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US Senate Mulls Onerous, Costly Financial Reporting Standards for Counties.

The Financial Data Transparency Act of 2022 ([S. 4295](#)), sponsored by Senator Warner (D-VA) and Senator Crapo (R-ID), would mandate governments and nonprofits to report financial information using uniform reporting categories, or “data standards,” which would likely require costly updates or extensive workarounds for county finance systems.

Companion legislation ([H.R. 2989](#)), introduced by Reps. Carolyn Maloney (D-N.Y.) and Patrick McHenry (R-N.C.) passed the US House of Representatives on July 14, 2022, as an amendment to the House version of the fiscal 2023 National Defense Authorization Act (NDAA), which is annual must-pass legislation. Like the House, the Senate is actively considering attaching S. 4295 to its version of the fiscal 2023 NDAA.

Section 203 of this legislation would require the Municipal Securities Rulemaking Board (MSRB) to develop data standards for financial reporting related to the municipal bond market.

These data standards include universal reporting standards, and reporting entities would be required to the extent practicable to render fully searchable and machine-readable data with accompanying metadata that clearly defines the semantic meaning of the data. In addition, the legislation would require the MSRB to “scale” reporting requirements for “smaller regulated entities.”

If enacted, the legislation requires joint rulemaking for regulated entities that will take place two years after passage, and then it provides two years for implementation. Full implementation and compliance would begin in 2027.

Transitioning to a new uniform reporting system requires significant resources — consultants, software, and reconfiguring county financial systems to account for the new reporting standards. Moreover, this costly unfunded mandate would fall on the backs of local governments, with no financial support from the federal government.

According to the National Association of Counties (NACo):

Counties recognize the need for full disclosure of all relevant information concerning a county’s financial condition to potential investors, citizens, and other parties interested in municipal bonds. Counties also oppose federally imposed standards for county financial accounting and reporting and supports those principles put forth by the Governmental Accounting Standards Board (GASB). As such, NACo is concerned with the unfunded and federally mandated financial reporting standards included in this bill.

NACo is following this closely and will provide members with updates.

The Local Government Article, Section 16-306 of the Annotated Code of Maryland requires each county, incorporated city or town, and taxing district in Maryland to file audit reports annually or once every four years under specified conditions.

The Office of Legislative Audits, part of the Maryland Department of Legislative Services, reviews the financial statements. The financial statements must be prepared using generally accepted accounting principles and audited per generally accepted auditing standards.

There were 186 local government audit reports are included in OLA's fiscal year 2021 review (23 counties and Baltimore City, 150 other incorporated cities and towns, and 12 taxing areas). The latest report is available [here](#).

Maryland Association of Counties

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