

**TO: Financial Accounting Foundation Board Of Trustees (FAF)**

**Date: April 5, 2013**

**RE: NFMA Member Response To Request For Comments  
"GASB's Scope Of Authority: Proposed Changes To Agenda-Setting Process"**

**FROM: NFMA Member & GASAC Representative:  
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**NFMA REPRESENTATIVE COMMENTS:**

After reviewing FAF's discussion of its recently proposed changes to the GASB Standard-Setting Agenda Process ("GASB Agenda Process") dated February 2013 ("FAF Proposal"), the NFMA representative to GASAC has the following comments to make regarding the FAF Proposal for the GASB Agenda Process:

**Comment #1:**

As regards the FAF Proposal to take the existing seven (7) category ranking system for GASB's agenda-setting and compress it to only three ranking categories, this proposal seems to be a step backward. The existing seven category ranking system appears to be more helpful in identifying the nature of the project and its scope vis-à-vis other historic, pending and proposed projects. The perceived concerns over GASB "mission creep" that seems the focus of the FAF Proposal is better addressed with more clear and nuanced "mission categories" than a simpler three (3) category mission scope system. In addition, if the "public outreach" process discussed in FAF Proposal is adopted, a more nuanced mission ranking category would help the "public stakeholders" better understand and evaluate the competing GASB "mission" requests.

**Comment #2:**

As regards the FAF Proposal for Group 2 to create an additional four step "outreach" process to reach "stakeholders", it seems to be duplicative of GASB's current process with GASAC and may create undue delay and wasted resources in selecting and advancing the appropriate GASB mission projects for several reasons. First, GASB (and arguably FAF) have spent many years developing a comprehensive industry group "sounding board"—and it is GASAC. Members of GASAC are appointed based on their interest, experience and dedication to dealing with GASB projects. GASAC members are hand-picked by their industry groups to best represent the views and concerns of their constituencies. Consequently, there seems to be no good reason to dramatically limit GASAC's role in the GASB Agenda Process for Group 2 projects. Second, GASAC itself has its own rules, board and communication system that allow it to promptly and effectively distribute GASB Group 2 proposals for review and comment. The FAF

Proposal for Group 2 appears to require a new set of “public” project commentary steps. While GASAC members can freely participate in this process, the “weight” of their experience and opinions as appointed industry representatives may get diluted in a free-ranging public comment period. Third, it appears GASB’s outreach to “GASB stakeholders” will put additional resource and fiscal pressures on GASB staff in the form of an expanded “public comment” solicitation process—and may deprive GASB of the needed resources to support its valuable on-going efforts.

**Comment #3:**

The FAF Proposal for Group 2 projects that FAF itself may conduct an additional follow-up public “stakeholder process” seems to be counterproductive. Assuming GASAC members have expressed their views/comments, and GASB has otherwise undertaken some additional “public comment process”, it would appear that further industry outreach would merely delay deliberation and resolution of proper Category 2 projects by FAF. GASB has a number of important projects on its agenda each year—many of which need to be addressed in a timely fashion in these times of fiscal uncertainty and changes in municipal finance. Spending undue amounts of time and resources to “poll the public” seems counterproductive to GASB’s historic role and may well “dilute” the deliberative role of GASAC in helping GASB and FAF to get the proper perspective on GASB project mission priority.

**Comment #4:**

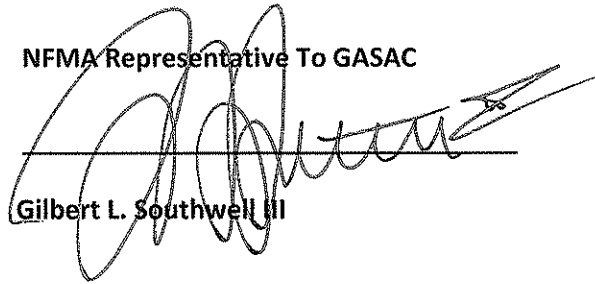
If the FAF wants to preserve the “neutrality” of GASB’s mission ranking process in the GASB Agenda Process, then FAF has the right to directly interact with GASAC (or its constituent members) on the GASB mission projects without any “filtering” by GASB and its staff. FAF’s direct polling and interaction with GASAC (or its constituent members) appears to be a more productive method of obtaining good “stakeholder” feedback for three important reasons. First, GASAC members are better versed on the strengths and weaknesses of GASB standard setting process given their historic participation in reviewing GASB Projects. Second, GASAC members are more fully aware of the historic scope, user concerns and market acceptance with prior GASB project prioritizations and standard settings, thereby making GASAC members a more seasoned sounding board for the mission ranking project deemed necessary by FAF in its FAF Proposal. Third, GASAC members have procedures in place within their organizations to solicit members and vet their varied responses into a more representative reply to FAF on Group 2 matters. A more generic public comment period on Group 2 matters to the general user-base may not necessarily solicit the most thoroughly reasoned responses, and will probably tend to reflect more idiosyncratic views of individual users on Group 2 matters. While GASAC itself is not an entirely “neutral body”, GASAC provides constituent member groups with an adequate opportunity to vet their particular positions/arguments viz-a-viz other GASAC members and attempt to reach a consensus view.

**CAUTIONARY NOTICE:**

**The comments contained herein represent my personal comments and positions as an appointed NFMA member of GASAC, but do not necessarily represent the official position of NFMA on all matters addressed herein or reflect all the comments or positions of other NFMA members. In**

addition, my personal comments and positions do not reflect the official position of my employer- Wells Capital Management, Inc.—or any other Wells Fargo entity.

NFMA Representative To GASAC

A handwritten signature in black ink, appearing to read "Gilbert L. Southwell III", is written over a horizontal line. The signature is stylized and cursive.

Gilbert L. Southwell III