

RESOLUTION

SUPPORTING AN INDEPENDENT GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Supporting an independent, equitably funded Governmental Accounting Standards Board, urging relevant governmental organizations to work together to develop a sound proposal to achieve an adequately funded and independent GASB, and opposing any federal government funding or oversight of GASB and any mandates on state and local governments to comply with GASB accounting standards.

WHEREAS, The Governmental Accounting Standards Board (GASB) establishes standards of financial accounting and reporting for state and local governmental entities. The Board, appointed by the Financial Accounting Foundation, consists of a full-time chairman and six part-time members; and

WHEREAS, The Governmental Accounting Standards Board historically has been funded through contributions from a wide-variety of sources. This broad-based financial support ensures the independence vital to the standard-setting process. Generally, budgetary resources are provided by state and local governments, public accounting firms and individual practitioners, municipal securities industry investors/creditors, and foundations and other organizations interested in fairly presenting the results of the financial operations of government; and

WHEREAS, Under the Sarbanes-Oxley Act, the Financial Accounting Standards Board is no longer permitted to use outside sources of contributions to fund its activities. Rather, under the legislation, the Board is expected to be funded from the Public Company Accounting Oversight Board. The Financial Accounting Foundation budget (including the FASB and GASB budgets) will be submitted to the Securities and Exchange Commission and funded by fees assessed on publicly-traded corporations with market capitalization in excess of \$25 million based on a set formula. The "mandatory funding" scheme was designed to create an independent standard setting organization, and to avoid federalization of the accounting standards functions of FASB. As a result of this change, private sector firms, including accounting firms and financial services firms, are expected to substantially reduce or eliminate funding to the Financial Accounting Foundation. This reduction of overall funding for the FAF may reduce the

“flow through” funding of GASB; and

WHEREAS, In January 2004, the National Association of State Treasurers, the National Association of State Auditors, Comptrollers and Treasurers, and the Government Finance Officers Association reached an agreement aimed at providing an adequate and diversified revenue base to support the GASB’s operations related to governmental accounting standards. Along with a pledge by GASB to reduce its operating expenses, two programs emerged from this agreement. The first was a voluntary and temporary GASB support fee linked to the issuance of municipal bonds, begun in July 2004 and ended in July 2007. The three-year bridge program was designed to provide short-term financial relief and sufficient time to create a permanent source of funding through a GASB support fee assessed on audited financial statement issuers who follow generally accepted accounting principles established by the GASB. The audit fee was implemented in October, 2006; and

WHEREAS, Despite the additional income from these fees, GASB’s budget remains out-of-balance and has precipitated suggestions by the U.S. Securities and Exchange Commission (“SEC”) that Congress provide funding through the Commission to GASB. Additionally, the SEC has also suggested Congress grant the Commission power to mandate that state and local issuers of municipal securities comply with GASB standards; and

WHEREAS, SEC mandates on issuers of municipal securities would require Congress to amend or repeal the Tower Amendment to the 1934 Securities Exchange Act prohibiting such regulations on state and local government issuers; and

WHEREAS The National Association of State Treasurers opposes any amendment or repeal of the Tower Amendment; and

WHEREAS, We have concerns about GASB projects unrelated to accounting standards that may be contributing to GASB’s budget deficit, but believe a reliable and equitable funding plan is essential for GASB to maintain its independent role. The National Association of State Treasurers believes it is critical that the relevant government organizations participate in the development of a funding system for GASB.

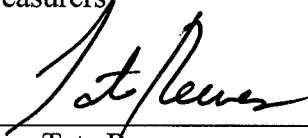
NOW, THEREFORE BE IT RESOLVED, that the National Association of State Treasurers strongly supports an independent and equitably funded Governmental Accounting Standards Board.

BE IT FURTHER RESOLVED, that the National Association of State Treasurers opposes federal government funding or oversight of the Governmental Accounting Standards Board as

well as any direct federal mandates on issuers of municipal securities to comply with GASB accounting standards.

BE IT FURTHER RESOLVED, that the National Association of State Treasurers urges the relevant governmental organizations to work together to develop a sound proposal to achieve sustainable funding for the operations of the Government Accounting Standards Board that ensures its independence in promulgating accounting standards.

Approved this 15th Day of September 2007
by the National Association of State
Treasurers

A handwritten signature in cursive script, appearing to read "Tate Reeves", written over a horizontal line.

Hon. Tate Reeves,
NAST President and Mississippi State
Treasurer