

May 4, 2004

Opening Statement by Congressman Paul E. Gillmor
House Financial Services Committee
Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises
Hearing entitled, "The FASB Stock Options Proposal: Its Effect on the U.S. Economy
and Jobs" Day 2

Thank you, Mr. Chairman, for holding this important hearing and allowing our Committee an opportunity to hear from the Financial Accounting Standards Board (FASB) on their recently released Exposure Draft regarding requiring firms to recognize the fair value of employee stock options as an expense.

I would like to remind my colleagues today of the Congressional Budget Office (CBO) Paper released on April 4, 2004 entitled, "Accounting for Employee Stock Options," and its important findings:

If firms do not recognize as an expense the fair value of employee stock options, measured when the options are granted, the firms' reported net income will be overstated... Although complicated to calculate, the fair value of employee stock options may be estimated as reliably as many other expenses.

The Paper goes on to conclude, that "[r]ecognizing the fair value of employee stock options is unlikely to have a significant effect on the economy." I applaud FASB for their continued hard work on this issue and for the release of their Exposure Document.

U.S. Financial markets remain the envy of the world due to the quality, timeliness and credibility of the financial information and disclosures provided by companies. The result is better allocation of resources and lower overall cost of capital. We here in Congress must ensure that this remains the case by allowing our standard-setter to operate independent of public and private special interests.

As we discuss FASB's proposal this afternoon, I continue to encourage my colleagues to support the position that the role of FASB is to pursue transparency and accuracy in accounting standards, not to choose among competing public policies. We should not be setting accounting standards on a political basis.

Again, thank you Mr. Chairman for calling this hearing and I look forward to an informative session.