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LETTER OF COMMENT NO. 53

February 12, 2008

Ms. Teresa S. Polley
Chief Operating Officer
Financial Accounting Foundation
401 Merritt 7
Norwalk, CT 06856-5116

Dear Ms. Polley:

The New York State Government Finance Officers' Association, Inc. (NYS GFOA) is a membership organization with almost 1,200 members dedicated to enhancing and promoting the professional management of governmental resources. On behalf of our Board of Governors, we thank the Financial Accounting Foundation (FAF) for the opportunity to comment on its *Proposed Changes to Oversight, Structure, and Operations of the FAF, FASB, and GASB*.

We wish to specifically comment on the FAF's proposed actions pertaining to the Governmental Accounting Standards Board (GASB).

Proposed Action: Secure a stable mandatory funding source for GASB.

We agree that the current voluntary approach to funding GASB operations does not provide sufficient financial resources needed for GASB to fulfill its mission. However, we believe that restricting mandatory funding to just an assessment on state governments is too limiting as there are thousands of governmental entities that apply GASB standards. We also question how the FAF could make such an assessment on state governments mandatory.

NYS GFOA recommends that a broad based assessment methodology be considered with the understanding that not all government entities will choose to participate. We offer two suggestions for consideration:

1) We suggest that a nominal fee be assessed on all state and local government bond issuances (excluding certain debt issuances such as short-term notes and bond anticipation notes (BANS)). For example, if a fee of .0001% (one-thousandth of one percent) were assessed on the total volume of municipal bonds issued in 2007 (\$427.6 billion according to Thomson Financial), potentially \$4.276 million dollars could have been collected for the support of GASB. When added to the net sales of GASB publications and subscriptions (\$2.2 million in 2006), GASB would be financially self-sufficient to continue its mission and expand services to its constituents.

We also suggest that conversations be held with organizations representing those who participate in the municipal bond market as well as the Municipal Securities Rule Making Board (MSRB) to explore this concept.

2) We suggest that a voluntary assessment methodology be established with all the governmental associations to which a majority of governments have membership. These groups should be asked to work together to develop a methodology for assessing their members, as an add-on to their annual membership dues, a voluntary contribution to GASB. Again, the methodology would have to account for the fact that many governmental entities may not elect to contribute. Suggested criteria for determining the size of an entity's voluntary assessment could be their population, budget size or the previous year's revenues.

We recognize this methodology would require consensus between many associations but believe that asking 80,000 plus governmental units to contribute a small amount to support GASB is better than asking 50 states to make large contributions.

Proposed Action: Retain the current size, term length, and composition of GASB.

We support retaining the current GASB structure of a full-time Chair and six part-time Board members, their current lengths of term, and Board composition.

Proposed Action: Provide the GASB Chair with decision-making authority to set the GASB technical agenda.

NYS GFOA has great respect and confidence in the current role of the GASB Board in contributing to the setting and prioritizing of the GASB technical agenda, however, we disagree with providing the GASB Chair with sole decision-making authority to set the GASB technical agenda. The diversity of critical issues confronting government finance requires the GASB decision making process to be consensus-based and not controlled by one individual. The government finance backgrounds and experience of all GASB Board Members need to play an integral role in the decisions of which projects make the technical agenda and assigning priorities.

Without full Board participation, the opportunity for divisiveness could arise if a majority of the Board disagreed with an issue brought forth by the GASB chair. However, we also recognize that at times flexibility is needed in addressing current events and could support a proposal that would provide the GASB chair some authority to assemble information on an issue without prior approval from the Board.

The above comments were assembled by NYS GFOA's Accounting, Auditing and Financial Reporting Committee and approved by the NYS GFOA Board of Governors for submission to the FAF. We welcome the opportunity to expand upon or answer any questions that FAF has on our recommendations. We can be reached by calling Fred Shellard, Director of Financial and Technical Services for NYS GFOA at (518) 465-1512 or by e-mail at shellard@nysgfoa.org.

Respectfully submitted,

Michael Genito, Assistant City Manager and Comptroller, City of Rye and
J. Dwight Hadley, Chief Financial Officer, Albany County Airport Authority
Co-Chairs: NYS GFOA Accounting, Auditing, and Financial Reporting Committee

cc: Kevin Spacher, Director of Finance, Town of Perinton N.Y.
President, New York State Government Finance Officers' Association, Inc.

Approved by the NYS GFOA Board of Governors on 02/12/2008.