David R. Bean,

Director of Research and Technical Activities
Governmental Accounting Standards Board

Re: Projects 3-20 and 3-25

Dear Director Bean:

Thank you for the opportunity to comment on Projects Nos. 3-20 and 3-25.

As a reporter, I frequently cover Michigan's budget and finances.

For the last few years, I have suspected that government officials have been painting a far rosier financial picture than reality. They have been touting surpluses, but hide massive, unfunded pension debt. Unfortunately, I have struggled with finding the true financial condition of the state.

To avoid unsustainable debt, elected officials are required by law to balance the state's budget. Yet the state has accumulated more than $41 billion in unfunded pension debt and $17 billion in unfunded other post-employment benefits debt.

These shady accounting practices give reporters and taxpayers a false sense of security.

As a reporter, it's my job to tell readers the complete story of government finances, which is difficult since government officials hide debt loads from accounting sheets. I believe the most transparent method to accurately depict state government is to show a general fund balance sheet that includes the long-term debt the general fund is obligated to pay. Even with a background in finance and economics, government balance sheets can be hard to understand. What would be most helpful is to have a general fund income statement that includes incurred expenses not just expenditures.

I understand that the Governmental Accounting Standards Board has issued exposure drafts that would reinforce the shortcomings of the current fund accounting system. This will continue to allow even greater debt accumulation amidst "balanced budgets" and reported "surpluses."

I urge the Board to withdraw these exposure drafts and instead consider improving fund accounting with full accrual calculations so the average taxpaying person can understand government finances as easily as they understand their own.

Thank you for your consideration,

Best,

Scott McClallen