



Finance Department

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Director of Research and Technical Activities
Governmental Accounting Standards Board (GASB)
401 Merritt 7
PO Box 5116
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RE: Project 13-3, Preliminary Views, Economic Condition Reporting: Financial Conditions

GASB is proposing to set standards of reporting for fiscal sustainability. The preliminary GASB definition of fiscal sustainability is: "...a government's ability and willingness to generate inflows of resources necessary to honor current service commitments and to meet financial obligations as they come due, without transferring financial obligations to future periods that do not result in commensurate benefits..." While the goals of fiscal sustainability are desirable, they can be better addressed through other public financial management tools. If implemented, the GASB economic condition reporting requirements could confuse and conflict with existing forms of public financial accountability and oversight, such as the budget document, the budget process, legislative appropriations processes, elections, and public referenda. These mechanisms are better suited to ensuring fiscal stewardship and holding elected officials and government employees accountable to taxpayers and voters.

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, arguably, fall outside the scope of GASB authority and expertise as it is universally understood. GASB's proposed projection requirements would be based upon a multitude of assumptions regarding future financial operating conditions that could render them questionable and potentially misleading to the public and their elected representatives. Fiscal sustainability reports would require assumptions in terms of policy plans, budgetary decision outcomes, federal, state and local legislative changes, agency capacity, economic factors and tax revenues, and demand for services. Adding to this complexity is that 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.

Fiscal sustainability is determined to a great extent by the assumed factors that economic condition reporting requirements fail to address. The most recent downturn has also shown that financial operating conditions change in unpredictable ways. In short, economic condition reporting requirements may do little to shape the financial operating conditions that dictate government activities.

GASB has done much to assist governments with meaningful presentation of historical financial and accounting information. Implementation of this proposal would create considerable confusion, add unnecessary costs, and potentially undermine the improvements in financial reporting that the organization has sought to promote.

Sincerely,

David Schmiedicke
Finance Director