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July 21, 2016

Mr. Brent J. Fields, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-06-16, Business and Financial Disclosure Required by Regulation S-K

Dear Mr. Fields:

Good Jobs First is a non-profit research center focusing on economic development accountability. Our Corporate Research Project works on other aspects of corporate accountability. We publish policy reports and produce two free databases -- Subsidy Tracker and Violation Tracker -- that are widely used by analysts, researchers, journalists, public officials and investors.[1]

We would like to comment on several aspects of your Concept Release on Regulation S-K.

Item 303. A key piece of information about a registrant's finances has been missing from SEC filings, thus giving investors an incomplete picture of a company's condition: the extent to which the firm is dependent on economic development incentives provided by state and local governments and other forms of financial assistance from the federal government.

It is estimated that companies receive a total of about $70 billion a year in state and local aid, while federal assistance is thought to total about $100 billion. Our Subsidy Tracker database contains information on more than half a million such awards with a total value of more than $250 billion.

For some companies (including their subsidiaries) the cumulative amount of such assistance is substantial. In Subsidy Tracker there are more than 60 firms that have each been awarded $500 million in assistance, and for more than half of those the amount exceeds $1 billion.

[1] http://www.goodjobsfirst.org/

The most heavily subsidized company, Boeing, has been awarded more than $14 billion. Other companies, including start-ups, may receive sums that are smaller but which account for a larger portion of their cash flow or assets. There are many cases in which a company's total awards reach a level of materiality.

Investors should know to what extent a company is depending on subsidies -- whether in the form of tax credits, tax abatements, cash grants, or low-cost loans. This is vital information for several reasons. First, many of the awards are contingent on performance requirements such as job creation and can be reduced or rescinded if the firm fails to meet its obligations. Second, investors currently face undisclosed political risk, since some state and local subsidy programs cause a significant fiscal burden and may be curtailed at times of budget stress.

The importance of subsidy reporting has been recognized by the Financial Accounting Standards Boards, which in November 2015 issued a proposed Accounting Standards Update intended to increase transparency about government assistance.[2] The comment period for the proposal ended in February 2016. FASB has not yet issued a codification change but it is likely that some form of subsidy reporting will be added to GAAP.

We urge the SEC to use this review of Regulation S-K to correct the long-standing gap in financial disclosure relating to government assistance. Companies should be required to disclose both aggregate subsidy awards and breakdowns by type and jurisdiction.

Item 101 and Item 103. Like subsidies, corporate regulatory violations and related litigation have grown in size and significance. Violation Tracker, a database created by the Corporate Research Project of Good Jobs First, has collected data on more than 100,000 such cases since the beginning of 2010 with total penalties of about $270 billion. The database currently contains information on cases from 27 federal regulatory agencies and the Department of Justice.

Also as with subsidies, some corporations are significantly impacted by these penalties. In Violation Tracker there are 52 parent companies with aggregate penalties in excess of $500 million, including 26 with more than $1 billion. The most heavily penalized companies are Bank of America ($56 billion), BP ($36 billion) and JPMorgan Chase ($28 billion).

The Item 103 requirement that registrants report on material legal proceedings results in disclosure of the largest cases, but some companies fail to provide adequate details on other penalties that may not be in the billions but are still substantial. Since regulatory agencies and the Justice Department base their penalty determinations in part on a company's past actions, companies omitting adequate data about their regulatory track record are denying investors information that may indicate a heightened risk for much larger penalties in the future.

2 http://www.fasb.org/cs/ContentServer?c=Document_C&pagename=FASB%2FDocument_C%2FDocumentPage&cid=1176167471800

At the very least, the Commission should do nothing to weaken the provisions of Item 103 and related provisions requiring reporting about regulatory matters and legal proceedings. It is also worth considering whether changes are needed in the Instruction 2 language allowing companies to omit cases with potential penalties that do not exceed ten percent of the firm's current assets. Losses at or close to the ten percent level could have severe consequences for many companies and pose the kind of risk investors deserve to know about.

Current disclosures based on materiality should be expanded to also require registrants to indicate which of their cases involve repeat violations of specific regulations. Such recidivist behavior will be a matter of concern for many investors.

Item 601(b)(21). Good Jobs First joins with the numerous other organizations that are urging the Commission to strengthen rules regarding the disclosure of offshore subsidiaries that may be involved in risky international tax strategies.

We believe that better disclosure is necessary with regard to *domestic* subsidiaries as well. In the course of our work on the Subsidy Tracker and Violation Tracker databases, we have looked at hundreds of the Exhibit 21 subsidiary lists included in 10-K filings. We make extensive use of these lists in the parent-subsidiary matching system we developed to link the companies named in individual subsidy awards and violations to a universe of some 3,000 parent corporations. This enables us to display subsidy and penalty totals for the parent companies and thus provide our users, including investors, with what we think is valuable information about the finances and compliance records of these companies.

When looking at these Exhibit 21 lists we have seen a great deal of inconsistency. Using the Item 601(b)(21)(ii) exception, some companies are listing few if any subsidiaries, whether domestic or foreign. We find it hard to believe that any large corporation has no subsidiary of significance. The omission of subsidiary names makes it more likely that we will miss an important linkage in our databases relating to a significant subsidy award or violation. It also means that investors doing their own analyses may be working with incomplete information.

In addition to making sure that all registrants provide complete subsidiary reporting, the Commission should mandate that the information is the Exhibit 21 lists be presented in a standardized format. Currently, some companies list all subsidiaries in alphabetical order, while others group them by country. Some companies list second-tier and other levels of subsidiaries under their immediate parents, while others place the various tiers in one alphabetical list or exclude the lower levels entirely. Whichever standardized format is mandated should also have to be made available in machine-readable form.

Item 101(c)(1)(xiii). Another area of widespread inconsistency is in the reporting on employees. Numerous companies seem to be omitting this piece of information, and a larger number have abandoned the traditional practice of indicating how many of the employees are based in the

United States and how many are at foreign operations. An even smaller number of firms maintain the once widespread practice of providing information on collective bargaining.

The size of a company's workforce is information that investors deserve to know. Given the widespread discussion in the political arena about offshore outsourcing and the talk of compelling firms to bring jobs back to the United States, the foreign-domestic breakdown is of great importance to investors. They should also be told about the extent to which both types of employees are covered by collective bargaining agreements.

And given the growing controversy over employment practices and the potential for stricter regulations, companies should also be required to provide details on the composition of their labor force, including the number of workers who are part-timers, temps or independent contractors.

Ensuring that publicly traded companies provide adequate disclosure of their finances and operations is a crucial issue both for investors and the society at large. We urge the Commission to take these and other steps to strengthen Regulation S-K. Thank you for the opportunity to submit these comments.

Sincerely,

Philip Mattera, Research Director

Greg LeRoy, Executive Director

Scott Klinger, GASB No. 77 Activation Coordinator