



JAN 12 2009

Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mailstop 6K17V  
441 G Street, NW, Suite 6814  
Washington, DC 20548

Subject: FASAB Exposure Draft, *Reporting Comprehensive Long-Term Fiscal Projections for the U.S. Government*, dated September 2, 2008.

Dear Ms. Payne:

The Chief Financial Officers Council, Standardization Committee, FASAB Response Group appreciates the opportunity to comment on the Exposure Draft proposing changes to the reporting of comprehensive long term fiscal projections of the U.S. Government.

We express our support for the FASAB's guidance in the standardization of the presentation of the above projections. We have attached responses to Board's request for comments and believe that these comments will assist FASAB in clarifying the intent and enhancing the presentation of the information.

If you have any questions or concerns please contact me on 202-208-4701.

Sincerely,

Daniel L. Fletcher  
CFOC Standardization Committee  
FASAB Response Group Representative

Attachment

**Comments on exposure draft, *Comprehensive Long-Term Projections for the U.S. Government***

**Q1. Do you believe that the proposed reporting adequately supports the above objectives? Are there different reporting requirements that might better support the above objectives or that you believe should be added to the proposed requirements in this exposure draft? If so, please explain.**

Yes, we agree. Comparative presentation of the impact of significant current year legislative changes on the trajectory of fiscal gap would provide citizen and citizen intermediary's additional insight.

**Q2. Do you believe that the guidance for assumptions is appropriate? If not, please suggest alternative guidance. Please provide the rationale for your response.**

Yes, we favor inclusion of broad and general guidance for selecting policy, economic, and demographic assumptions for long-term projections.

**Q3. Do you believe that the basic financial statement and disclosures would be understandable and meaningful for the primary audiences of the CFR? Please note any changes that you believe should be made to the proposed requirements for the basic financial statement and/or the disclosures.**

Generally, yes, however we do not think that the Long Term Fiscal Projections for the U.S. Government should be classified as a Basic Financial Statement. Rather, it should be presented as a Projection or Report. Additionally, the electronic version of the example shown as Appendix B would be more useful if it presented additional expandable/collapsible categories of projected budgetary resources and projected uses of budgetary resources. Classification of individual line items as Discretionary or Non Discretionary would be helpful in informing the reader of potential areas for improvement.

**Q4a. Do you agree with the flexible requirements for reporting fiscal gap?**

We believe the Long-Term Fiscal Projection of fiscal gap would be more relevant to the reader if the amounts were projected for multiple increments of time, for example 10 years, 25 years, 50 years rather than presented only using a projection of 75 years.

**Q4b. Do you believe that the illustrative disclosure (Illustration 8 in Appendix B) is clear and understandable?**

We think illustrative disclosure 8b is clear and understandable. However, illustrative disclosure 8a needs further explanation.

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**Q5a. Do you believe that the above requirements for time horizons are appropriate to meet the reporting objectives of Fiscal Sustainability Reporting? Specifically, do you believe that data for both finite and infinite horizon projection periods should be reported? If not, please explain.**

We do not believe data for infinite horizon projection periods should be reported because the reliability and usefulness to the reader is marginal.

**Q5b. Do you believe that there should be a specific time horizon requirement (for example, 75 years) for the basic financial statement for Fiscal Sustainability Reporting and/or the SOSI? If so, what time horizon do you believe should be required?**

We favor presentation of multiple time horizon requirements for the basic Fiscal Sustainability Reporting and SOSI. See Q4a for an example of our thoughts.

**Q6. Do you believe that the basic financial statement should be titled?**

- a. "Long-Term Fiscal Projections for the U.S. Government,"
  - b. "Statement of Fiscal Sustainability,"
  - c. "Statement of Financial Condition," or
  - d. A title not listed above (please specify).
- Please explain the reasons for your choice.

Long-Term Fiscal Projections Report for the U.S. Government, is suggested. We believe the "Statement" should be reserved for generally accepted financial statements.

**Q7a. Do you believe that the above general guidance provides for an appropriate level of disaggregation in the basic financial statement? Please explain the basis for your views.**

Further disaggregation of information would provide more targeted and useful information to readers and stimulate discussion and modeling of potential improvements and solutions.

**Q7b. Do you believe that specific line items (instead of or in addition to the "major programs" required by paragraph 36 of the ED) should be disaggregated in the basic financial statement? If so, please identify the line items and explain your reasoning.**

We think Receipts presented under Medicare and Social Security should have separate line items for employer contributions, employee contributions, repayment of borrowings from the Social Security Trust Fund, and repayment of borrowings from the Medicare Trust Fund. All other Receipts should be expanded to include separate line items for Business Income Tax Receipts; Individual Income Tax Receipts; Fees; and Tariffs.

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Spending for Medicare, Medicaid, and Social Security should be further stratified between current payments and principal and interest repayments to the appropriate trust fund. Spending for the Rest of the Federal Government should include additional line items for Defense; Other Domestic Public Services; and Non Domestic Public Services.

**Q8a. Do you believe that an explanation and illustration of the major factors impacting projected receipts and spending will be helpful to readers? Please explain the basis for your view and note any recommended changes in the requirements.**

Yes, we believe that the explanations and illustrations of the major economic and demographic factors impacting projected budgetary resources and consumption of budgetary resources adds significant value to the report.

**Q8b. Do you believe that the display of a range for major cost drivers and/or major programs, as shown in Illustrations 1a and 1b in Appendix B should be optional or mandatory? Please explain the basis for your view.**

We think display of a range for major cost drivers should be mandatory for all major categories. Inclusion of only select categories introduces bias. Additionally, excess cost as a percentage of tax revenue may provide more meaningful information to citizens than as a percentage of GDP.

**Q9a. Do you believe that the proposed requirement for alternative scenarios is appropriate? Please explain the basis for your view.**

Yes, we agree that the results of alternative economic and demographic scenarios should be provided. The present value of future cash flow appeals to a wide audience; therefore, we agree with paragraph 42(d) which provides that the present value of projected receipts, spending, and the net of receipts and spending be presented for each alternative scenario. The table format presented as Illustration 7 in Appendix B aids user understanding.

**Q9b. Do you believe that the requirements for additional information regarding alternative scenarios are sufficient? If not, please explain the basis for your view and what additional information you propose.**

Yes, we agree with the additional disclosure requirements for changes in valuation period, policies, assumptions, and estimates and that the major causes of the differences between the results of the alternative scenarios and the basic Fiscal Sustainability Report should be disclosed.

**Q10a. Do you believe that the disclosures would help the reader understand the basic financial statement?**

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Yes, we agree narrative and graphic displays enhance reader understanding of historical and projected trends and major drivers of fiscal gap.

**Q10b. Are there any items that you believe should be added to, or deleted from, the disclosures? If so, please explain.**

No.

**Q10c. Do you believe that the final accounting standard should include an appendix that displays illustrative disclosures (see Appendix B)? Why or why not?**

We think the final accounting standard should include an appendix that displays illustrative disclosures as this will promote consistent inter period disclosure and enhance comparability.

**Q11a. Do you find the FAQs helpful?**

Yes, we believe the FAQ section enhances citizen understanding of information presented in the report.

**Q11b. Should the Treasury Department be encouraged to include any of the FAQs in the CFR to promote understandability of the terms and concepts? If so, please specify the FAQs that should be considered for inclusion (and/or exclusion).**

We think all 7 FAQ's should be included.

**Q12a. Do you believe that this implementation date is reasonable and appropriate?**

We think the implementation date should be optional for the period beginning Sep 30, 2009 and mandatory for the period beginning Sep 30, 2010.

**Q12b. Do you agree with the phased implementation period (3 years)?**

Yes.

**Q12c. Do you believe that some or all of the required information should remain as RSI after the 3-year implementation period? If so, please explain the basis for your view.**

We think the required information should remain as RSI and not presented as a basic financial statement.

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**Q13a. Do you believe that including RSI regarding the foreign holdings of U.S. Treasury debt would be relevant and useful in meeting the objectives of fiscal sustainability reporting? Please explain why or why not.**

Yes, we believe trends in foreign holdings of U.S. Treasury debt is relevant information that citizens would like to know and should be presented as RSI.

**Q13b. Do you believe that the illustrative example provided in Appendix B is clear and understandable?**

We think that the pie graphs provided in Appendix B aggregating foreign and international investors as one slice and Federal Reserve, domestic investors, state and local governments as the remaining slice should be further stratified into additional slices. Foreign and international investors might be stratified by country of transaction origin or other means. Federal reserve, state, and local governments might represent individual slices. Domestic investors might be split into individual investors and corporate investors. Presentation of comparisons for additional years would be useful.

**Q14. Do you believe that if the proposed Comprehensive Long-Term Fiscal Projections for the U.S. Government indicate a significant fiscal gap, the statement and disclosures be accompanied by RSI that includes identification, explanation, and fiscal impact of one or more policy alternatives that would reduce the fiscal gap? Please explain why or why not.**

No, we do not believe RSI should include the identification, explanation, and fiscal impact of one or more policy alternatives that would reduce the fiscal gap. Policy alternatives to address fiscal gap should remain separate from fiscal sustainability reporting.

**Q15a. Do you believe that such information should be optional (as proposed in the exposure draft) or required?**

We think Inter-period equity and inter-generational equity information should be optional.

**Q15b. Do you believe that further research and analysis should be performed by FASAB to improve the disclosure of such information? Please explain the basis for your views and note any recommended changes for the presentation of inter-period or inter-generational equity.**

We do not think further research and analysis by FASAB is warranted at this time.

***Other comments:***

None.