Dear Director:

I am writing to provide feedback on GASB’s proposed exemption of certain TIFs that fund public infrastructure from Statement 77 disclosure.

I am an academic researcher conducting comparative analysis of government economic development policies. This research is hampered by the lack of transparency of government financial commitments and Statement 77 provides a new opportunity for comparative analysis of economic development programs and local government finance using audited data. These principals of comparability and data quality are not only important for academic research, but also essential for private sector’s ability to evaluate a government’s financial obligations.

Exempting certain TIFs from Statement 77 can lead to two potentially disastrous consequences for the quality of government finance data.

First, the comparability of Statement 77 disclosures will be compromised as the use of TIFs is highly uneven across locations. Some locations, such as governments in Illinois, engage in extensive use of TIFs. Exempting TIFs from Statement 77 can make the comparisons across jurisdictions meaningless.

Second, and potentially more damaging, there is the potential of adverse selection. Governments that want to avoid disclosure of their financial commitments to private actors will engage in economic development activities that are not subject to Statement 77 disclosure. This could lead to an understatement of private commitments and overstatement of financial health of the communities for some government bodies. The governments that want to hide their commitments are the exactly the ones that would use TIFs exempted from Statement 77 disclosure.

I cannot stress enough how damaging this TIF loophole could be for comparative data quality. Rather than illuminating government finances, Statement 77 could distort government economic development decisions and lead to incomparability of CAFRs.

Nathan Jensen
Professor
Department of Government
The University of Texas at Austin