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August 15, 2018

The Honorable Anne Sheehan  
Chairman, Investor Advisory Committee  
U.S. Securities and Exchange Commission  
100 F St. NE  
Washington, DC 20549

Re: Disclosure Enhancements for Municipal Bonds

Dear Chairwoman Sheehan:

Many thanks to you and committee members for studying bond disclosures and accepting public comments on this matter. We are writing to you as the Chair and Vice Chair of the XBRL US State and Local Government Modernization Disclosure Working Group, which is dedicated to using data standards to address the needs of investors analyzing public sector data. XBRL US is a nonprofit standards organization, developing and supporting data standards to improve business and government reporting. The working group is comprised of municipal issuers, software providers, academia, investors and other users of state and local financial data.

Today, tens of thousands of municipalities prepare financial data in unstructured, inconsistent reports resulting in time delays, the inability to easily aggregate data, and difficulties comparing local governments. The lack of automation means inefficient, manual processing, which increases the cost of investment, harming investors and the municipalities themselves.

Bringing financial data standards into municipal reporting would resolve these issues and empower investors to more easily assess the credit risk of municipal bonds. The purpose of this letter is to ask the SEC Investor Advisory Committee for its support for an initiative to build these standards.

Ten years ago, the SEC began migrating corporate financial disclosures to XBRL format. Because XBRL disclosures are machine-readable, they facilitate the creation of high quality financial data sets at a low cost.

This disclosure improvement has yet to touch municipal financial disclosures accompanied by Comprehensive Annual Financial Reports (CAFRs), although the idea of applying XBRL to CAFRs has appeared in previous strategic plans produced by the Municipal Securities Rulemaking Board (MSRB)<sup>1</sup>.

While financial data standards have been in existence for some time, recent developments make this an opportune time to develop and implement standards in the municipal marketplace.

### **Recent Florida legislation mandates standards for municipal reporting.**

In March 2018, Florida Gov. Rick Scott signed [HB 1073](#), legislation that establishes the Florida Open Financial Statement System, and enables the state CFO to build XBRL taxonomies for state, county, municipal, and special district financial filings; and to create a software tool that enables financial statement filers to easily create XBRL documents to be used with the standards developed.

### **Increasing use of data standards, by U.S. regulators and industry.**

Financial data standards continue to gather momentum throughout the US data ecosystem. US regulators adopting the financial data standard, XBRL, include the Federal Deposit Insurance Corporation (FDIC) in 2005, the Securities Exchange Commission (SEC) for operating companies, mutual funds and credit rating agencies in 2009; and the Department of Energy for solar industry participants in 2017.

The Federal government is expanding the use of open data as mandated by the DATA Act, and by proposed legislation such as the Financial Transparency Act ([H.R. 1530](#)) and the Grant Reporting Efficiency and Agreements Transparency Act (GREAT Act [H.R. 4887](#)). The latter will have a significant impact on reporting requirements for state and local government recipients of federal grants.

More and more, the US government recognizes the critical nature of data as a strategic tool. Standards play a key role in making that tool more efficient, transparent, functional, and cost-effective.

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<sup>1</sup> MSRB is a self-regulatory organization, established by Congress, charged with a mandate to protect municipal securities investors, municipal entities and the public interest: <http://www.msrb.org/>

## **Technology advances make adopting standards easier and improve the benefits they bring.**

On June 28, 2018, SEC Commissioners voted to adopt Inline XBRL (iXBRL) for 10-K and 10-Q disclosures. iXBRL eases issuer compliance because it permits the filing of a single disclosure that is both human readable and machine readable. Commissioners made this decision after SEC staff built a very elegant and functional Inline XBRL Viewer that allows EDGAR users to interact with iXBRL filings.

The SEC Inline XBRL Viewer is open source, and thus easily applied to other types of XBRL filings. Its availability provides an opportunity for MSRB to provide analogous functionality on EMMA<sup>2</sup> with limited development.

Financial data standards are also advancing to keep pace with broader technology changes. XBRL International<sup>3</sup>, the nonprofit responsible for the XBRL technical specification, recently evolved the standard to work with JSON and CSV, in addition to XML. This expands the number of software applications that can be used with XBRL. And separately, open source APIs have been developed by XBRL US to standardize the means to create, process, and extract XBRL content.

## **Standards to Enhance Municipal Disclosure**

The XBRL US working group is developing a usable draft collection of terms (taxonomy) which will be publicly available later in 2018, which municipal issuers can use to create and file iXBRL CAFRs on EMMA. Members of our working group have also identified several municipal issuers interested in creating iXBRL documents on a pilot basis.

To facilitate the pilot, we urge the Committee to ask MSRB to permit iXBRL CAFR filings in lieu of, or in addition to PDFs, and to implement the SEC's Inline XBRL Viewer on EMMA. These changes require minimal cost and do not impose mandates on issuers or other market participants. With this pilot, we will be able to gather information to determine if bringing data standards into the municipal marketplace will result in the greater efficiencies, transparency and functionality that we expect. The potential for benefits across the supply chain, and in particular, for the investment community, is significant.

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<sup>2</sup> Electronic Municipal Market Access system: <http://www.msrb.org/About-MSRB/Programs/EMMA.aspx>

<sup>3</sup> XBRL International: <https://xbrl.org>

We would be happy to meet with the Committee by conference call or in-person to provide additional information supporting and explaining our position. Please contact us with any questions.

Regards,



Marc Joffe, Chair,  
XBRL US State and Local Government  
Disclosure Working Group

Shannon Sohl, Vice-Chair,  
XBRL US State and Local Government  
Disclosure Working Group

On Behalf of the XBRL US State and Local Government Disclosure Modernization Working Group (full members of the working group can be seen here: <https://xbrl.us/home/government/state-and-local-government/>)

CC:

The Honorable John Kennedy, United States Senate  
The Honorable Elizabeth Warren, United States Senate  
The Honorable Jack Reed, United States Senate  
The Honorable Ben Sasse, United States Senate

The Honorable Darrell Issa, United States House of Representatives  
The Honorable Carolyn Maloney, United States House of Representatives  
The Honorable Michael Capuano, United States House of Representatives  
The Honorable Randy Hultgren, United States House of Representatives

Relevant Committees:

The Honorable Jeb Hensarling, Chairman,  
House Financial Services Committee, United States House of Representatives

The Honorable Maxine Waters, Ranking Member,  
House Financial Services Committee, United States House of Representatives

The Honorable Mike Crapo, Chairman,  
Senate Banking, Housing and Urban Affairs Committee, United States Senate

The Honorable Sherrod Brown, Ranking Member,  
Senate Banking, Housing and Urban Affairs Committee, United States Senate