September 24, 2012

Mr. David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116


Dear Mr. Bean:

On behalf of the Washington State Office of Financial Management (OFM), I am pleased to offer the following comments on the Governmental Accounting Standards Board’s (GASB) Exposure Draft (ED) Accounting and Financial Reporting for Nonexchange Financial Guarantee Transactions. OFM serves as the state’s controller, issuing all state accounting and reporting policies as well as the state’s Comprehensive Annual Financial Report (CAFR).

Washington voters passed a constitutional amendment in November 1999 creating the School Bond Guarantee Program. The program’s purpose is to provide savings to state taxpayers by pledging the full faith, credit, and taxing power of the state to guarantee payment of voter-approved school district general obligation bonds. School districts must comply with certain standards in order to qualify for the program. The program stipulates that the County Treasurer shall collect property taxes approved by the voters for repayment of the bonds and then transfer to the paying agent sufficient funds for each scheduled debt service payment on or before any principal or interest payment date for the bonds. To date, the state has not been called upon to pay debt service on any guaranteed school debt. The state’s Comprehensive Annual Financial Report (CAFR) currently includes a general description of the program along with annualized data on the number of participating school districts and the total amount of general obligation debt guaranteed by the program and a statement that the state estimates that a liability related to the program, if any, would be immaterial.
Except as noted below, we generally agree with the proposed statement. Based on the above factors, we do not anticipate that the state of Washington will need to recognize a liability in relation to this proposed statement but will need to include additional disclosures.

The proposed statement requires that a government should recognize a liability when past experience or other qualitative factors indicate that it is more likely than not that a payment will be made on a guarantee. While we agree that a liability should be recognized in the event of a potential bond default, we feel that the Board should reconsider the recognition criteria to be more consistent with the provisions of GASB Statement 62 which requires recognition of a liability when it is probable that a payment will be made and the amount can be estimated. We do not find the explanation provided in paragraphs 28 and 29 compelling.

Paragraph 47 indicates that the overall objective of the proposed statement “is to provide information to assist users (the citizenry, legislative and oversight bodies, and investors and creditors) in assessing the accountability of governments and in making economic, social and political decisions.” We feel that our current level of disclosure is adequate given that Washington’s program is established in the state’s constitution and we make publically available most of the required data online at: http://www.tre.wa.gov/government/schoolBondGuarantee.shtml. Further, Official Statements for bond sales also include information on the number and total amount of the guarantees, along with a description of the program. The proposed standard further clutter the CAFR with information already readily available.

We appreciate the opportunity to participate in the Board’s due process and thank the Board for considering our views. If you have any questions regarding this response, please contact me at (360) 725-0185.

Sincerely,

/s/ Wendy Jarrett, Assistant Director
Accounting Division