

May 17, 1999

Mr. Tom Allen, Chair
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Infrastructure reporting issues

Dear Mr. Allen,

The National Federation of Municipal Analysts (NFMA) is an organization composed primarily of research analysts who evaluate credit and other associated risks of tax-exempt securities. Established in 1983, the NFMA has more than 1,000 members who represent, among others, broker/dealers, mutual funds, rating agencies and insurance companies. As primary users of financial and operating information provided by municipal issuers, the NFMA works closely with industry organizations to help ensure the quality and timeliness of that information. One such organization is the Governmental Accounting Standards Board (GASB). The NFMA values its participation on the Governmental Accounting Standards Advisory Council (GASAC) and the opportunity it provides for market participants to provide input on this important issue.

As participants, the NFMA has supported the GASB's most recent work on the Financial Reporting Model Project anticipated to be released in June 1999. One feature of the new model is the proposed treatment of infrastructure assets. The proposal requires that infrastructure assets be reported, and, depending on the project, be depreciated in the financial statements of state and local governments. Some providers of this information have concerns regarding the cost of providing it, and its relevance, and are opposed to the implementation of this aspect of the model.

As analysts, we must constantly monitor the credit quality of the entities issuing securities in our market. The creditworthiness of municipalities is dependent on numerous factors including the condition of infrastructure assets such as roads and bridges. Unlike businesses and other types of enterprises, state and local governments are not currently required to report on the condition of capital assets. The lack of information forces financial professionals and citizens to challenge and confront local government officials as to the condition of these assets, or be without significant financial information. By their nature, most municipal bonds finance "capital assets" and as such, the relevance of this information to public finance professionals is paramount.

The Board of Governors of the NFMA strongly supports infrastructure reporting within state and local government financial statements and encourages the GASB to continue its efforts to implement the provisions necessary to complete this goal. This information must be provided in a form that is timely and practical. The immediate analytical benefit of providing infrastructure accounting will be dependent in large part on how inclusive the rule is, and how it pertains to assets already in place. We appreciate the importance of our participation to advance better financial reporting through GASAC and we look forward to working with you to achieve these goals in the near future.

Sincerely,

Mary Metastasio
Chairman
NFMA

Tom Walsh
Chairman
Industry Practices and
Procedures Committee

Richard Ciccarone
GASAC Representative
NFMA