

Wendy M Payne, Executive Director
Federal Accounting Standard Advisory Board
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Washington, DC 20548

January 30, 2009

Dear Wendy M Payne

First I must apologize for being late in responding to your request for comments about the exposure draft on Reporting Comprehensive Long-term Fiscal Projections for the U S Government. I understand my comments might not be used by the Board but I wanted to pass them along anyway.

Understandability

I think the average American, me included, what have a difficult time understanding the example formats shown in the appendix. It is hard to comprehend the significance of a shortfall of \$37 trillion based on a 75 year projection. It is particularly difficult when you consider yearly revenue of about 3 trillion and it is complicated by the comparison of present value dollars with current dollars.

I would say in passing the desegregation used in the example, which I understand could have been different, strongly suggests they projection it may for social insurance purposes. It seems to me the social insurance future is adequately covered in the existing statement.

Projection Period

I agree with me quote that says "the 75- year horizon is too distant to be meaningful",

It seems like it was copied from the social security projections which wanted to cover a lifetime. I believe the projections to be realistic it should be no more 10 or 12 years. The 12 year span would cover 2 Senate terms or 3 presidential terms. Either would be better understood by a majority of the people and would be within the lifetime of those 21 or older. Accordingly it would highlight the need for action.

Fiscal Gap

The fiscal gap arising from a period of 10 to 12 years would be much different from that of a 75 year period. That could eliminate the disclosure of the relationship of gap to the GDP and would simplify the presentation. I think the debt should be held at the debt of the time of the presentation. The reader could then make his own decision about the amount of the shortfall which could be covered by additional debt.

I have trouble with the concept of setting Debt levels to the amount of the GDP which seems to say that it's good to have debt and there is no need to reduce it.

Further in the present time we are reducing GDP and at the same time reducing revenue while increasing expense. This would seem to put the debt to GDP ratio all out of balance.

If a 10 or 12 year period was used, the presentation should show the fiscal gap for each two year period in the total. That would better highlight the time where correction action would be required.

Title or caption for the statement

I have a strong feeling that the title of the statement should contain the word "projection" in the title. The statement would be contained in a report of 100+ pages presented on a historical cost basis and this statement and the statement of social insurance would be the only ones that are projections. (Actually I believe they statement of social insurance should be renamed " Projection of Social Insurance Revenue and Expense" or something similar.)

I understand some people may think the title of fiscal sustainability has a certain sophisticated ring to it but I don't think it adequately described the information contained therein.

Information Overload

I agree that this information should be shown as required supplementary information not for three years but until the Board determines otherwise.

In all of this we should be careful not to present so much information that it confuses the reader. The main statements are net cost, operations, cash flows, and balance sheet and other schedules and reconciliations should be subservient or supplemental to them.

Yours truly,

John A Favret

P S - A hard copy is being mailed