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October 8, 2025

Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington DC 20549-1090

Dear Ms. Countryman:

RE: Proposed Rule: Financial Data Transparency Act Joint Data Standards SEC File No. S7-2024-05

As a non-profit standards organization, we have a strong interest in the successful implementation of legislation that calls for open data standards for regulatory reporting. Legislation like the Open Government Data Act, the Grants Reporting Efficiency and Transparency (GREAT) Act, and the Financial Data Transparency Act (FDTA) took significant effort and time to move through Congress and become signed into law. Requirements laid out in these bills hold great promise and could result in greater efficiencies and cost savings if rolled out effectively. Often however, implementation of these programs falls short of the original intent.

For example, a January 2024 report[1] from the Government Accountability Office on the GREAT Act found that OMB and HHS have "…*partially met one of three elapsed deadlines … to establish government-wide data standards by identifying and defining 540 grant data elements in June 2021. This deadline is partially met because 501 of these elements are not fully operationalizable data standards since they do not include important technical specifications that describe their format and structure*." Data elements without technical specifications are not data standards, and do not produce machine-readable, automated data.

Separately, the FDTA has also experienced significant delays. The final joint agency rule was expected to be published by year-end 2024 which would have set individual agency rules proposed and finalized by year-end 2026. Given where the program stands today, implementation at the agency level is at least 10 months delayed.

[1] Grants Management: Action Needed to Ensure Consistency and Usefulness of New Data Standards, Jan 25, 2024: https://www.gao.gov/products/gao-24-106164#:~:text=What%20GAO%20Found,Act)%20related%20to%20data%20standards.

Furthermore, the FDTA rule proposal that was published in Summer of 2024, did not specify a single semantic data standard. It instead gave agencies the flexibility to pick from a customizable menu of data formats, thus maintaining the siloed approach that agencies use today.

The 2024 rule proposal generated a lot of interest, particularly from municipal market issuers who are being asked to implement machine-readable data standards for the first time. The SEC held 19 individual meetings and received 127 comment letters many from municipal bond issuers who expressed trepidations about changes to their current process, potential cost, and skepticism that “standards” could be established at all for the local government market.

We understand many of the concerns raised and would like to address them. To that end, we created an AI generated summary of objections raised and considered each concern where possible. Some topics raised by municipal market players, including “regulatory overreach,” are not in our area of expertise; these issues we did not address.

We hope that our input will be helpful to the Commission as they eventually begin drafting individual agency rules concerning the FDTA for the municipal market. We also urge the SEC and the other FDTA agencies to move the program forward more expeditiously. The FDTA presents a critical opportunity to improve the efficiency of government data collection and to reduce costs through automation and economies of scale.

Concern: Unfunded Federal Mandate

Multiple commenters, particularly municipal market organizations, characterized the FDTA as an unfunded federal mandate that would impose significant costs on state and local governments without providing corresponding funding. The Government Finance Officers Association (GFOA), for example, estimated implementation costs at more than $1.5 billion for roughly 50,000 issuers within the first two years. The California State Association of County Auditors estimated a "minimum of $20 million for California counties to convert existing financial statement data to the new data reporting standards". Resourcing costs were also addressed in comment letters including the need for staff time, consulting resources, and potentially risky updates to government financial systems.

Response: The implementation of digital data standards like XBRL typically requires reporting entities to use applications that assist in the creation of structured, standardized data. These tools can vary substantially in cost and sophistication depending on the needs of the reporting entity. Some tools at the higher end of the pricing range provide full disclosure management capabilities and connect with the reporting entities’ internal systems to pull and extract the data used in regulatory reports. Disclosure management tools perform significantly more than digital “tagging.” They collect and centralize data from various internal sources, automate repetitive tasks in disclosure workflows, provide collaboration between multiple departments, and manage reporting processes, among other tasks. Characterizing the annual licensing cost of a disclosure management system as the cost of “implementing data standards” is misleading; the standards data preparation is only a small piece of what these offerings provide.

Other applications that reporting entities may use to prepare structured, standardized data start with a finalized financial report, produced in Excel or Word, and allow reporting entities to identify the appropriate digital concept to associate with a reported fact, essentially digitizing the report after it's been prepared.

Commercial tools have been cited with annual licensing costs as low as $1,000 - $1,500 for government reporting. Separately, the University of Michigan created a free, open-source application that can be used by a local government or by a state that wishes to adapt the tool to provide a free application to their local governments or by software companies that use it as a starting point to build their own commercial tool. The availability of open-source resources opens the door to new providers that can leverage freely available code and then actively compete for business, ensuring that costs are low for the market. Small and medium-sized governments with less complex financial statements have multiple options even now and more will be available once implementation officially begins.

Limited staff in many small municipalities is also a valid concern when complying with new disclosure requirements. The market is already addressing this issue by using artificial intelligence to streamline the digitizing process. Many providers have adopted AI to perform much of the preparation and then give reporting entities the ability to check their work to ensure accuracy. Providers can be expected to continue innovating with AI as an invaluable tool to streamline reporting applications and reduce reporting burden.

Finally, we question GFOA's estimate of the number of affected entities. Data from the Municipal Securities Rulemaking Board indicates that fewer than 34,000 entities filed audited financial statements on EMMA in 2023 and 2024 (see page 67 of the MSRB Fact Book at https://www.msrb.org/sites/default/files/2025-02/MSRB-2024-FactBook_1.pdf).

Concern: Disproportionate Impact on Small Municipal Issuers

Commenters warned that smaller governmental entities with limited resources and staff bandwidth would bear disproportionate burdens given limited resources. Some also suggested that there was a risk of driving municipal issuers and borrowers from public markets to private placements.

Response: As noted in the previous response, the reporting burden on small municipal issuers could be as low as free to use an open-source tool or $1,000 per year to license a commercial tool. Similar concerns were raised when the SEC implemented data standards for public companies and there is no evidence that companies have pulled back from the IPO market because of the interactive data reporting requirements.

Concern: Legal Entity Identifier (LEI) Cost

Use of the Legal Entity Identifier (LEI) requires payments to private third parties both initially and annually. Municipalities wishing to raise capital would need to purchase an LEI from a third party.

Response: The average cost of obtaining an LEI is $40 - $70 with annual renewal fees of approximately $40 - $60. Costs for an LEI have been quoted as low as $39 when multiple years are purchased. The benefit of a single identifier far outweighs the cost.

Concern: Implementation Timeline

Multiple commenters argued the implementation timeline was unreasonably compressed, noting that two years is insufficient time to solicit input and determine new metrics, noting that GASB often takes 5-10 years for similar processes. Experts predicted extensions to the timeline would be necessary because "eighteen months to put the taxonomy together, six months to get public comment, that's way too short."

Response: The idea of digitizing government financial statements is not new. Indeed, in 2009, the GFOA recommended that "*Governments should monitor developments in standardized electronic financial reporting (e.g., extensible business reporting language [XBRL]) and apply that language to their electronic document process when appropriate*"[2]. The FDTA was first introduced in 2015 and signed into law seven years later (December 2022). The FDTA legislation noted that 18 months after enactment, heads of covered agencies shall jointly issue proposed rules for public comment to establish data standards, and two years after enactment, jointly promulgate final rules for data standards. Data standards established shall take effect not later than 2 years after which final rules are promulgated. Timing for completion of the jointly issued rules has already been delayed ten months (as of October 2025). That delay will factor into timing for subsequent steps in the implementation – the expected original timing of municipal reporting of 2027 is now likely to be delayed until 2028. The rollout will likely take place six years after the legislation was signed, which should be ample time for the market to be ready to satisfy new requirements.

Concerns were also raised about the ability of the Governmental Accounting Standards Board (GASB) to develop a working taxonomy, suggesting that the standards organization was only given eighteen months for development. The GASB initiated their digital reporting project in November 2024 although staff from the standards organization have been observers to an industry-led working group (the XBRL US Standard Government Reporting Working Group) since its inception in 2018. The XBRL US working group developed three releases of an Annual Comprehensive Financial Reporting Taxonomy following GASB accounting standards as a demonstration project. Each release was subject to a public exposure period during which input was solicited from the market, including from staff at the GASB, and incorporated into the taxonomy for further refinement.

[2] GFOA, Website Posting of Financial Documents: https://web.archive.org/web/20180526134544/http://www.gfoa.org/website-posting-financial-documents

It is expected that the first release of the GASB Digital GAAP Taxonomy will be published for a public comment period by Q1 2026. Given that it is unlikely that digital reporting will be required until at least 2028 due to delays as noted earlier, the market including municipal bond issuers, regulators, investors, analysts, and software providers will have sufficient time to review and provide input to the initial taxonomy release to ensure it is fit for purpose.

Concern: Market Structure and Standardization Challenges

Commenters highlighted the complexity of creating uniform standards across diverse municipal entities. They noted the challenge of creating uniform standardized reporting across all types of entities (states, counties, cities, water systems, etc.) and the wide variety of municipal bond issuer sizes and configurations. Commenters suggested there was a risk that universal reporting categories could reduce transparency by eliminating detail specific to unique government functions.

Response: Structured data standards are created to express reported data, not to change accounting standards. A taxonomy is designed to reflect what is being reported and how data reported relates to other data reported. We agree that a taxonomy developed to reflect a hospital district will contain different elements than a taxonomy developed to express a fire district, however there are certain core concepts, for example, assets, liabilities, revenues, which will be the same in both.

To test the premise of developing a taxonomy that can accommodate both general purpose and special district governments, XBRL US, jointly with the University of Denver and the University of Michigan, in partnership with the Mercatus Center, collaborated on a series of projects to design and evaluate the creation of machine-readable data standards that could appropriately represent the unique characteristics of government entities in the United States. The work conducted included outreach to both general purpose and special district governments, and the building of data standards that represented all. The resulting paper, Digital Data Standards Support Greater Transparency and Opportunity in the Municipal Bond Markets[3], describes the project and the work conducted on governments as different as school districts, hospital districts, metropolitan districts, and fire districts.

[3] Digital Data Standards in the Municipal Bond Markets, July 2024: https://xbrl.us/wp-content/uploads/2025/01/Digital-Data-Standards-in-the-Municipal-Bond-Markets-July-2024.pdf

Concern: Lack of Economic Analysis

Respondents urged the SEC to conduct a comprehensive cost/benefit analysis.

Response: We agree that a cost/benefit analysis would be useful and would expect that one will be prepared during the second phase of the FDTA roll-out, when the Commission prepares a draft rule specific to municipal bond issuance disclosures.

Concern: Insufficient Consultation with Market Participants

Commenters criticized the lack of meaningful consultation with affected parties and the fact that the FDTA had no requirement to solicit input from issuers. Commenters noted that they encouraged agencies to solicit and consider feedback of other market participants such as issuers, borrowers, underwriters, and broker-dealers.

Response: We agree that agencies should solicit input from all market participants. Data standards programs will only be successful with input from all affected parties. We disagree however, with the suggestion that agencies have not consulted with the market.

The idea of applying XBRL to government financial reporting was first floated in 2002 and has been the topic of extensive discussion since then. Our working group has been active since 2018. We have conducted numerous pilots and solicited market feedback on multiple occasions from governments, securities analysts, the GASB, and software providers.

Furthermore, the agencies published the joint agency's rule proposal for public review and received a significant amount of feedback. SEC Commissioner Pierce separately published a statement that included a number of questions specific to municipal reporting and requested feedback on those questions as well. These requests provided important opportunities for the market to weigh in and as noted earlier, 127 individual comments were received, and the Commission held 19 separate meetings with organizations to discuss their feedback to the rule.

Concern: Data Quality and Utility

Some commenters questioned whether the new requirements would actually improve market transparency with some suggesting that the FDTA was an initiative of data brokers looking for another product to sell, and not of investors seeking useful data.

Response: Structured, machine-readable data can be automatically consumed into analytical tools without the need for manual data entry. Structured, standardized data can also be automatically checked for data quality on submission by the reporting entity and by the data consumer when data is extracted. Both factors contribute to the quality and consistency of data reported. Furthermore, there are no licensing fees for the use of the XBRL standard which keeps barriers to entry to the reporting tool market low, encouraging new entrants and competitive pricing for tools available for reporting and analysis. Standardization encourages economies of scale.

Thank you again for the opportunity to comment. XBRL US and our members are ready to lend our expertise and support the Commission in any way possible. Effective implementation is imperative to ensure that the Commission and municipal bond issuers recognize the benefits that the FDTA promises. Please contact me if you have any questions or would like to discuss our comments further. I can be reached at (917) 582-6159 or Campbell.Pryde@xbrl.us.

Sincerely,

Campbell Pryde, President and CEO, XBRL US