



THE POLICY CIRCLE[®]
START THE CONVERSATION

February 2021

David R. Bean

Director of Research and Technical Activities

Governmental Accounting Standards Board

Sent via email: director@gasb.org

Re: Projects 3-20 and 3-25

Dear Director Bean:

The Policy Circle is a non-partisan, grassroots organization that provides a framework to boost civil discourse and civic engagement. We empower women to become more vocal in public policy dialogue and civic engagement within their community, their state and their country. But without accurate and truthful information, it is hard for us to complete our mission.

Our members cannot understand or discuss tax and spending policies without accurate and truthful government financial information. We have members all over the country who are misled by claims of balanced budgets while debt is increasing.

As we understand, most local governments budget their general funds using cash-basis accounting principles or, as you call it, "modified accrual accounting." When reporting if the general fund ran a surplus or deficit, the general fund income statement includes only the incurred expenses that will be paid in the next year, not all long-term obligations. Governments routinely do not write checks to fund their pension plans properly. They in essence "charge" the pension portion of their employees' compensation, to the government's pension "credit card." Therefore, these expenses do not negatively affect their general fund balance. Instead, governments can falsely claim "surpluses" or "reserves" by ignoring long-term debt.

How can our members understand tax and spending policies when they do not know the true cost or debt of their government? We understand that there is a section in the comprehensive annual financial report to record the long-term liabilities, but this is not the document that most elected officials use to tout that they have balanced the budget, i.e. the general fund.

We believe that the Governmental Accounting Standards Board has contributed to confusion during the budgeting process and have made it impossible for our members to understand their government's finances. That is why we are imploring you to reject the current exposure drafts and consider standards that would improve general fund statements. Our members and all citizens deserve to know whether their government's budget was truly balanced and how much debt will have to be paid by future taxpayers. GASB should require governments to use full accrual accounting for their general fund statements, so all incurred liabilities and related expenses are included not obscured.

Thank you for listening to our concerns,

Judi Willard

Director of Membership, The Policy Circle