

Improved Data Standards for Municipal Finance

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The Data Researchers Should Expect

Audited Financial Statistics

<u>Entity</u> • Year	<u>Assets</u> • Current • Fixed	<u>Liabilities</u> • Current • Pensions • OPEB • Bonds	<u>Revenues</u> • Taxes • User Fees	<u>Expenditures</u> • By Category
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Should:

- Include >30k entities that have bonded debt or file single audits
- Be regularly updated shortly after each entity's fiscal year end

Identifier	Coupon Rate	Maturity Date	Callability Provisions	Issuance Costs	Other Terms and Conditions

- Lack of Effective and Freely Redistributable Identifiers
- Late Filings
- Heterogeneous Accounting Standards
- Heterogeneous Classification Methods
- Lack of a Comprehensive Document Repository
- PDF-Based Reporting

- Problem
 - CUSIPs do not uniquely identify issuers
 - Each CUSIP-6 can only accommodate ~1000 bonds
 - State of California has 29 CUSIP-6s
 - CUSIP Global Services uses licensing restrictions to prevent redistribution of CUSIPs and other identifying data
- Solutions
 - CUSIP users litigating against CGS to eliminate restrictions
 - Dinosaur Financial Group v. S&P Global, American Bankers Association and FactSet Research Systems (1:22-cv-1860-KPF)
 - Switch to Legal Entity Identifier (LEI) and open Financial Instrument Global Identifiers (FIGI)
 - LEI is included in the Financial Data Transparency Act

- **Problem**

- Municipal market and federal deadlines typically 6-9 months after fiscal year end; SEC requires public companies to report in 60-90 days
- But many entities report far later:
 - Last 2 City Bankruptcy Filers: Fairfield, AL and Chester, PA
 - Commonwealth of Puerto Rico
 - State of California: Late 5 Consecutive Years
 - Other repeat offenders: Compton, CA and Mt. Vernon, NY

- **Solution**

- Withhold funds from late filers
- North Carolina's new law; Utah longstanding policy

- Problem
 - Local governments in New Jersey, Arkansas, Indiana, Iowa and Nebraska usually do not follow GASB standards
 - Elsewhere, some governments follow many GASB standards but do not produce accrual-based governmentwide statements
 - This leads to apples/oranges comparisons and makes it difficult to aggregate pension and OPEB liabilities
- Solution
 - OMB could require GASB adherence for all single audit filers

- Problem
 - No national standard chart of accounts, and thus...
 - No standard way of classifying revenues, expenditures, assets and liabilities
- Solution
 - Census does have standard categories, but its data is released after a considerable delay and often does not tie out to ACFRs
 - Some states including Florida mandate reporting by a standard chart of accounts
 - Perhaps representatives from Census, state and local governments and the academic community could convene to develop voluntary classification standards

- Problem

- Municipal issuers report on EMMA, but this disclosure is not freely downloadable in bulk
- Single audit filers report to the Federal Audit Clearinghouse
- Some local governments report on neither of the above; their financial statements may be on a state website, their own website, or available only through FOIA

- Solution

- This can be solved by a private or public library crawling all possible websites to gather and store the ACFR PDFs

- Problem

- Both official statements and ACFRs are delivered in PDF form
- Across entities, data are presented in a variety of ways
- Sometimes PDF pages are scanned and difficult to OCR
- Don't expect "Artificial Intelligence" to save the day: PDF text extraction and large language models are two different things

- Solution

- Transition away from PDFs to a structured text format like XBRL
- Rather than resist such a transition, the municipal finance community could collaborate with technologists and data users to find ways to minimize compliance costs, e.g., open source



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