



June 25, 2008

Mr. David R. Bean
Director of Research and Technical Activities
Project No. 20-1
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Via email to drbean@gasb.org

RE: Exposure Draft – Proposed Statement of the Governmental Accounting Standards Board on Concepts Related to Service Efforts and Accomplishments Reporting, an amendment of GASB Concepts Statement No. 2

Dear David:

The National Federation of Municipal Analysts (NFMA) welcomes this opportunity to comment on the *Exposure Draft – Proposed Statement of the Governmental Accounting Standards Board on Concepts Related to Service Efforts and Accomplishments Reporting, an amendment of GASB Concepts Statement No. 2*.

The NFMA is an organization composed primarily of research analysts who evaluate credit and other associated risks of securities in the municipal bond market. Established in 1983, the NFMA has more than one thousand members who represent, among others, broker dealers, mutual funds, rating agencies and insurance companies.

As users of financial and operational information provided by municipal issuers, the NFMA typically supports measures that improve the quality and timeliness of that information, and we recognize that Service Efforts and Accomplishments (SEA) information has been recognized for nearly forty years by the accounting community as a key component of governmental financial reporting. We are encouraged that GASB seeks to clarify that it is beyond its scope to establish the goals and objectives of state and local government services, develop specific nonfinancial measures or indicators of service performance, or set targets for service performance.

As observers of state and local government, we recognize there are legitimate constituencies that seek to improve accountability regarding service provision by those governments. Many taxpayers, for instance, seek a clear picture of how their tax dollars are spent, and the formats of these reporting efforts often fall outside the realm of traditional financial reporting.

Mr. David Bean

Exposure Draft – Proposed Statement of the Governmental Accounting Standards Board on Concepts Related to Service Efforts and Accomplishments Reporting, an amendment of GASB Concepts Statement No. 2

Page Two

However, while the goal of improved service reporting is desirable, it is unclear to NFMA that GASB should be the entity that develops these performance criteria. From the NFMA's perspective the SEA project is of limited value to the analyst community. In the current climate of heightened volatility in municipal finance, NFMA would prefer not to see the GASB dilute its limited resources. Rather, we feel the GASB should strengthen its role as arbiter of standards for municipal accounting and financial reporting – that is, setting standards for accurate accounting and reporting of financial resources that are collected and spent in the state and local government sector.

We also note that when Concept Statement No. 2 was adopted in 1994, few efforts had been made to address the issue of SEA. Since that time, numerous government entities and public interest associations have begun to address this issue. The NFMA itself developed a series of sector-specific Disclosure “Recommended Best Practices” that identify operating information of value to municipal analysts in determining an entity's ability to repay its debt.

Our comments in this letter are in keeping with our *Position Paper on GASB and Its Importance to Municipal Credit Analysis*, which was released in March of this year.

NFMA would like to thank you for the opportunity to comment on the Exposure Draft, and appreciates the efforts GASB is taking to improve disclosure by municipal and related entities. We welcome the opportunity to discuss these comments at greater length.

Sincerely,

/s/Rob Yolland

Rob Yolland
NFMA Chairman