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Groups Voice Opposition to Data Reporting Requirements for State, Local Borrowers.

The American Public Power Association (APPA) has joined with 17 other members of the Public Finance Network in writing Senate leaders in opposition to data reporting requirements for state and local borrowers included in the Financial Data Transparency Act of 2022.

The Public Finance Network consists of state and local governments and other tax-exempt bond issuers, borrowers and municipal market professionals.

The bill would require the Municipal Securities Rulemaking Board (MSRB) to require state and local governments to report financial information using uniform reporting categories, or "data standards," which may require costly updates to financial systems or extensive workarounds.

The changes would take effect no later than two years after final rules implementing the change are promulgated.

The concern is that the provisions of the Financial Data Transparency Act of 2022 (S. 4295) were added as an amendment to H.R. 7900, the National Defense Authorization Act for Fiscal Year 2023 (NDAA). The NDAA passed the House in July, and a companion bill (S. 4534) has passed the Senate Armed Services Committee.

State and local governments "do not oppose transparency and accessibility of information, and in fact, significant financial transparency standards are already in place," the Sept. 29 letter noted.

"Most issuers of municipal securities (e.g., entities represented by the undersigned groups) adhere to governmental reporting standards established by the Governmental Accounting Standards Board (GASB), while others follow standards as determined under state law. In whole, issuers of municipal securities exhibit transparency to stakeholders through very established and standardized means."

APPA and the other groups voiced concern about the impact of the Financial Data Transparency Act's Section 203 on state, county, municipal, public utilities, hospital and education entities required to submit financial information to the MSRB for several reasons.

"Among others, a primary concern is that this provision would result in an unfunded mandate on state and local governments due to the increased costs to ensure systems are able to comply with future standards," the letter said.

"Further, this provision represents a substantial federal overreach into the content and structure of issuer disclosures, and more broadly the accounting and reporting principles of government entities, contrary to the principles of federalism," the groups argued.

Also, Section 203 "could create more confusion and ultimately reduce transparency by forcing vastly different kinds of governmental entities to report using a rigidly standardized schema or taxonomy."

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by Paul Ciampoli

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