



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

Re: Financial Data Transparency Act, File No. S7-2024-05  
Via electronic submission: [SEC.gov | Financial Data Transparency Act Joint Data Standards](https://www.sec.gov/financial-data-transparency-act-joint-data-standards)

October 21, 2024

On behalf of the North Carolina Government Finance Officers Association (NCGFOA), we write today to provide comments on S7-2024-05, the Proposed Rule to establish data standards and impose other mandates in order to implement the Financial Data Transparency Act. As committee representing the interests of many NC governments and entities with outstanding bonds, who will look to access the bond market in the future, we are very interested in how the federal government will develop this and additional rulemaking. We are concerned about how this will impact how our government prepares financial and disclosure information.

We concur with comments made by issuer organizations, especially the Government Finance Officers Association (GFOA) and urge regulators to carefully review these comments. GFOA's more in-depth analysis and discussion of the concerns of the issuer community strongly reflect what we are likely to experience here in NC's local and municipal governments.

**The NCGFOA supports strong financial transparency and standards, and we believe that the reporting practices, level of public accessibility, and additional legal standards that local governments comply with are already significant.**

While we stand by our robust reporting standards, we are aware that the SEC and other regulators may continue with efforts to impose mandates on how our financial information is submitted to regulators. Regulators must avoid any actions that would conflict with the Tower Amendment, and provisions in the FDTA prohibiting any new disclosure requirements. Additionally, the SEC should strongly consider utilizing the provision in the FDTA to scale implementation and mandates of the law in our sector and avoid burdening small governments and entities. The SEC should focus on

**North Carolina Government Finance Officers Association**



[www.ncgfoa.org](http://www.ncgfoa.org)



[karen.mills@ncgfoa.org](mailto:karen.mills@ncgfoa.org)



**(919) 616-5726**



minimizing “market disruption” and we can focus on what is practical and feasible. This will help to minimize costs for our taxpayers and limit the possibility of disruption in the municipal securities market.

**Changes to the way we develop our financial information into a structured data format could take considerable staff time and resources to find consultants and programs to comply with these mandates.** Specifically, we estimate implementation may cost local governments in the following possible ways:

- Costs to acquire new software compatible with the required structured data format
- Costs for technology updates to allow for new software
- Costs to reorient any existing systems in place (ERP systems, for example)
- Ongoing costs to upkeep new software and provide additional updates to existing software
- Hiring costs, both in direct staff and onboarding expenses
- Implementation consultants where necessary
- Ongoing consultancy fees as necessary
- Additional interest costs for mid-sized governments who may struggle to comply, likely barring them from certain bonds or from participating in the market entirely
- Opportunity costs for small local governments and municipalities who may see discrimination or disinterest within the bond market due to not being held to the same reporting standards
- Opportunity costs for governments who cannot comply and who must seek other financing options that reduce their overall fiscal security
- Ongoing costs for employee time producing and filing structured data reports

We at the NC GFOA Advocacy Committee believe the following questions should be considered and addressed by lawmakers before further progress is made on the FDTA.

- **Exemptions for small reporting entities:** What should be considered small? Reporting expectations that may not be particularly onerous for other sectors are often a larger burden on local governments due to our organization and legally required financial structure. NC has upwards of 650 municipalities and counties, and many more special purpose governments, a large percentage of which have only a small number of multipurpose staff and will have neither the time, knowledge, or money to meet additional reporting requirements.

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[www.ncgfoa.org](http://www.ncgfoa.org)



[karen.mills@ncgfoa.org](mailto:karen.mills@ncgfoa.org)



[\(919\) 616-5726](tel:(919)616-5726)



- **Data format(s) to be utilized:** The proposed rule provides possible examples of formats that may meet the criteria. However, with the warp speed at which Artificial Intelligence (AI) technology is evolving, it seems likely that technology will exist to enable the extraction of necessary data from existing statement formats (pdf, etc.) absent any actions by local government financial statement preparers.
- **“Consistent with and implement applicable accounting and reporting principles”:** The proposed rules make this generic statement to cover all sectors, but local government has very specific fiscal reporting requirements under GAAP and GASB standards. While the proposed rule is not mandating that this reporting meet any specific standards, the inclusion of this wording indicates that, by default, the reporting would have to be held to GAAP and GASB standards and would need to be integrated into our current annual reporting systems. This has the potential for large additional investments of time and money for all affected local governments, so the extent to which these principles will apply should be studied and addressed in detail before the FDTA goes forward.
- **Establishing classification for information:** The current proposed rule does not suggest any taxonomy for the data to be reported. Further development of the FDTA should take into consideration both the size of the entity and the value of securities when determining the volume of data to be reported.

We understand that there are other elements of the rulemaking that could also be imposed on issuers and others in the municipal securities market. As regulators consider these items going forward, they need to be aware that the elements that apply to corporate entities and the federal government face greater hurdles for local governments.

The best way for the SEC and other regulators to understand how governments like ours currently prepare financial and disclosure information, and to understand how any new mandates would affect us and work in our sector, is to have conversations with us. The law calls on regulators to consult with issuers and other market participants, and that should be the first step of many, as this proposed rule is finalized, and additional rulemaking is developed.

**This law is an unfunded federal mandate on NC local and municipal governments and tens of thousands of others across the country.** We hope that the examples and information we provided, as well as ongoing conversations, will assist in thoughtful and workable rules that, if needed, our government can easily implement without extensive burden.

North Carolina Government Finance Officers Association



[www.ncgfoa.org](http://www.ncgfoa.org)



[karen.mills@ncgfoa.org](mailto:karen.mills@ncgfoa.org)



(919) 616-5726



Thank you for the opportunity to submit these comments. We welcome the opportunity to discuss any of these issues in greater detail with regulators as the process moves forward.

Sincerely,

Thomas Wrenn

President, North Carolina Government Finance Officers Association

North Carolina Government Finance Officers Association



[www.ncgfoa.org](http://www.ncgfoa.org)



[karen.mills@ncgfoa.org](mailto:karen.mills@ncgfoa.org)



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