



March 15, 2012

GASB Director of Research and Technical Activities, Project No. 13-3
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Comment on Preliminary Views on Major Issues Related to Economic Condition Reporting:
Financial Projections

Dear Director of Research and Technical Activities:

The National Association of State Budget Officers (NASBO) would like to respond to GASB requests for comments on GASB publication NO. 13-3, Preliminary Views of the Governmental Accounting Standards Board on major issues related to Economic Condition Reporting: Financial Projections, dated November 29, 2011.

NASBO adamantly opposes any effort on the part of the GASB to set standards of reporting for fiscal sustainability. NASBO believes the goals of fiscal sustainability are desirable, but they can be better addressed through other public financial management tools. If implemented, NASBO is of the opinion that GASB economic condition reporting requirements will usurp other forms of public financial accountability and oversight, resulting in diminished public financial management responsiveness. These other forms of public financial accountability, such as the budget document, the budget process, legislative appropriations process, elections, and public referendums, are better suited to ensure fiscal stewardship and hold elected officials and government employees accountable to taxpayers and voters. To implement new economic condition reporting requirements would therefore not improve the use of public resources, which is ultimately an exercise in decision making by elected officials, but instead likely place unjustified administrative burdens on public agencies that are already stretched thin.

The traditional role of GASB has been to promulgate guidance on the use of historical, objective data to improve control, transparency, and accountability in government. However, GASB defined areas of fiscal sustainability are not driven by historical information and therefore fall outside the scope of GASB authority and expertise as it is universally understood. The economic condition reporting components would entail GASB involvement in areas of public finance that for fundamental reasons should remain under different accountability structures. NASBO also believes required projections would be based upon too many built-in assumptions regarding future financial operating conditions that the projections would be rendered questionable and potentially misleading. Fiscal sustainability reports would require the incorporation of a number of assumed factors including: policy plans, budgetary decision outcomes, federal legislative changes, agency capacity, economic variables and tax revenues, and demand for services. Basing

projections on the assumption that these factors will remain static does little to promote fiscal sustainability, especially when historical evidence suggests changes are likely inevitable and unpredictable. Adding to this complexity, different entities are charged with different aspects of financial reporting across jurisdictions, which will result in little uniformity or consistency in the development of projections both within and across jurisdictions.

The most recent downturn has also shown that financial operating conditions change in unpredictable ways. In short, economic condition reporting requirements will do little to shape the financial operating conditions that dictate government activities. Furthermore, since many of the economic condition reporting requirements are already being done, the potential benefits do not outweigh the added administrative costs.

Sincerely,

A handwritten signature in cursive script that reads "John Hicks".

John Hicks
President
National Association of State Budget Officers