



STATE OF NEW YORK
EXECUTIVE DEPARTMENT
DIVISION OF THE BUDGET
ALBANY, NY 12224

ANDREW M. CUOMO
GOVERNOR

ROBERT L. MEGNA
DIRECTOR OF THE BUDGET

March 16, 2012

Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
(Email delivery to director@gasb.org)

RE: Project No. 13-3, Preliminary Views on Economic Condition Reporting:
Financial Projections

Ladies and Gentlemen:

The State of New York (the "State") submits this letter in response to a request by the Governmental Accounting Standards Board ("GASB") for comment on the Preliminary Views on Economic Condition Reporting: Financial Projections (the "PV" or "Proposal"). We appreciate the opportunity to comment on the PV and hope the GASB finds the State's views helpful. We would also like to register to participate in person at the hearing on the PV scheduled for April 17, 2012 to further discuss our view.

According to the PV, the intent of the proposal on financial projections is to require governments to provide "forward-looking information [that will] better enable taxpayers, bond holders, and other interested parties to assess a government's financial health and its fiscal sustainability." As a state that already provides investors and the public at large with comprehensive multi-year financial plan projections updated on a quarterly basis (along with extensive information on the methodologies and assumptions that support the projections), we certainly understand and appreciate the value of forward-looking information for governmental decision-making and citizen participation. We also know that providing timely, complete financial information, including multi-year projections, is critical in maintaining the State's ready access to the capital markets, as well as in evaluating emerging public policy needs.

The comments that follow, therefore, should not be construed in any way as questioning the value of governments preparing financial projections. The question, though, is whether the GASB proposal provides a proper means for promoting such projections. While we respect the research and deliberations undertaken by the GASB in this effort, we believe the proposal is both inappropriate and ineffective in promoting the use of multi-year financial projections. It is inappropriate because governments, not an accounting standards board, are the competent entities to establish standards for budgeting and financial projections, and to determine who is responsible for their preparation. It is ineffective because the proposal would require the State to produce *pro forma* projections, using GASB-prescribed principles and reporting models, which would potentially conflict with the more comprehensive multi-year financial projections that the State already prepares on a quarterly basis, and thereby provide limited decision-useful information to government officials and the public.

The State has adopted a comprehensive budgeting and financial planning regime through legitimate constitutional, legislative, and administrative processes (elements of the regime which date to the advent of the Executive budgeting system in 1926). The State's regime ensures that officials and the public have comprehensive, decision-useful information on financial projections that are timely and reflect the best judgment of the government. The State Division of the Budget ("DOB"), in concert with other government officials and outside experts, develops projections that take into account current circumstances, expected future events, and risks. The DOB applies rigorous and sophisticated methods to develop its multi-year projections of receipts and disbursements, and describes these methods in detailed publications that accompany the State's financial plan.

By comparison, the GASB proposal, with its emphasis on approved actions and trends, would require the State to now develop a separate set of *pro forma* projections, following the principles established by GASB. It is simply hard for us to see the value of this costly, duplicative, and potentially contradictory effort for government officials, investors, or the public at large in a state or local government with a highly developed financial planning regime.

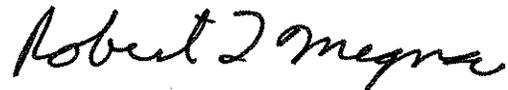
We are also concerned that the proposal has the potential to blur carefully drawn constitutional and statutory responsibilities, and inadvertently merge accounting and financial planning functions into the financial statements. In New York, the State Constitution and State statute set clear roles for the participants in the fiscal process, including statewide elected officials such as the Governor and State Comptroller. DOB, acting under the direction of the Governor, is responsible for preparing and implementing the State's official multi-year financial plan. DOB's role in the budget process is set forth in State law. The State Comptroller is responsible for preparing the basic financial statements. By requiring the inclusion of the *pro forma* projections as required supplementary information in the statements, the proposal has the potential, at some future

point, to disrupt our capacity to speak authoritatively and with one voice to investors and the public at large concerning official financial plan projections. We do not see how creating the conditions for such an outcome, which is precisely what the GASB proposal does, will aid transparency and responsible governmental planning.

Accordingly, we urge the Board to withdraw the proposal on financial projections and continue to focus GASB's efforts on its core mission of providing reliable, timely accounting standards for preparers and users of financial statements.

Again, thank you for the opportunity to comment on this important matter.

Sincerely,

A handwritten signature in black ink that reads "Robert L. Megna". The signature is written in a cursive, flowing style.

Robert L. Megna