



## 2016 Policy Priorities



### **TAX-EXEMPT MUNICIPAL BONDS: CRITICAL FOR INFRASTRUCTURE**

Tax-exempt municipal bonds are the primary financing mechanisms for state and local infrastructure projects. If the current tax treatment is eliminated or capped, the associated increase in cost to finance much needed infrastructure projects will shift to states and municipalities. Proposed changes would force state and local governments to curtail investments in critical infrastructure projects or pass on the increased costs to taxpayers.

### **HIGH QUALITY LIQUID ASSETS: THE DEFINITION OF MUNICIPAL SECURITIES**

In 2014, federal regulators finalized a Liquidity Coverage Ratio (LCR) Rule that did not define municipal securities as high quality liquid assets (HQLA). NAST supports bipartisan, House-passed legislation (H.R. 2209), introduced by Representatives Luke Messer (R-IN) and Carolyn Maloney (D-NY), that ensures highly rated municipal securities are treated as level 2A liquid assets.

### **FINANCIAL LITERACY PROMOTION**

Financial literacy programs enable individuals and families to make the best use of their financial resources at key points in life. State treasurers and their private sector partners are working diligently to provide education and hands-on training to teach Americans of all ages these critical skills.

### **COLLEGE SAVINGS PLANS: EXPANDING ACCESS TO COLLEGE**

529 College Savings Plans are the primary tax advantaged way for families to save for college. As a part of the Bipartisan Budget Act of 2015, Congress and the Administration approved bipartisan legislative enhancements to the 529 program (H.R. 529/S. 335). NAST and its affiliate, the College Savings Plans Network (CSPN) look forward to working with Congress to improve 529 plans as Congress considers other changes to the tax code and the reauthorization of the Higher Education Act.

### **ABLE ACT: PROVIDING BENEFIT TO THE DISABLED COMMUNITY**

Signed into law in 2014, the ABLE Act (H.R. 637/S. 313) amends the Internal Revenue Code to include tax-exempt ABLE accounts for individuals with disabilities. State treasurers and 529 administrators are working diligently to ensure that this new program benefits the disabled community in the manner intended.

**Advocacy | Education | Networking | Information | Recognition**

## ABOUT NAST

The National Association of State Treasurers was founded in 1976 to provide a forum for state treasurers to share information and learn from each other. NAST seeks to provide advocacy and support that enables member states to pursue and administer sound financial policies and programs benefiting the citizens of the nation.

Membership is composed of all state treasurers or state finance officials with comparable responsibilities from the United States, its commonwealths, territories, and the District of Columbia. The private sector is represented through the Corporate Affiliate Program that was established to build professional relationships and foster cooperation between the public and private sectors. The association serves its members through educational conferences and webinars, a variety of working groups, policy advocacy and publications that provide information about developments in public finance.

### NAST OFFICERS

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**President:** Washington State Treasurer James McIntire

**Senior VP:** Oklahoma State Treasurer Ken Miller

**Secretary-Treasurer:** Vermont State Treasurer Beth Pearce

### NAST COMMITTEES

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#### Executive Committee

NAST's officers serve on the Executive Committee along with four regional Vice Presidents, the immediate Past President, the Chair of each network, the Legislative Committee Chair and the Corporate Affiliate Advisory Board Chair.

#### Banking and Cash Management Committee

This committee provides leadership on all banking-related issues in state treasuries and helps coordinate the Banking & Cash Management Track at the Treasury Management Training Symposium.

#### Financial Literacy, Financial Wellness and Retirement Readiness Committee

This committee tracks the financial literacy programs in all states and provides assistance to states on how to broaden and promote those programs. The committee also helps coordinate the Financial Literacy Track at the Treasury Management Training Symposium.

#### Legislative Committee

The committee tracks legislative and regulatory issues in Congress and the Administration that is relevant to state treasury departments. They provide regular updates on these issues to the membership while also publishing advocacy documents for all to use as references.

#### Pension & Trust Investment Committee

This committee provides guidance and education on pension related issues to members. They coordinate sessions at conferences on a variety of timely topics with pension experts.

### NAST NETWORKS

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#### COLLEGE SAVINGS PLANS NETWORK (CSPN)

The College Savings Plans Network is a network of officials who administer Section 529 qualified tuition programs and are dedicated to enhancing the communication, cooperation and effective administration among the plans. The Network seeks to influence the setting of national policy affecting Section 529 qualified tuition plans and those saving for college, and to ensure that Section 529 qualified tuition plans remain a leading choice for families to save for college.

#### NATIONAL ASSOCIATION OF UNCLAIMED PROPERTY ADMINISTRATORS (NAUPA)

Formed in 1962, NAUPA is the foremost authority on unclaimed property and the affirmed leader of the coalition of states, administrators, and holders working together to reunite rightful owners with their property. The purpose of the association is to promote and strengthen unclaimed property administration and interstate cooperation in order to enhance states' return of unclaimed property to rightful owners and provide a forum for the open exchange of information and ideas. Members represent all fifty states, the District of Columbia, the Commonwealth of Puerto Rico, U.S. Virgin Islands, several Canadian provinces, and other governmental entities.

#### STATE DEBT MANAGEMENT NETWORK (SDMN)

The State Debt Management Network represents state officials and other persons involved in the issuance, management, and/or oversight of public debt. SDMN provides assistance, shares information and promotes professional relationships in the state debt community while providing educational and professional development opportunities for its membership.

## 2016 POLICY PRIORITIES

### TAX-EXEMPT MUNICIPAL BONDS: CRITICAL FOR INFRASTRUCTURE

For more than 100 years, tax-exempt bonds have been the primary financing mechanism for state and local infrastructure projects. These critical infrastructure tools have provided essential funding for states, counties and localities across the nation. In fact, three-quarters of all public infrastructure projects in the U.S. are built by states and local governments utilizing the public-private partnership embodied in these bonds.

If tax-exempt municipal bonds are eliminated or if their tax-exemption is capped, states, localities and ultimately taxpayers will be forced to pay more to finance much needed infrastructure projects. These higher costs will cause state and local governments to forgo or delay much-needed projects resulting in deteriorating infrastructure and fewer jobs. Tax-exempt municipal bonds are efficient, effective and are critically needed to build and rebuild the nation's highways, bridges, water systems and schools.

***The National Association of State Treasurers opposes any change to the current tax treatment of municipal bonds and will fight to ensure that state and local governments have the ability to finance infrastructure projects at the lowest possible cost to taxpayers.***

### HIGH QUALITY LIQUID ASSETS: THE DEFINITION OF MUNICIPAL SECURITIES

NAST also supports H.R. 2209, bipartisan legislation that recently passed the House to amend the 2014 Liquidity Coverage Ratio Rule to include highly rated municipal securities that are both liquid and readily marketable as "High Quality Liquid Assets" (HQLA). By classifying these investment grade municipal securities as HQLA, this legislation would provide much needed support for states and communities that rely on municipal bonds as low-cost, efficient sources of funding for schools, roads, bridges and other essential public infrastructure projects.

***The National Association of State Treasurers appreciates the efforts of Representative Luke Messer (R-IN) and Representative Carolyn Maloney (D-NY) and all cosponsors of HR 2209 to ensure that highly rated municipal securities are considered at least as liquid as foreign debt and encourages the Senate to take up and pass this legislation at the earliest possible date.***

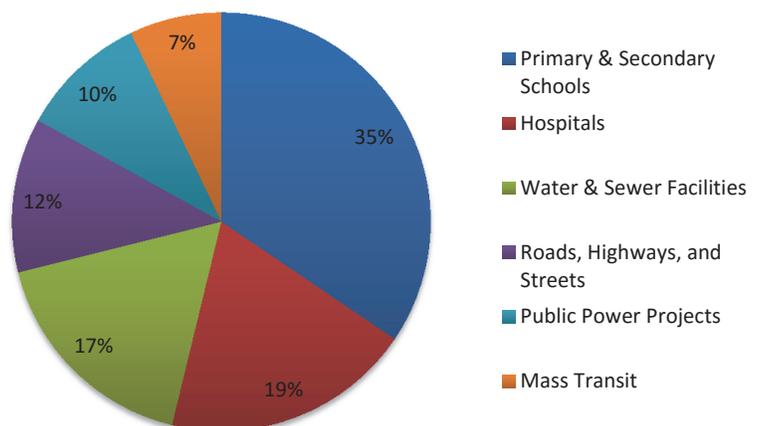
### FINANCIAL LITERACY PROMOTION

As the top financial officers in their respective states, treasurers are in a unique position to champion financial literacy efforts among individuals of all ages, economic status and educational backgrounds. Financial literacy programs enable individuals and families to make the best use of their financial resources at key points in life, such as college savings for children or when purchasing a home, planning for retirement, maintaining good credit, or developing a household budget.

Financial literacy begins with the consistent education of our youth. Treasurers and their private sector partners have worked within the elementary and secondary education system for years to design interactive programs and have developed other forms of hands-on training to teach these critical skills.

### State and Local Government Projects Financed Through the Tax-Exempt Bond Market (2003-2012)

- \$514 billion in primary and secondary schools
- \$288 billion in hospitals
- \$258 billion in water and sewer facilities
- \$178 billion in roads, highways and streets
- \$147 billion in public power projects
- \$106 billion in mass transit



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Another target audience for financial literacy efforts is families, particularly those with young children. Treasurers and 529 college savings plans administrators work at the community level to stress the importance of saving for college, particularly among low and middle income families. Retirement savings is another point of focus for both middle age and senior Americans. Treasurers have created programs specifically focused on senior money management, which often include community seminars and information made available online.

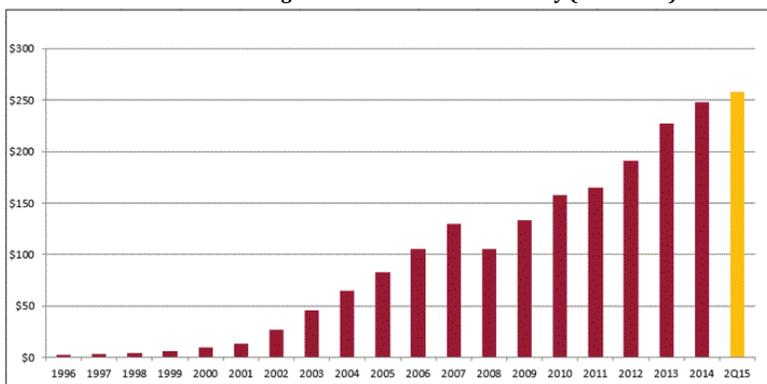
***Treasurers have broad experience in designing and disseminating key financial literacy education in their states. As Congress and the Administration contemplate ways to improve financial literacy, we urge them to find ways to partner with – and learn from the experiences of - treasurers in implementing innovative and proven financial education programs across the nation.***

### COLLEGE SAVINGS PLANS: EXPANDING ACCESS TO COLLEGE

529 college savings plans encourage higher education, assist American families in coping with the rising cost of higher education and help reduce student loan debt for the nation's graduates of public, private, community, technical and vocational schools. With over 12 million open accounts and an average account size of nearly \$21,000, 529 accounts are the most important college savings tool for families.

Research shows that children with a college savings account in their name are six to seven times more likely to attend a four-year college, compared with similar children with no dedicated account.<sup>1</sup> Much of the rapid growth of 529 plans has been fueled by consistent state advocacy and outreach that is particularly targeted to middle class families to help improve college access and affordability and promote a better-educated workforce.

Assets Under Management in 529 Plans Nationally (in billions)



The 529 program has been a remarkable success story, but more work remains. As a part of the Bipartisan Budget Act of 2015, Congress and the Administration approved bipartisan legislative enhancements to the 529 program (H.R. 529/S. 335). These important enhancements included making computers an eligible higher education expense and allowing for the redeposit of refunds for students who withdrew from school. NAST and its affiliate, the College Savings Plans Network (CSPN), look forward to working with Congress to continue to foster policies at the federal level that support continued growth in college savings for families across the country.

As Congress considers the reauthorization of the Higher Education Act, NAST and CSPN support a change in the federal financial aid methodology to (1) exempt up to \$35,000 of the assets in all 529 accounts held by the parents from counting as parental assets in determining a family's expected contribution; and (2) allow for the reporting of 529 plan assets held by grandparents or noncustodial parents as parental assets on the Free Application for Federal Student Aid (FAFSA) and not count those assets as income to the student in the following year when used towards eligible expenses. These two modest policy changes will mean a great deal to low and moderate income families, and will remove concerns that are often a barrier to those considering saving for higher education.

***The National Association of State Treasurers appreciates the efforts of Congress to enhance 529 plans and looks forward to working with Congress to ensure greater access to higher education through college savings plans.***

### THE ABLE ACT: PROVIDING BENEFIT TO INDIVIDUALS WITH DISABILITIES

In addition to 529 colleges savings plans, many state treasurers or 529 administrators have a responsibility for the establishment and operation of their state's 529A accounts created by the ABLE Act. We are eager to make this new program beneficial for disabled individuals and their families and are committed to working with state and federal policymakers and stakeholders to make these programs attractive, accessible, affordable and user-friendly.

<sup>1</sup> The Role of Savings and Wealth in Reducing Wilt between Expectations and College Attendance. Subsequently published as: Elliott, W. and Beverly, S. (2011). The role of savings and wealth in reducing wilt between expectations and college attendance. Journal of Children & Poverty, 17(2), 165-185. William Elliott III University of Pittsburgh, School of Social Work. Sondra Beverly, Center for Social Development. 2010