

March 9, 2020



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Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: Comments on SEC Conference, "Spotlight on Transparency: A Discussion of Secondary Market Municipal Securities Disclosure Practices "

Dear Chairman Clayton, SEC Commissioners, and the Office of Municipal Securities:

We support the Commission's continued focus on municipal disclosure and look forward to the March 10 Securities and Exchange Commission's (SEC) Conference "Spotlight on Transparency: A Discussion of Secondary Market Municipal Securities Disclosure Practices".

XBRL US is a national, nonprofit consortium for the financial reporting standard - a member-driven organization, representing accounting firms, software companies, other nonprofits, data intermediaries, and service providers. The mission of XBRL US is to encourage the use of financial information in a standardized format, to improve reporting between business, government and the public.

Since the SEC's last conference on municipal disclosure in December 2018, XBRL US's Standard Government Reporting Working Group has made significant progress. Working group members and observers include municipal issuers, software providers, academics, investors and other users of state and local financial data.

The working group has produced three versions of a demonstration taxonomy for Comprehensive Annual Financial Reports (CAFRs). The [latest version](#) released on March 9 includes elements from seven face financial statements and two footnotes commonly found in audited financial statements provided by a wide array of government bond issuers – including not only general purpose governments like cities, counties and states, but also special purpose entities such as community college districts and transit authorities. This release also contains two schedules from the Single Audit Report. In addition to the new taxonomy, we also published a sample Inline XBRL Report for a community college district in Illinois.

The working group's taxonomy development process has been greatly facilitated by comments received in 2019 from the Government Accounting Standards Board (GASB) and roughly a dozen executive offices (mostly auditors and controllers).

Challenges in state & local government reporting

The SEC has been understandably focused on the tardiness of government financial reporting and the lack of interim reports, however we believe attention also needs to be paid to the content and comparability of these disclosures. If data in these disclosures is difficult for investors to gather and digest, the delay in obtaining actionable information about municipal securities is further lengthened.

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 government financials. The lack of automation means inefficient, manual processing, which increases costs to investors and the municipalities themselves. . The absence of automation also exacerbates the delay in access to government financial data.

Bringing financial data standards into municipal reporting would resolve these issues, improve municipalities ability to obtain funds, and empower investors to more easily assess the credit risk of municipal bonds.

In 2008, the SEC began transitioning corporate financial disclosures to XBRL format. Because XBRL disclosures are consistently prepared and machine-readable, they facilitate the creation of high-quality financial data sets at a low cost.

Regulators have yet to implement this disclosure improvement for municipal financial disclosures such as Comprehensive Annual Financial Reports (CAFRs), although the idea of applying XBRL to CAFRs was first raised over ten years ago. In the SEC rule¹ on Amendments to Municipal Securities Disclosures, which became effective on July 9, 2009, the SEC received comment letters urging the use of XBRL for municipal securities disclosures. To address these comments, the SEC stated in its final rule:

“In the Proposing Release, we noted that the availability of audited financial statements and other financial and statistical data in an electronic format by issuers and obligated persons could encourage the establishment of the necessary taxonomies and permit states and local governments and other obligated persons to make use of XBRL in the future, should they wish to do so. The final amendments to the Rule do not designate the electronic format or formats that EMMA will accept; instead, they provide that the MSRB will prescribe the format, which will be subject to the Section 19(b) rule filing process. Nevertheless, we note that this provision allows flexibility for future implementation of improved methods for the electronic presentation of information. “

¹ SEC Final Rule Amendment to Municipal Securities Disclosures: <https://www.sec.gov/rules/final/2008/34-59062.pdf>

The MSRB states in its March 23, 2009 Notice² concerning the establishment of its electronic dissemination system EMMA:

“The MSRB may in the future designate additional computerized formats as acceptable electronic formats for submission or preparation of documents under Revised Rule G-32 by means of a filing with the Commission. The MSRB supports the SEC’s Interactive Data and XBRL Initiatives for registered offerings and would consider designating XBRL as a designated electronic format for purposes of submissions to the EMMA primary market disclosure service at such time in the future as appropriate taxonomies for the municipal marketplace have been developed and as issuers begin the process of producing primary market disclosure documents using XBRL.”

The XBRL standard and a marketplace of tools to create, extract and analyze XBRL data, has matured since that time; and financial data standards are even more widely used today in regulatory and industry-driven programs. Recent trends, as noted below, make this an opportune time for data standards in municipal reporting.

State and Local Progress

In 2018, Florida enacted [HB 1073](#), legislation that establishes the Florida Open Financial Statement System, and enables the state CFO to build XBRL taxonomies for 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. The CFO has begun implementation of this law by soliciting competitive bids for taxonomy development and awarding the contract to one of five vendors that bid on this opportunity.

In October 2019, Will County Illinois became the first governmental entity to post an [Inline XBRL CAFR](#) on its website. The County’s Auditor, Duffy Blackburn, discussed this initiative at a recent SEC FIMSAC meeting.

In January 2020, Illinois Assembly Member John Connor introduced [HR 703](#) which “encourage(s) the adoption and utilization of XBRL by all Illinois municipalities and state agencies in their financial reporting.” Last year, the California State Senate and Assembly both passed local government XBRL legislation, [SB 598](#), but this was vetoed by the governor over procedural concerns.

Increasing use of data standards.

Standardized financial data is becoming more widespread. In the U.S., XBRL is required for financial statements by banks reporting to the FDIC (since 2005) and by public companies, mutual funds and credit rating agencies reporting to the SEC (since 2009). In 2017, the Department of Energy funded a project, building standards for solar industry participants to reduce the soft costs

² MSRB FILES TO ESTABLISH AN ELECTRONIC OFFICIAL STATEMENT DISSEMINATION STANDARD AND TO LAUNCH THE PERMANENT PRIMARY MARKET DISCLOSURE SERVICE OF THE MSRB’S ELECTRONIC MUNICIPAL MARKET ACCESS SYSTEM (“EMMA”): <http://www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2009/2009-07.aspx>

of financing. In 2019, the Federal Energy Regulatory Commission began the process of [transitioning](#) forms submitted by public utilities, to XBRL format.

The Federal government is expanding the use of open data as mandated by the DATA Act, and the Grant Reporting Efficiency and Agreements Transparency Act (GREAT Act [H.R. 150 \(now Public Law No. 116-03\)](#)), and by the proposed Financial Transparency Act of 2019 ([H.R. 4476](#)). The GREAT Act is likely to have a significant impact on reporting requirements for state and local government recipients of federal grants because of a provision that will require standards for the Single Audit Report.

More and more, industry and the U.S. government recognize the critical nature of data standards as a strategic tool to reduce costs and improve efficiency.

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

On June 28, 2018, SEC Commissioners voted to adopt Inline XBRL for operating company and mutual fund disclosures. Inline XBRL eases issuer compliance and the review of financial data, because it permits the filing of a single disclosure that is both human readable and machine readable. The SEC Inline XBRL Viewer is an open source tool that has already been leveraged in commercial software tools to allow analysts, preparers and others to more easily work with financial data. The availability of the open source viewer provides an opportunity for MSRB to provide similar functionality on EMMA³ with limited development.

Financial data standards are also advancing to keep pace with broader technology changes. XBRL International⁴, the nonprofit standards body 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

To facilitate the pilot, we urge the Commission to ask MSRB to permit municipal issuers to submit Inline XBRL CAFR filings. This change would require minimal cost and does not impose mandates on issuers or other market participants. This pilot would allow us to assess the costs and benefits of migrating to structured data filings.

The pilot will allow EMMA users to interact with filings created by such early adopters such as Will County. It would also enable users to interact with Inline XBRL filings created by various Private

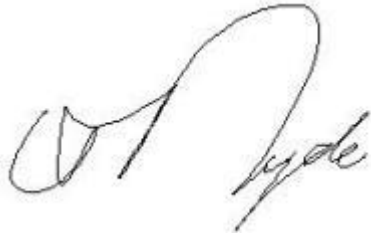
³ Electronic Municipal Market Access system: <http://www.msrb.org/About-MSRB/Programs/EMMA.aspx> ⁴

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

Activity Bond obligors, including Pacific Gas and Electric Company, that are now only available on EDGAR.

I would be happy to meet with the Commission by conference call or in-person to provide additional information supporting and explaining our position. Please contact me with any questions. I can be reached at campbell.pryde@xbrl.us or by phone at (917)582-6159.

Regards,

A handwritten signature in black ink, appearing to read "Campbell Pryde". The signature is stylized and cursive.

Campbell Pryde,
President and CEO