

January 25, 2015

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

Dear Mr. Bean:

Even if and when new rules are created "to report on the costs" of tax-based economic development subsidies, the GASB will still fall short and miss out on the opportunity in fulfilling its Vision and Mission relating to "greater accountability and well-informed decision-making through excellence in public sector financial reporting", thereby, "result(ing) in useful information for users of financial reports" and as a "guide (to) educate the public . . .". Developing a better cost reporting system alone is not nearly as valuable and relevant as to also understand whether massive expenditures of public funds are being spent to produce public goods, using a cost-benefit analysis in selected geographical areas where socioeconomic needs are greatest, as determined by public participation and consensus.

For almost 30 years, we have had no transparency and therefore no accountability in this environment.

Key to enhancing GASB's responsibility to develop "financial reporting communications" resulting in useful information for users of these reports which "guides and educates the public", is this critical element: timely and relevant data which assists to correlate best outcomes in the economic policy-making process. Current practice in "economic development" programs allows for very generalized "benefits" to the government by merely citing greater business development activity, increases in simple employment, increases in sales tax revenue, increased building permits, etc., yet these business sector outcomes bear little or no consequence to public outcomes which are sorely needed. In short, massive public subsidies create private sector benefits but little or no corresponding public sector benefits; "economic" development and "business" development are not identical terms, as long applied. Let's not conflate one with the other.

The GASB needs to consider whether it simply wants to develop new rules involving "transactional" financial reporting which meets a narrow and limited definition of a "tax abatement" activity, or whether it aspires to expand its role in public sector financial reporting **to include** goal-related, socioeconomic performance outcomes (not incentives). Doing so would be consistent with your Board's Statement that the "information needs of the users of governmental financial statements are different from the needs of private company financial statements"; this understanding is significant and greatly relevant for citizen groups and taxpayers alike.

San Antonio, Texas is a case in point. For many years, our city has touted its "economic development" success, spending over \$1 billion in public funds. Yet, San Antonio remains a structurally and generationally poor city, the poorest major urban center in the state. No effort is made to correlate the massive use of public funds rendered under Tax Abatement Agreements with actual socioeconomic impacts; citizens are not involved in the process of economic policy-making. Yet the use of massive public funds leverages the "success" of private companies leading to business page announcements of a "healthy" economy, strong "economic growth" trends, and "robust" forecasts in areas of the city who should be self-financed using conventional banking arrangements. Even our Chambers of Commerce talk about "economic development", not realizing that this is a public sector term, whose aims are public sector outcomes, not private ones.

An improved rules-based, transactional public sector financial reporting system would purposely use its customary Opinion and Recommendations role to highlight ways and means particular subsidized activities reveal regarding the public good, **in contrast** to private goods outcomes. Once again, **current practice allows for greater private goods to be produced** than for the public good, all massively subsidized by the public dollar. It is in this capacity that the GASB can truly achieve the objectives of its Vision and Mission statements, reform policy-making, better utilize the value of upcoming "massive new bodies of analysis", and which results in really useful information for citizens interested in qualitative financial, program-based, performance reports.

Unless the GASB develops rules which better defines the thresholds for greater productivity, efficiency, and effectiveness in public sector financial reporting, little will be accomplished in this request for public input. Let's closely examine the informational needs of public users who have a legitimate need to understand the nature of billion-dollar "benefits" lost to business tax breaks granted for "economic" development purposes involving any program using public taxpayer dollars.

Sincerely,

Fernando Centeno  
San Antonio, Texas  
78209