdivisions for the purpose of issuing tax-exempt debt. The issuer community submitted more than 200 letters describing the utility of the political subdivision in providing essential public services in an efficient way across jurisdictions and how the proposed rules could potentially harm current political subdivisions. Although the original timeline had the regulation going into effect late 2016 or early 2017, a subsequent IRS work plan showed that work on this regulation would not be concluded in 2017. The potential of new IRS and Treasury officials arriving with the new administration could also delay or eliminate the proposed regulation. GFOA staff will contact the appropriate officials to brief them on this issue and about the concerns of tens of thousands jurisdictions from around the country.

Research Cont.

IRS Redefining Issue Price - The IRS issued its Final Issue Price Regulations in December 2016. Since the original proposal in 2013, GFOA testified at hearings, submitted numerous comment letters, and met with IRS and Treasury staff expressing concerns about the proposed regulations. The final regulations are significantly different from current regulations, although they are a better compromise than what was first proposed, and they do acknowledge many of the concerns GFOA commented on throughout the years. These final regulations apply to bonds that are sold on or after June 7, 2017. Additional information is available from the Federal Government Relations webpage at gfoa.org/flc.

Some of the key features of the final regulations include:

- A general rule that requires the actual sale of a substantial amount of a bond maturity to establish issue price.

- An alternate special rule that allows the issue price of a bond maturity to be the initial offering price if there has been a public offering but a substantial amount of the maturity was not sold, provided all underwriters of the bonds agree to hold the initial offering price to the public for a maximum of five business days.
- A special rule that applies to bonds sold in competitive sales, if the issuer receives three bids in response to the notice of sale.
- A rule that allows the issue price to reflect the price paid by the purchaser where bonds are privately placed.

PENSIONS AND RETIREMENT

Continued scrutiny of state and local government retirement plans is expected to last into 2017. GFOA will continue to educate members of Congress about the true fiscal condition and disclosure practices of public pension systems, consider whether proposed initiatives provide the flexibility the public sector needs to provide retirement security to its employees, and oppose congressional proposals that undermine state and local governments' authority to effectively govern and finance their pension plans.

Often, congressional proposals to address pension "problems" are not limited to the plans that are in distress. Instead, they seek to impose a federal mandate on all state and local governments in areas within the fiscal sovereignty of those states and localities. These proposals are conflicting, administratively burdensome, and costly. Moreover, some of their assumptions about the management of pension funds directly contradict GFOA's best practices.

Legislation that may be a potential threat in the 115th Congress is another iteration of The Public Employee Pension Transparency Act (PEPTA), sponsored in the past by Representative Devin Nunes (R-CA) and Senator Richard Burr (R-NC). This bill would require state and local governments to report their financial data to the U.S. Treasury Department as though they are invested only in U.S. Treasuries, rather than the diversified portfolios actually in use. This would create a false picture of the true condition of public pensions. State and local government plan sponsors that do not comply with the legislation's reporting requirement will lose their ability to issue tax-exempt bonds and to receive direct subsidies under the Build America Bonds program and other direct-subsidy bond programs. For these reasons, GFOA will continue to express its strong opposition to any introduction of PEPTA in the 115th Congress and any attempts to introduce its components through other legislation.

Research

Additionally, GFOA has kept a watchful eye on the advisory committees established through the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA). In 2016, GFOA provided support for legislation aimed at addressing Puerto Rico's current financial and humanitarian emergency. GFOA, along with other local government associations, supported PROMESA but with an explicit contingency: that if any extraneous provisions affected state and local government financial or pension matters this support would be withdrawn. The oversight board is working to improve the territory's financial challenges, but GFOA continues to monitor the Oversight Board's recommendations to ensure that no provisions outside the scope of assistance to Puerto Rico are included.

GFOA's Pension Resource Center (www.gfoa.org/pension-resource-center) provides pension facts and tools for government finance officers, and are free and available to the public. The center includes important information to help you communicate the true fiscal health of your state and local pension systems and tools to help you communicate these fairly complex topics to elected officials.

HEALTH CARE AND COMPENSATION

Congress is widely expected to address changes to the ACA, if not dismantling the act, early in the 115th Congress. Those efforts will include changes to the Cadillac Tax, which will impose unfunded mandates on state and local governments that will further escalate the cost of employer-provided health-care insurance. Adopted as part of the Patient Protection and Affordable Care Act, the Cadillac Tax required that plans costing more than \$10,200 annually for individuals and \$27,500 for families to be taxed at 40 percent of the costs above these limits, starting in 2018. In 2015, Congress passed legislation delaying the implementation by two years. More than half the members in both chambers opposed the Cadillac Tax as cosigners on legislation that would fully repeal it. GFOA will continue to monitor and advocate funding alternatives for ACA implementation that preserves the authority of state and local governments to design and maintain health insurance arrangements that are tailored to the specific needs of the employers.

Overtime pay may also be on the 2017 Congressional radar. GFOA, as part of a broader coalition of public employer groups, continues to oppose the burden of a new rule that will sharply increase the number of U.S. workers who are eligible for overtime pay. On May 18, 2016, the U.S. Department of Labor (DOL) issued the final version of the overtime pay rule. It raises the salary limit for who is eligible for overtime pay from \$23,660 per year to \$50,400.

In addition, a Texas U.S. District Court judge issued a nationwide temporary injunction on the rule in late 2016, blocking the DOL from implementing new overtime pay rules scheduled to take effect on December 1, 2016. Twenty-one states joined business groups to file suit in the eastern district of Texas to stop the DOL from implementing rules that they say would substantially increase employment costs. The court issued the temporary injunction because of the DOL's attempt to increase salaries without consideration of an employee's duties. This rule is one of several that the incoming Trump administration has identified to roll back, a position that may differ from what was enacted under Obama.

HAPPY EASTER



Easter, which celebrates Jesus Christ's resurrection from the dead, is Christianity's most important holiday. It has been called a moveable feast because it doesn't fall on a set date every year, as most holidays do. Instead, Christian churches in the West celebrate Easter on the first Sunday following the full moon after the vernal equinox on March 21. Therefore, Easter is observed anywhere between March 22 and April 25 every year. Orthodox Christians use the Julian calendar to calculate when Easter will occur and typically celebrate the holiday a week or two after the Western churches, which follow the Gregorian calendar.

Easter is really an entire season of the Christian church year, as opposed to a single-day observance. Lent, the 40-day period leading up to Easter Sunday, is a time of reflection and penance and represents the 40 days that Jesus spent alone in the wilderness before starting his ministry, a time in which Christians believe he survived various temptations by the devil. The day before Lent, known as Mardi Gras or Fat Tuesday, is a last hurrah of food and fun before the fasting begins. The week preceding Easter is called Holy Week and includes Maundy Thursday, which commemorates Jesus' last supper with his disciples; Good Friday, which honors the day of his crucifixion; and Holy Saturday, which focuses on the transition between the crucifixion and resurrection. The 50-day period following Easter Sunday is called Eastertide and includes a celebration of Jesus' ascension into heaven.



Highlights

Former DFPS Internal Audit Director Paul Morris will be speaking at the AGA luncheon on April 13th on Red Book Quality Assurance and Improvement Program Requirements.

The Luncheon's location will be at the Papadeaux's location and we will keep the same menu.

Luncheon Gift Card Drawings!

Congratulations to Susan Jockisch, with DPS Internal Audit Department, for winning the raffle during our March luncheon! She won a \$20 Starbucks Gift card.



Chapter Executive Committee Meeting March 2017

Minutes

Chapter Recognition Points

Bhakti will send out an email for anyone to update anything that needs to be added to our Chapter recognition points for this year; we have been good about getting them in the last two quarters for this year

Bhakti states an email was sent out to submit nominations to Nationals for Chapter newsletters and websites; Bhakti will submit a link to our website and a copy of one of our Newsletters as nominations for these awards

Nominations to Chapter Board

Because this got delayed last year, Bhakti would like to get our Chapter Executive Committee nominations announced and voting at the April luncheon; we will also take any final nominations at the luncheon in April; the swearing-in will be held in May so that new officers will be in place by the Strategic Planning meeting

Eddie sent an email out this month about nominations, but no Chapter Executive Committee members report having received any nominations. Bhakti will make one last call at the April luncheon for nominations for any positions that participants may want to fill. Bhakti will also send out an email to the current Chapter Executive Committee to see if they want to stay in their current positions and see if any officers have received any nominations

Since Aaron will be moving up to Chapter President, we will need to elect a President-elect

Treasurer's Report For the period ending 1/31/17



Beginning Bank Balance	12/31/2017	\$5,533.07
<i>Funds Received:</i>		
1/27/2017ACH Square - February Luncheon		\$25.92
1/26/2017ACH Square - February Luncheon		\$25.92
1/23/2017AGA Quarterly Membership Deposit		\$25.00
1/18/2017Pmt for Dec Luncheon - GLO		\$27.00
1/13/2017ACH Square - January Luncheon		\$317.59
1/12/2017ACH Square - January Luncheon		\$134.45
1/11/2017ACH Square - January Luncheon		\$129.89
1/3/2017ACH Square - January Luncheon		\$25.92
1/1/2017Dividend through 12/31/2017		\$0.50
Total Funds Received		\$712.19

Funds Available **\$6,245.26**

Funds Expended:

<i>Date</i>	<i>Check No./Credit Card.</i>	<i>Description</i>	<i>Amount</i>
1/26/2017	Debit card	Purchase of 4 luncheon gift cards	\$80.00
1/13/2017	Debit card	Payment for Luncheon - Pappadeaux	\$813.96
Total Funds Expended			\$893.96

Ending Bank Balance **\$5,351.30**

Check Register Reconciliation:

Ending Bank Balance **\$5,351.30**

Outstanding Checks:

<i>Date</i>	<i>Check No.</i>	<i>Description</i>	<i>Amount</i>
Total Outstanding Checks			\$0.00

Outstanding Deposits:

<i>Date</i>	<i>Description</i>	<i>Amount</i>
Total Outstanding Deposits		\$0.00

Adjusted Ending Bank Balance **\$5,351.30**

Total Chapter Funds Available Per Check Register **\$5,351.30**

Cash On Hand:

CU Min Savings Balance	\$5.00
Luncheon Bank	\$40.00

Treasurer's Report For the period ending 2/28/17

Beginning Bank Balance	1/31/2017	\$5,351.30
<i>Funds Received:</i>		
2/28/2017 ACH Square - March Luncheon		\$30.77
2/24/2017 ACH Square - March Luncheon		\$311.46
2/21/2017 ACH Square - March Luncheon		\$30.77
2/21/2017 ACH Square - March Luncheon		\$186.29
2/10/2017 ACH Square - February Luncheon		\$130.62
2/9/2017 ACH Square - February Luncheon		\$80.67
2/8/2017 ACH Square - February Luncheon		\$158.43
2/7/2017 ACH Square - February Luncheon		\$51.84
2/6/2017 ACH Square - February Luncheon		\$25.92
2/1/2017 Dividend through 1/31/2017		\$0.47
Total Funds Received		\$1,007.24
Funds Available		\$6,358.54
<i>Funds Expended:</i>		
<i>Date</i>	<i>Check No./Credit Card.</i>	
1/13/2017	Debit card Payment for Luncheon - Pappadeaux	\$606.73
Total Funds Expended		\$606.73
Ending Bank Balance	2/28/2017	\$5,751.81
Check Register Reconciliation:		
Ending Bank Balance	2/28/2017	\$5,751.81
<i>Outstanding Checks:</i>		
<i>Date</i>	<i>Check No.</i>	<i>Description</i>
Total Outstanding Checks		\$0.00
<i>Outstanding Deposits:</i>		
<i>Date</i>	<i>Description</i>	
Total Outstanding Deposits		\$0.00
Adjusted Ending Bank Balance	2/28/2017	\$5,751.81
Total Chapter Funds Available Per Check Register	2/28/2017	\$5,751.81
<i>Cash On Hand:</i>		
	CU Min Savings Balance	\$5.00
	Luncheon Bank	\$40.00



AGA NETWORKING EVENT

Sellers Underground

WEDNESDAY, APRIL 20, 2016

5:00 PM - 8:00 PM

213 W. 4th St.

**State employee Parking Available at 333 Guadalupe St.
(Garage L)**

Enjoy a complimentary beverage of your choice along with appetizers

Mingle with current and potential future AGA members

Bring a friend who may be interested in joining the AGA Austin Chapter

March Food Drive

Austin Chapter of AGA will host a food drive for the Capital Area Food Bank to help provide meals to families in need in the Austin Community. The Capital Area Food Bank of Texas is the largest hunger-relief charity in Central Texas providing food and grocery products, nutrition education and social services outreach to 300,000 clients each year through a network of 300 Partner Agencies. The Capital Area Food Bank welcomes healthy food donations of any quantity anytime, however please consider the following:

- To ensure your food gift is safe and healthy, please be sure to give: healthy, non-perishable food items with intact, unopened, consumer or commercial packaging, items with non-breakable packaging (no glass please), and food within the expiration date on the packaging.
- Clients request the following items most often: peanut butter, canned chicken breast or tuna, canned low sodium vegetables, canned fruit in its own juice (no sugar added), dry pinto beans, brown rice, non-fat dry milk powder, 100% whole grain cereal,

Please bring any non-perishable items that you would like to donate to families and those in need to the Austin AGA evening Networking Mixer on April 20th, 2017 from 5:00-8:00pm at Sellers Underground (213 W. 4th St., Austin, TX).