



National Association of State Auditors, Comptrollers and Treasurers

August 21, 2007

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The Honorable Christopher Cox, Chair
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Cox:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, I am writing in response to the white paper issued by your office entitled "Disclosure and Accounting Practices in the Municipal Securities Market." We thank the Commission for recognizing the importance of the municipal securities market and for highlighting areas in which the Commission believes improvement is needed.

Your white paper identifies many worthwhile and admirable goals including the ability of investors to access more timely offering documents and periodic reports and the Commission's recognition of the Governmental Accounting Standards Board as the independent accounting standards-setting body for state and local governments. We believe an independent standard setter is of the utmost importance and note that over 30 state auditors or comptrollers currently require GASB principles in some manner for various governments within their states.

The white paper also references the Commission's Electronic Data Gathering, Analysis and Retrieval System (EDGAR) as a place for investors to gather periodic reports and other information free of charge. However, the paper also notes that no filings are made through EDGAR for municipal securities. We agree that having a free, Internet-based system is desirable for filing offering documents of municipal securities.

While we are in general agreement on the importance of the topics discussed in the white paper, we are not convinced that the municipal market system is "broken" or that federal legislation is necessary, warranted, or an improvement. In fact, many of the examples cited in the white paper were the result of fraud, not the result of inadequate accounting principles or disclosure policies. Fraud and purposeful failure to disclose material information are both areas addressed through the SEC's existing anti-fraud provisions to which governmental issuers are subject.

Disclosure is a very important aspect of assuring accountability and transparency in our markets. However, we oppose the SEC's desire for additional oversight or legislation. As is stated in the white paper, the size of the municipal market is striking, which is why it is important to note that in the many years that the municipal market has operated, only a handful of cases have arisen that would cause any concern among everyday investors. As you are aware, the Securities Industry and Financial Markets Association (SIFMA) has indicated that the default rate on municipal bonds from 1970 through 2006 is less than 0.1%, vastly different from default rates in the corporate environment.

The current disclosure regime and independent checks and balances in the market, including independent audits and bond ratings, have provided a healthy and low-risk way for citizens to invest their earnings and build savings through the purchase of municipal bonds. We would like to work closely with the Commission to address any perceived issues and to ensure that the municipal securities market continues to thrive.

Chairman Christopher Cox
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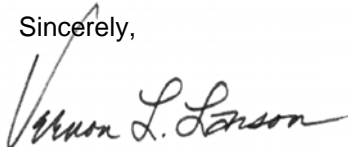
Finally, we would like to note that over 50,000 municipalities utilize the issuance of municipal debt to raise revenue – a long-recognized right of municipal governments. We strongly support the rights of state and local governments to issue debt to pay for needed government projects and oppose any legislative intervention that would attempt to treat governmental entities like private sector corporations. Government entities and their operations are different from profit-motivated corporations, and therefore, corporate securities are different from government-issued securities.

We believe that improvements can be made in the municipal market, for example, the creation of a free, Internet-based system for filing offering documents. We hope to convene market participants to discuss these issues and to work toward satisfactory solutions. An approach similar to the process followed by the Muni-Council in creating the central post office for secondary market disclosures is preferable to federal legislation.

We commend the SEC for recognizing the sovereign rights of state governments and look forward to working closely with the Commission to address perceived issues highlighted in the recent white paper. Municipal bonds finance needed roads, bridges, hospitals and schools and remain a low-risk investment alternative for many investors. We strongly believe many of the issues highlighted in the white paper can be addressed by working together and that legislative intervention is unwarranted and unnecessary.

We are happy to meet with you and your staff to discuss these issues further. In the meantime, please feel free to contact NASACT's Executive Director, Kinney Poynter at (859) 276-1147 (kpoynter@nasact.org) or our representative in Washington, Cornelia Chebinou, at (202) 624-5451 (cchebinou@nasact.org), should you have any questions or require additional information.

Sincerely,



Vern Larson
NASACT President
State Treasurer (SD)

cc: The Honorable Christopher Dodd, Chairman, United States Committee on Senate Banking and Urban Affairs
The Honorable Richard C. Shelby, Ranking Member, United States Senate Committee on Banking and Urban Affairs
The Honorable Barney Frank, Chairman, United States House Committee on Financial Services
The Honorable Spencer Bachus, Ranking Member, United States House Committee on Financial Services
Conrad Hewitt, Chief Accountant, United States Securities and Exchange Commission
Martha Mahan Haines, Chief, Office of Municipal Securities, United States Securities and Exchange Commission