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April 17, 2026

Governmental Accounting Standards Board
801 Main Avenue
Norwalk, CT 06856

RE: Comments on GASB Project No. 3-25, Exposure Draft – *Financial Reporting Model Improvements - Subsidies*

The Financial Management Standards Board (FMSB) of the AGA appreciates the opportunity to provide comments on the Governmental Accounting Standards Board's proposed implementation guidance. Our comments on each of the proposed Questions and Answers are as follows. In our comments, we used "first criteria" to refer to Statement 103 paragraph 14.a(1) regarding whether goods and services are provided to the other party or fund and "second criteria" to refer to Statement 103 paragraph 14.a(2) regarding whether resources directly or indirectly keep current or future fees and charges lower than they otherwise would be.

Question 4.1

Our group had mixed views. Differences of opinion about the answer primarily depended on views regarding whether the second criteria was met.

Some members agreed that it would be reasonable for supplemental payments to be considered a subsidy of Medicaid fee-for-service payments. Other members felt that the purpose and outcome of subsidies was related to keeping hospitals in business and incentivizing them to offer particular services or to serve a particular locality. These members pointed out that supplemental payments have no effect on Medicaid payment rates, which are not controllable by the hospital.

Questions 4.2 and 4.3

Our group had mixed views. Differences of opinion about the answers primarily depended on views regarding whether the second criteria was met.

Some members agreed it would be reasonable for scholarship donations to be considered a subsidy. Other members felt that scholarships help students pay, but do not change tuition rates. Instead, classification as a subsidy appears to depend on an assumption that future rates may be indirectly lowered due to economies of scale or scope realized through higher attendance that might be attributed to the presence of scholarships. These other members felt this was far too indirect and speculative to consider the second criteria to be met.

Regardless of the answer, in our experience, most scholarship donations are made to a foundation rather than directly to the institution. We therefore encourage the question and answer to be re-written from this perspective, or to clarify how receiving a donation directly from the donor is different than receiving scholarship payments from a foundation.

Question 4.4

Our group had mixed views. Differences of opinion about the answer encompassed varying views regarding whether the first or second criteria was met.

Some members agreed the answer would be reasonable. Other members felt that research grants always provide a good or service to the grantor. These members consider the requested research to be a service and the research report and/or actual product or patent to be goods provided to the grantor. Still other members felt that even if the first criteria was met, that research grants would not directly or indirectly lower tuition rates. These members point out that allowable costs for research grants would preclude subsidizing general operations, and even indirect costs charged to grants are only allowable to the extent they are necessary for activities funded by the grant. Therefore, categorization as a subsidy might appear to undermine the assertion of compliance with grant requirements.

Regardless of the answer, it would be more helpful to structure the question similar to 4.2 and 4.3, where a clear answer could be given for different circumstances rather than “it depends.”

Question 4.5

Our group had mixed views. Differences of opinion about the answer primarily depended on assumptions about the nature of the tax with regard to the first criteria.

Some members envisioned a property tax imposed by a port district or a retail sales tax imposed by a transit authority, which would seem to meet the criteria since many taxpayers may not directly receive the goods or services from the port or transit as a result of the tax. Other members envisioned a property tax or operating special assessment imposed by a water-sewer district that is coextensive with the area of service or rate-paying customers, which would not seem to meet criteria because taxpayers receive the goods or services from the water-sewer district as a result of the tax.

Question 4.6

Our group had mixed views. Differences of opinion about the answer primarily depended on views regarding whether the first criteria was met.

Some members agreed that it would be reasonable to consider passenger facility charges (PFCs) to be subsidies. Other members questioned whether expenses funded by PFCs would be more appropriately considered to be part of the full cost of service provided to passengers.



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Regardless of the answer, it would be helpful for the answer to note whether this would be considered an operating or capital subsidy, since our understanding is that PFCs would normally be capital in nature.

Question 4.7

We agree.

Question 4.8

We agree.

Question 5.1

We agree.

Effective date and transition

We have no concerns regarding the effective date and transition provisions.

Other comments

In general, we find the new requirements related to subsidies to be difficult to understand and apply with consistency due to the level of judgment involved in interpreting criteria, in particular the second criteria. While proposed guidance will be helpful for the common revenues described, our group was unable to confidently analogize answers to other situations or revenues.

This highlights the importance of implementation guidance to address the risk of inconsistency in practice. And for these reasons, we are supportive of this project and also encourage GASB to consider additional implementation guidance to address more revenue streams in future implementation guidance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scott DeViney', with a large, sweeping flourish at the end.

Scott DeViney, CPA
Chair, Financial Management Standards Board



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AGA
Financial Management Standards Board

The FMSB comprises the following 19 members with accounting and auditing backgrounds in federal, state, and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. The purpose of the FMSB is to advocate for the improvement of accounting and financial reporting standards at all levels of government and thus advance government accountability. The views of the FMSB do not necessarily represent those of AGA. Local AGA chapters and individual members are also encouraged to comment separately.

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