

OPPOSE REPEAL OF SECTION 978 OF THE DODD-FRANK ACT

- You should oppose repeal of Section 978 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), which established a consistent and conflict-free funding mechanism for the Governmental Accounting Standards Board (GASB).
- The GASB establishes generally accepted accounting standards (GAAP) for U.S. state and local governments and produces these high-quality accounting and financial reporting standards through a robust, transparent and inclusive process.
- The current GASB funding process is transparent and leads to high-quality standards that benefit investors and other users of financial statements. Crucially, the GASB can develop these standards without relying on voluntary funding from the very organizations that are subject to GASB standards.
- In 2010, the Dodd-Frank Act, for the first time, provided the FAF with a conflict-free and stable funding source for the GASB. Prior to the Dodd-Frank Act, the GASB was inadequately funded through voluntary contributions from states, local governments, and the financial community, in addition to revenue from the sale of its publications.
- Requiring the FAF to seek voluntary contributions from state and local governments – the very entities subject to the GASB’s standards – could lead to conflicts of interest and potentially result in a decreased level of disclosure and transparency in the municipal securities market.
- Individual investors participate heavily in this market, owning approximately 36 percent of municipal securities directly and another estimated 33 percent indirectly, including those held through mutual funds and unit investment trusts.
- Municipal securities are not only critical to financing infrastructure and other government needs, they are important components of portfolios for American investors who are seeking safe, state and local government investments.
- To ensure the integrity of financial reporting and Dodd-Frank authorized a national securities association to collect a fee from its members that report trades to the Municipal Securities Rulemaking Board in order to provide the GASB with adequate annual funding. Subsequent to enactment, the SEC designated the Financial Industry Regulatory Authority (FINRA) as that association.
- This funding has proven critical to supporting the GASB’s timely development of high-quality governmental accounting standards that benefit investors, taxpayers, legislators and oversight bodies.