

National Federation of Municipal Analysts

May 17, 2006

Mr. David R. Bean
Director of Research
Governmental Accounting Standards Board
410 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Dave:

The National Federation of Municipal Analysts (NFMA) welcomes this opportunity to comment on the *Exposure Draft – Proposed Statement of the Government Accounting Standards Board (GASB): Accounting and Financial Reporting for Pollution Remediation Obligations (dtd 1/31/06)*. The NFMA is an organization comprised primarily of research analysts who evaluate credit and other associated risks of securities in the municipal bond market. Established in 1983, the NFMA has roughly 900 members who represent, among others, broker dealers, mutual funds, rating agencies and insurance companies.

As primary users of financial and operational information provided by municipal and other issuers, the NFMA typically supports measures that improve the quality and timeliness of that information. The GASB proposal to require municipal and other entities to note the cost of pollution remediation is a move towards this end and is consistent with our goal of better disclosure.

We would like to share, however, some comments that we believe would provide additional benefits to the users of the information.

1) **Measurement of the Expected Cash Flow (paragraphs 14, 15)**

We concur with the use of the expected cash flow technique to calculate the current value of the liabilities. We believe that in addition to the cost of the liabilities, the range of costs, particularly the estimated minimum and maximum scenarios, and weights for each should be included in the measurement paragraphs. This will provide the user of the information a basis for which to determine the magnitude of potential liabilities that could occur.

2) **Remeasurement (paragraph 16)**

We support the remeasurement of the liabilities in subsequent periods as new information and outlays become available. However, we believe that the reasons for the remeasurements and any changes to the cost of liabilities compared to those recorded in the previous period should be noted. This will help the user understand the progress of the remediation efforts.

The NFMA appreciates the efforts GASB is taking to improve the disclosure of financial and operating reports of municipal and other entities and would welcome the opportunity to discuss these comments further.

Sincerely,

/s/Eric Friedland

Eric Friedland
NFMA Chairman

