

Memorandum

Leases

February 8, 2022

To: Members of the Board
From: Ricky A. Perry, Jr., Senior Analyst
Thru: Monica R. Valentine, Executive Director
Subject: **Draft proposals related to paragraphs 42 and 59 of SFFAS 54** (Topic B)

INTRODUCTION

The briefing material includes staff's analysis of draft proposals for clarifying aspects of paragraphs 42, 47-48, and 59 of SFFAS 54, *Leases* (on discount rates), along with footnote 11 to paragraph 89 and paragraph 92 (on the applicability of sale-leasebacks guidance to intragovernmental lease transactions). Staff developed these proposals based on consultations with the Board, and feedback from the leases implementation task force and subject matter experts. Staff has also drafted questions for respondents and a basis for conclusions.

At the October meeting, staff shared a first-draft proposal (in the form of an Interpretation, at that time) and has since incorporated the feedback provided by the Board, along with additional research, as requested by members.

REQUEST FOR FEEDBACK BY FEBRUARY 17

Prior to the Board's February meeting, please review the attached staff analysis and recommendations (Attachment 1), along with the working draft proposals (Attachment 2) and an updated project plan (Attachment 3). Please respond to the ensuing questions by no later than February 17.

Please provide responses to Mr. Perry at PerryRA@fasab.gov, with a cc to Ms. Valentine at ValentineM@fasab.gov.

NEXT STEPS

Pending Board member feedback, staff will seek to finalize these proposals so that they can be quickly balloted and eventually included in an exposure draft.

These proposals may be tabled for a short period before pre-balloting. If the Board agrees, staff will likely expose these proposed omnibus amendments for public comment in tandem

with another proposal for addressing leasehold improvements and reimbursable work authorizations.

The leasehold improvements and reimbursable work authorizations proposal is under development. Staff hopes to present a draft proposal to the Board in April. Staff does not wish to move to a pre-ballot for this proposal until the forthcoming proposal is further developed. The proposed guidance could conceivably result in a limited number of additional omnibus amendments that could be included in the draft omnibus being discussed today.

ATTACHMENTS

1. Staff analysis
2. *[Draft] Omnibus Amendments 202X, Technical Clarifications Addressing Lease Liability and Receivable Discounting and Sale-Leasebacks*
3. Leases project plan

REFERENCE MATERIAL

1. *SFFAS 33, Pensions, Other Retirement Benefits, and Other Postemployment Benefits*
2. *SFFAS 54, Leases*
3. *SFFAS 60, Omnibus Amendments 2021*
4. *SFFAC 1, Objectives of Federal Financial Reporting*
5. *FASB Accounting Standards Update 2021-09*
6. *FASB CON 2, as amended*

Staff Analysis

Leases

February 8, 2022

CONTEXT

At the October 2021 Board meeting, members requested that staff provide additional information on proposed guidance on discounting lease liabilities and receivables, including:

- a. additional analysis for the Board to consider regarding the appropriate pronouncement type for the proposed guidance on discount rates, and
- b. information to consider in assessing the approach and level of detail necessary for providing guidance on incremental borrowing rates:
 - i. approaches taken in Statement of Federal Financial Accounting Standards (SFFAS) 33: *Pensions, Other Retirement Benefits, and Other Postemployment Benefits*,
 - ii. approaches taken by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) for implementing the requirements of ASC 842 and GASB 87, respectively, and
 - iii. other relevant factors.

Current versions of paragraphs 42 and 59 of SFFAS 54, as amended by SFFAS 60:

42. The future lease payments (*staff note: lessee guidance*) should be discounted using the interest rate the lessor charges the lessee. If the interest rate is not stated in the lease, the **lessee's incremental borrowing rate**⁷ (the estimated rate that would be charged for borrowing the lease payment amounts for the lease term) should be used.

FN 7 – A federal lessee's incremental borrowing rate would be the Department of the Treasury borrowing rate for securities of similar maturity to the term of the lease unless the entity has its own borrowing authority.

59. The future lease payments to be received (*staff note: lessor guidance*) should be discounted using the rate the lessor charges the lessee. If the interest rate is not stated in the lease, the lessor's incremental borrowing rate should be used.^{9A}

FN 9A – A federal lessor's incremental borrowing rate would be the Department of the Treasury borrowing rate for securities of similar maturity to the term of the lease unless the entity has its own borrowing authority.

SUMMARY OF RECOMMENDATIONS AND ANALYSES

Staff recommends that the Board provide guidance on discounting lease liabilities and receivables within the body of SFFAS 54, *Leases*, through issuance of omnibus amendments. The ensuing analysis includes the basis for recommending this approach.

Staff also recommends several specific revisions within the detailed guidance, based primarily on feedback from members at the October meeting and additional research conducted thereafter. The ensuing analysis includes the basis for these revisions, additional discussion surrounding the proposed approach, and other viable options, if any.

Staff's analysis includes recommended amendments to SFFAS 54 paragraphs 42, 47-48, 59, 89, and 92, along with analysis to support the draft questions for respondents and basis for conclusions.

ANALYSIS

Recommended Approach for Guidance on Incremental Borrowing Rates

Following the October 2021 meeting, staff conferred with the executive director and several key stakeholders on the task force regarding the approach for providing guidance on estimating incremental borrowing rates. Members had raised additional questions regarding (1) the level of detail and (2) the selection of the most appropriate *type* of pronouncement.

The below analysis reflects additional staff research and resulting recommendations on these two matters. It also reflects staff's research and analysis of relevant Statements of Federal Financial Accounting Concepts (Concepts) and feedback from stakeholders.

Staff's Basis for the Level of Detail Reflected in the Below Proposals

Staff has consistently identified concerns that paragraphs 42 and 59 of SFFAS 54 are challenging to implement due to a current lack of clarity in how to estimate incremental borrowing rates. The absence of explanatory guidance alongside these paragraphs is not conducive to efficient audits or consistent methodologies for estimating lease liabilities and receivables across the federal government.

Staff considered the following factors and concepts in developing the proposals to clarify paragraphs 42 and 59 and assessing the level of detail therein:

- a. SFFAC 1: *Objectives of Federal Financial Reporting*, paragraphs 152-153, provides that accounting standards can have many different kinds of effects that must be considered, including effects on the activities of accountants and auditors. It also provides that the Board must be aware of these potential effects when considering the costs and benefits of any given accounting alternative. In this particular context, the Board must consider potential effects on costs of implementation, auditability, and consistent application when assessing the level of detail needed. Staff's recommended approach is intended to reduce implementation costs by addressing fundamental

measurement-related questions for how to apply the requirements of paragraphs 42 and 59 in accordance with the Board's intent.

Providing more detailed guidance will enable preparers to implement the paragraphs in an informed manner and auditors to efficiently assess the extent to which management assertions (valuation and accuracy) are met and consistent with criteria.

It is important to note that detailed approaches do not preclude the Board from also allowing management to exercise discretion with respect to certain accounting policy decisions (such as par. 42A-B and 59A-B of Attachment 2). Guidance in these instances would provide clarity and allow preparers to develop accounting policies in a manner that demonstrably aligns with the Board's intent.

- b. SFFAC 1, paragraph 160, provides that reliability can be affected by the degree of estimation in the measurement process and by uncertainties inherent in what is being measured. Paragraph 164 provides that financial reporting should help report users make relevant comparisons among similar federal reporting units. It further explains that differences among financial reports should be caused by substantive differences in the underlying transactions or organizations rather than by the mere selection of different alternatives in accounting practices.

FASB Concepts Statement No. 2 provides similar discussion regarding the qualitative characteristics of reliability and comparability. Paragraph 16 states the following:

"Left to themselves, business enterprises, even in the same industry, would probably choose to adopt different reporting methods for similar circumstances. But in return for the sacrifice of some of that freedom, there is a gain from the greater comparability and consistency that adherence to externally imposed standards brings with it. There also is a gain in credibility. The public is naturally skeptical about the reliability of financial reporting if two enterprises account differently for the same economic phenomena."

Staff and the task force found that the degree of flexibility inherent in paragraphs 42 and 59, in their current form, is unwarranted, subjective, and burdensome. This degree of flexibility introduces unwelcome levels of complexity and subjectivity in the processes of discount rate selection/estimation policies and auditing the resulting estimates. Inconsistent policies would likely result in inconsistent discount rates for lease transactions with similar lease terms and similar underlying assets. The level of detail reflected in Attachment 2 reduces complexity and subjectivity in a manner congruent with the level of consistency in the underlying lease transactions and activities across the federal sector.

These concepts and factors reflect staff's basis for the level of detail reflected in the amendments proposed in Attachment 2 related to paragraphs 42 and 59.

Staff-Recommended Pronouncement Type

Staff previously recommended developing an Interpretation of Federal Financial Accounting Standards or a Technical Bulletin for purposes of clarifying, explaining, and elaborating upon

the requirements of paragraphs 42 and 59. Staff's original recommendation is consistent with their purposes and uses under the *Rules of Procedure* (p. 26) and *Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance* (par. 4). However, after additional consultations with key task force members and conferring with the executive director, staff now recommends issuing the guidance as part of omnibus amendments to SFFAS 54.

Staff's recommendation is based on the following factors:

- a. SFFAS 58 and 60 amended SFFAS 54. As a result, SFFAS 54 will be the primary source of accounting principles for leases. Some task force members expressed a general desire to house the relevant guidance within the main pronouncement to the extent possible. This will enable preparers to reference the fundamental accounting standards in one place, while referencing the detailed implementation guidance in another.¹
- b. Integrating these clarifications within SFFAS 54 will improve the navigability and clarity of the Statement.
- c. This approach is consistent with the Board's overall efforts to organize its guidance as a precursor to future codification efforts.
- d. Staff believes the guidance is consistent with the purpose of Statements of Federal Financial Accounting Standards. SFFAS 33: *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*, for example, includes detailed guidance on selecting discount rates and valuation dates for measuring pensions, other retirement benefits, and other postemployment benefits. SFFAS 33 resolved uncertainties in practice for selecting discount rates and established consistent methods for selecting valuation dates for the related liabilities (see par. 2).

Recommendation

Staff recommends providing additional details through an omnibus-amendment approach for purposes of providing guidance on discount rates and clarifying aspects of paragraphs 42 and 59.

Question for the Board #1:

Do members have any feedback on staff's basis for the level of detail and pronouncement type recommended by staff with respect to clarifying paragraphs 42 and 59 of SFFAS 54?

Staff note: Members may wish to review these briefing materials in their entirety before drafting feedback in response to this question.

¹Staff note: The Handbook-by-Chapter version of SFFAS 54 will be updated in the summer of 2022 to include omnibus amendments resulting from SFFAS 60. Because SFFAS 60 was published after June 30, the amendments were not included in the 2022 Handbook update. In the meantime, they are published [here](#)

Comparing the Proposals for Paragraphs 42 and 59 in Attachment 2 to Certain Elements of SFFAS 33, and Approaches Taken by FASB and GASB

At the October 2021 meeting, the Board instructed staff to consider SFFAS 33 discount rate guidance. The Board expressed a desire to understand whether it could be beneficial to integrate certain aspects of SFFAS 33 within the proposals under development. The Board also wanted to ensure that any differences are appropriate.

Staff has analyzed the proposals for paragraphs 42 and 59 in Attachment 2 and integrated certain aspects of SFFAS 33. Key similarities between SFFAS 33 and the proposals include:

- Both would be promulgated as Statements of Federal Financial Accounting Standards.
- The guidance resulted from practice issues and inconsistent methodologies (see par. 2 of SFFAS 33, which was issued in response to practice issues in implementing SFFAS 5). In the case of SFFAS 54, staff has received similar feedback from the task force.
- Both would provide for discount rates based on “marketable Treasury securities.” Both also allow for use of historical rates, within certain reasonable parameters.
- Both would require entities’ accounting policies to be consistent from period to period. Staff incorporated this feature of SFFAS 33 (par. 31).

Staff analysis of the contents of SFFAS 33 and the appropriateness of incorporating aspects thereof into proposals for discounting lease liabilities.

SFFAS 33 paragraph	Staff analysis
<p>28. Discount rates as of the reporting date for present value measurements of pension, ORB, and OPEB liabilities should be based on interest rates on marketable Treasury securities with maturities consistent with the cash flows being discounted. The discount rates should be matched with the expected timing of the associated expected cash flow. Thus, cash flows projected in each period should have a discount rate associated with them. However, one discount rate may be used for all projected future cash flows if the resulting present value is not materially different than the resulting present value using multiple rates. A change to or from multiple rates from or to a single rate should be disclosed.</p>	<p>This paragraph of SFFAS 33 can reasonably be interpreted as expressing an implied preference for using multiple rates. Staff believes that such an approach would not be cost-beneficial when implementing SFFAS 54. Task force members have consistently expressed a preference for using a single discount rate for each liability due to complexities associated with assigning multiple rates based on the timing of lease payments. SFFAS 54 footnote 7 also provides for use of a single rate and basing it on the Treasury borrowing rate for securities “<i>of a similar maturity to the lease term.</i>” Such language implies the use of a single rate for discounting all future lease payments</p>

SFFAS 33 paragraph	Staff analysis
<p>29. The discount rates as of the reporting date should reflect average historical rates on marketable Treasury securities rather than giving undue weight to the current or very recent past experience of such rates. Historical experience should be the basis for expectations about future trends in marketable Treasury securities. The discount rate, the underlying inflation rate, and the other economic assumptions should be consistent with one another.</p>	<p>Given the nature of the liabilities being measured under SFFAS 33 and the limited number of reporting entities implementing such requirements, an emphasis on reducing volatility seemed appropriate for purposes of that Statement (see par. A41 of SFFAS 33). In the context of leases, staff believes that providing the option to use of historical averages may also be beneficial from the standpoint of reducing volatility and reducing burden (by effectively allowing reporting entities to periodically update historical-averages rather than pull spot rates on a lease-by-lease basis).</p>
<p>30. In developing average historical Treasury rates, a minimum of five historical rates as of the reporting date (e.g., at the current and four prior fiscal year ends) should be used for each maturity. The historical rates used to calculate the average should be sequential (e.g., 2003-2007). For example, for an average historical Treasury rate to be used as the discount rate as of the end of fiscal year 2007 for a payment due in 10 years (i.e., in fiscal 2017), a minimum of the five most recent fiscal year-end historical rates on 10-year Treasury securities should be used. Thus, the rate on 10-year Treasury securities as of the end of fiscal year 2007 would be one of the five historical rates used in the average, the rate on 10-year Treasury securities as of the end of fiscal year 2006 would be another rate, etc., until, at a minimum, the rates on 10-year Treasury securities as of the end of fiscal years 2003 through 2007 would be included in the average.</p>	<p>Staff does not believe the detailed requirements presented in paragraph 30 are necessary in the context of discounting lease liabilities. Doing so would be inconsistent with previously-expressed preferences of the Board to avoid providing overly-detailed requirements. Staff's proposal provides a reasonable parameter to ensure historical rates are reasonably consistent with rates on the date of measurement (see Attachment 2 proposals for par. 42A and 59A).</p> <p>Staff also recommends including an element of paragraph 31 within the proposals for similar reasons but in a different context. Such language will help ensure that reporting entities use a consistent methodology from period to period (see Attachment 2 proposals for par. 42B and 59B).</p>
<p>31. The number of historical rates used in the calculation of the average as explained in paragraph 30, e.g., five fiscal year-end rates, should be consistent from period to period. The entity's accounting policy disclosures should include its policy regarding consistency from one reporting period to the next.</p>	<p>Attachment 2 proposes use of "marketable Treasury securities" (used here and elsewhere in SFFAS 33, including par. 28-29 above). Staff believes this is a more accurate and durable description of the Board's intent.</p>
<p>32. In the determination of the historical Treasury rates used, for cash flows that are projected to occur in future years for which Treasury securities are or were not available or that are expected beyond the maturities at which Treasury securities are available, e.g., beyond the 30-year security, the preparer should incorporate into the determination of the discount rate interest rates interpolated or extrapolated from historical Treasury rates.</p>	<p>In October staff presented an analysis and recommendation to not allow extrapolation beyond the 30-year Treasury. The Board concurred with this recommendation.</p>

FASB

ASC Topic 842, as amended by Accounting Standards Update 2021-09 (November 2021), permits lessees that are not public business entities “to use a risk-free discount rate for the lease instead of its incremental borrowing rate, determined using a period comparable with that of the lease term, as an accounting policy election made by class of underlying asset.” (ASC 842-20-50-1)

Overall, staff finds that the ASC 842, as amended, for entities that are not public business entities, coupled with illustrations for selecting discount rates (ASC 842-20-55-17 through 20), is mostly consistent with the approach presented in Attachment 2. To address concerns expressed by some stakeholders regarding the application of the risk-free rate to all leases, the FASB elected to allow lessees that are not public business entities to make the risk-free election by class of underlying asset rather than at an entity-wide level. The recommended approach reflected in Attachment 2 provides more details on how to carry out the discount rate requirement. It does not propose the same election-by-underlying-asset-class flexibility, given that the nature of FASAB’s constituency and the desire for reasonable consistency across federal reporting entities (see earlier discussion regarding SFFAC 1 above).

GASB

GASB Statement 87 continues to be consistent with SFFAS 54 prior to amendments promulgated under SFFAS 60. Although staff views the GASB requirements as comparatively more burdensome to implement, the variety of asset classes and various attributes of the reporting entities subject to GASB requirements when compared to the FASAB likely justifies these differences.

Question for the Board #2:

Do members have any feedback on staff’s comparative analysis of the proposals in Attachment 2 for paragraphs 42 and 59 of SFFAS 54 to SFFAS 33, ASC 842 and GASB 87 or questions in response to staff’s rationale for justifying the comparative differences identified?

Summary of Changes to the Proposal Based on Board Feedback and Additional Research

Proposed Amendments to Paragraphs 42 and 59 (42 shown below)

2. Paragraph 42 of SFFAS 54, and the previously-issued amendment thereto (SFFAS 60, par. 19) are amended as follows:

42. The future lease payments ~~should be discounted~~ using the interest rate the lessor charges the lessee. If the interest rate is not stated in the lease, the interest rate should be based on marketable Treasury securities with similar maturity to the term of the lease ~~lessee's estimated incremental borrowing rate⁷ (the estimated rate that would be charged for borrowing the lease payment amounts for the lease term) should be used.~~

~~FN 7—A federal lessee's incremental borrowing rate would be the Department of the Treasury borrowing rate for securities of similar maturity to the term of the lease unless the entity has its own borrowing authority.~~

Basis for Proposal to Amend Paragraphs 42 and 59 of SFFAS 54:

As noted above, staff recommends more clearly and accurately aligning terminology with the Board's intent through use of the term "marketable Treasury securities." This approach is consistent with the approach taken in SFFAS 33 and the original proposal discussed in October.

Staff also recommends removing the phrase "unless the entity has its own borrowing authority" from the guidance. In January 2021, staff met with subject matter experts from Treasury's Bureau of the Fiscal Service and Office of Federal Program Finance and OMB staff. At the meeting, participants unanimously concurred that such language should be stricken. The basis for this recommendation includes the following factors:

- a. Several reporting entities with non-Federal Credit Reporting Act (FCRA) borrowing authorities can borrow for many reasons and the loan pricing and rate-setting policies vary. Some of these loans are priced by the Federal Financing Bank (FFB), such as Power Marketing Administration rates. Others are priced by Treasury's Office of Debt Management, such as the National Flood Insurance Fund and the Social Security Equivalent Benefit Account. Other borrowing accounts have no accrued interest, such as NTIA's Public Safety Trust Fund and the Postal Service Fund. Methodologies that go into setting rates for non-FCRA borrowings are not always comparable.
- b. The purpose and uses of loans can vary greatly for programs with independent borrowing authorities. Discussions indicated that the purpose of these borrowings sometimes has very little, if anything, to do with funding capital improvements, property and equipment acquisitions, or leasing activities. Thus, the rates for these programs would likely not have a meaningful relationship to the rates implicit to many of the lease contracts for these agencies and programs.

- c. OMB's Credit Subsidy Calculator determines rates for borrowing accounts falling under FCRA. The programs of these borrowing accounts are not similar to leasing activities or acquisition of PP&E.

As a result, the existing requirement would likely not be implementable or provide discount rates relevant to leases in most cases.

Proposed Changes to Paragraph 42A and 59A (42A shown below):

3. Paragraphs 42A-42C are added to SFFAS 54 as follows:

42A. The discount rate should be reasonably consistent with the Treasury rate on the date of initial lease liability recognition, in accordance with paragraphs 40 and 42 (or the Treasury rate published on the date the discount rate is updated, in accordance with paragraphs 46 and 48). The rate may be based on a recent Treasury rate or historical average rate for the Treasury security of a similar maturity to the lease term, provided that the rate is reasonably consistent with the Treasury rate on the date of initial liability recognition (or the date the liability is updated).

Basis for Paragraph 42A and 59A Proposal:

There are no significant changes in the first sentence of this paragraph when compared to the October 2021 version of the draft guidance.

In the second sentence, staff incorporated aspects of SFFAS 33 par. 29 into this paragraph (see staff analysis of SFFAS 33 par. 29 above). The Board recommended that staff analyze and consider aspects of SFFAS 33 when developing this guidance to the extent such guidance may be appropriate and analogous in the context of measuring lease liabilities.

Staff considered the following alternative to the phrase *"should be reasonably consistent with"* when developing this paragraph: *"should not be materially inconsistent with"*

In staff's view, materiality is an overarching fundamental concept that reporting entities consider when applying accounting principles, including this principle (see SFFAC 1 par. 164a). Staff views the phrase "should be reasonably consistent" as a more clear way of articulating the desired objective of the accounting principle without comingling it with the overarching concept of materiality.

Proposed Changes to Paragraph 42B and 59B (42B shown below):

42B. When selecting a marketable Treasury rate term of similar maturity to the term of the lease, reporting entities may round down to the nearest maturity term with a published rate, interpolate the rate for the period between two published rates, or round up to the closest published rate. The methodology for selecting marketable Treasury rate terms and related rates, interpolating, and/or rounding them should be consistent from period to period.

Basis for Paragraph 42B and 59B Proposal:

There are no significant changes in the first sentence of this paragraph when compared to the October 2021 version of the draft guidance (other than the change in terminology, as discussed under staff's basis for changes to par. 42).

Staff added the second sentence when incorporating aspects of SFFAS 33 par. 31 (see staff analysis of SFFAS 33 par. 31 above). The Board recommended that staff analyze and consider aspects of SFFAS 33 when developing this guidance to the extent such guidance may be appropriate and analogous in the context of measuring lease liabilities.

Staff also implemented minor clarifying edits in order to more precisely articulate the guidance.

Proposed Changes to Paragraph 42C and 59C (42C shown below):

42C. Reporting entities should not extrapolate the maximal Treasury security term rate when the term of the lease exceeds the maximal Treasury security term; rather, reporting entities should simply select the maximal Treasury security rate term. For example, reporting entities should select the 30-year Treasury security rate as the discount rate for a lease with a 75-year term (assuming that the maximal Treasury security term is 30 years at the time of selection).

Basis for Paragraph 42C and 59C Proposal:

There are no significant changes in this paragraph compared to the October 2021 version of the draft guidance (also see: staff analysis of SFFAS 33 par. 32 in the analysis table above).

Staff also implemented minor clarifying edits in order to more clearly articulate the requirement and conform terminology changes, as discussed above.

Proposed Amendments to Paragraphs 47 and 48 of SFFAS 54:

4. Paragraphs 47 and 48 of SFFAS 54 are amended as follows:

47. A lease liability is not required to be ~~remeasured~~, nor is the discount rate required to be reassessed, solely for a change in the Treasury security rate-lessee's incremental borrowing rate.

48. If the discount rate is required to be updated based on the provisions of paragraph 46, the discount rate should be based on the revised rate the lessor charges the lessee at the time the discount rate is updated. If that interest rate cannot be readily determined, the marketable Treasury rate with similar maturity to the term of the lease ~~lessee's estimated incremental borrowing rate~~ at the time the discount rate is updated should be used.

Basis for Proposal to Amend Paragraphs 47-48 of SFFAS 54

These amendments would conform paragraphs 47-48 to the paragraph 42 proposals above.

Proposed Changes to Footnote 11 of Paragraph 89 and Paragraph 92 of SFFAS 54:

7. Footnote 11 to paragraph 89 of SFFAS 54 is amended as follows:

89. Sale-leaseback transactions involve the sale of an underlying asset by the owner and a lease of the property back to the seller (original owner). A sale-leaseback should include a transaction that qualifies as a sale¹¹ to be eligible for sale-leaseback accounting. A sale-leaseback transaction that does not include a transaction that qualifies as a sale should be accounted for as a borrowing by both the seller-lessee and the buyer-lessor.

FN 11 – See SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, par. 295 (with the public), and 314-315 (intragovernmental).

8. Paragraph 92 of SFFAS 54 is amended as follows:

A seller-lessee should disclose the terms and conditions of sale-leaseback transactions in addition to the disclosures required of a lessee (par. 37 or 54, as applicable). A buyer-lessor should provide the disclosures required of a lessor (par. 38 or 67, as applicable).

Basis for Proposal to Amend Footnote 11 of Paragraph 89 and Paragraph 92 of SFFAS 54:

At the June 2021 Board meeting, staff recommend and the Board agreed to take subsequent omnibus action to clarify the Board's intent to subject intragovernmental sale-leasebacks to the requirements of paragraphs 89-92 (June 2021 minutes p. 19 part 2 item 6).

Staff analysis provided in June 2021 (June briefing materials, Topic F, p. 9, part 2 item 6):

SFFAS 7, *Accounting for Revenue and Other Financing Sources*, paragraph 295, which is cited in a footnote to SFFAS 54 paragraph 89, defines the scope of transactions that qualify as a sale for purposes of applying sale-leaseback accounting under SFFAS 54. SFFAS 7 paragraph 295 applies only to transactions with the public. Accordingly, sale-leaseback accounting is applicable only to transactions with the public under SFFAS 7. Moreover, SFFAS 54 paragraph 92 provides disclosure requirements that are specific to transactions with the public, as they refer to disclosure requirements for such leases. SFFAS 54 paragraphs 89-92 do not reflect an original Board intent to subject intragovernmental sale-leasebacks to the requirements of paragraphs 89-92.

For intragovernmental transactions resembling sale-leasebacks, the "sale" transaction would potentially be accounted for separately as an intragovernmental sale (in a manner consistent with SFFAS 7, par. 314-315) and an intra-governmental lease (in manner consistent with SFFAS 54, par. 26-38). This is consistent with the general rule provided in paragraph 90 of SFFAS 54 (first sentence of the paragraph). However, there are no SFFAS 7 paragraphs cited in SFFAS 54 indicating such treatment.

These amendments to footnote 11 of paragraph 89 and paragraph 92 should provide the necessary clarification. The amendment to footnote 11 will now appropriately cite both the intragovernmental and with-the-public guidance on sales, while paragraph 92 will reference disclosure requirements for intragovernmental leases and lease assets.

The Board can also request that the AAPC develop implementation guidance as needed. For example, the implementation guidance question that was withheld from Technical Release 20, *Implementation Guidance for Leases*, as a result of the need for these amendments could become a guidance candidate again during subsequent updates to TR 20 (see Attachment 3).

Recommendation:

Staff recommends the above-summarized proposals, as reflected in Attachment 2. Staff believes such proposals are consistent with the intent of SFFAS 54 and the appropriate and analogous elements of discount rate guidance in SFFAS 33.

Question for the Board #3:

Do members have any feedback or questions regarding Attachment 2 and the related staff proposals to amend SFFAS 54 for purposes of clarifying paragraphs 42, 47-48, 59, 89, and 92, as summarized above?

Summary of Questions for Respondents and Basis for Conclusions

Questions for Respondents

Respondents to *Implementation Guidance for Leases & Omnibus Amendments to Leases-Related Topics: A Joint Exposure Draft* provided exceptionally insightful comments based on the questions for respondents (QFRs) provided in that exposure draft. As a result, staff recommends providing similar QFRs in this exposure document (see Attachment 2).

Basis for Conclusions

Much of the project history crosswalks to elements of the project history section for SFFAS 60. Specifically, paragraphs A1-A3 and much of A4-A5 in Attachment 2 crosswalk to SFFAS 60 par. A1-A4, A8.b, and A8.d. Other elements crosswalk to staff analysis provided in October 2021, the related meeting minutes, and the analysis in this memo. Elements that are incomplete or do not reflect February Board deliberations will be updated.

Question for the Board #4:

Do members have any comments on or suggested improvements to the questions for respondents and basis for conclusions?

OMNIBUS AMENDMENTS 202X

TECHNICAL CLARIFICATIONS ADDRESSING LEASE LIABILITY
AND RECEIVABLE DISCOUNTING AND SALE-LEASEBACKS

Statement of Federal Financial Accounting Standards XX

Draft

Written comments are requested by [90 day comment period]

[Month day], 202X

Working Draft – Comments Are Not Requested on This Draft

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- [Memorandum of Understanding](#) among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- [Mission statement](#)
- [Documents for comment](#)
- [Statements of Federal Financial Accounting Standards and Concepts](#)
- [FASAB newsletters](#)

Copyright Information

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from FASAB. However, because this work contains copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately. The GASB material contained in this document is copyrighted by the Financial Accounting Foundation (FAF), 401 Meritt 7, P.O. Box 5116, Norwalk, CT 06856, and was used with [\[permission pending\]](#). Complete copies of the documents are available from the FAF.

Contact Us

Federal Accounting Standards Advisory Board
441 G Street, NW
Suite 1155
Washington, D.C. 20548
Telephone (202) 512-7350
Fax (202) 512-7366
www.fasab.gov

Month XX, 202X

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

Your comments on the following exposure drafts are requested:

- Proposed Statement of Federal Financial Accounting Standards, entitled *Omnibus Amendments 202X, Technical Clarifications Addressing Lease Liability and Receivable Discounting and Sale-Leasebacks* (see PDF pages X-X)
- Proposed Statement of Federal Financial Accounting Standards, entitled *Pending*.

We recommend providing one set of comments on these two proposals, both of which have a relationship to accounting lease transactions in the federal government. Specific questions for your consideration appear on page **Error! Bookmark not defined.**, but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response will be most helpful to the Board if you explain the reasons for your positions and any alternatives you propose. Responses are requested by **Month XX, 202X**.

All comments received by FASAB are considered public information. Those comments may be posted to [FASAB's website](#) and will be included in the project's public record.

Please provide your comments by email to fasab@fasab.gov. We will confirm receipt of your comments. If you do not get a confirmation, please contact our office at 202-512-7350 to determine if your comments were received. If you are unable to email your responses, please call (202) 512-7350 to make alternate arrangements.

We may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft. Notice of the date and location of any public hearing on this document in the Federal Register and in FASAB's newsletter.

Sincerely,

Pending

George A. Scott
Chair

EXECUTIVE SUMMARY

WHAT IS THE BOARD PROPOSING?

This Statement of Federal Financial Accounting Standards (SFFAS) would amend paragraphs in SFFAS 54, *Leases*; and SFFAS 60, *Omnibus Amendments 2021*.

In August 2019, the Accounting and Auditing Policy Committee (AAPC)—which operates under the general oversight of the Federal Accounting Standards Advisory Board (FASAB or “the Board”)—undertook a project to develop proposed implementation guidance for SFFAS 54 as a Technical Release. During the course of the project, implementation issues were identified that are best addressed through omnibus amendments to leases guidance, mostly clarifying in nature, rather than through a Technical release. The issues noted require modifications to the existing Statements to provide technical clarifications and address areas of concern. A substantial majority of those issues were addressed in SFFAS 60; however, a few outstanding implementation issues required additional research and deliberations.

This proposal would address certain ongoing areas of concern not addressed in SFFAS 60, including:

- clarifying the Board’s original intent and providing greater clarity and comparability for discounting lease liabilities and receivables, thereby providing for efficient audits and consistent application of the SFFAS 54 requirements for discounting, and
- clarifying the applicability of paragraphs 89-92 of SFFAS 54 to intragovernmental sale-leasebacks and the respective disclosure requirements applicable to them.

MATERIALITY

The provisions of this proposed Interpretation would not need to be applied to information if the effect of applying the provision(s) is immaterial.ⁱ A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances, it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

ⁱ Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

TABLE OF CONTENTS

Executive Summary	1
Questions for Respondents	3
Proposed Standards	4
Scope	4
[Proposed] Amendments to SFFAS 54 and SFFAS 60	4
Effective Date	6
Appendix A: Basis for Conclusions	7
Appendix B: Abbreviations	10

QUESTIONS FOR RESPONDENTS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) encourages you to become familiar with all proposals in the Statement before responding to the questions below. In addition to the questions below, the Board also welcomes your comments on other aspects of the proposed Statement. Because FASAB may modify the proposals before a final Statement is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated.

The Board believes that this proposal would improve federal financial reporting and contribute to federal financial reporting objectives. The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have regarding implementing this proposal.

The questions in this section are available for your use at <https://www.fasab.gov/documents-for-comment/>. Your responses should be sent to fasab@fasab.gov. If you are unable to respond by email, please fax your responses to (202) 512-7366.

All responses are requested by [insert date].

- Q1.** Do you generally support each of the proposed Statements as a whole? Please provide reasons for your views.
- Q2.** Are there specific aspects of the proposed Statements that you disagree with? If so, please explain the reasons for your positions, the paragraph numbers(s), and/or topic area(s) of the proposals that are related to your positions, and any alternatives you propose and the basis for such alternatives.
- Q3.** Are you aware of any leases-related implementation issues that are not addressed in the proposed Statements? Do any ambiguous areas remain that could lead to challenges with implementing SFFAS 54 requirements? If so, please provide examples of the issues and any references to applicable guidance, and/or topic area(s) related to the issues, and any potential solutions you propose.
- Q4.** Are there specific aspects of these proposals that you favor or otherwise wish to provide comments on?

PROPOSED STANDARDS

SCOPE

1. This Statement applies to federal entities that present general purpose federal financial reports (GPFFRs), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.
- 2A. This Statement amends SFFAS 54, *Leases*; SFFAS 60, *Omnibus Amendments 2021*, by providing additional guidance, along with technical corrections and clarifications

[PROPOSED] AMENDMENTS TO SFFAS 54 AND SFFAS 60

2. Paragraph 42 of SFFAS 54, and the previously-issued amendment thereto (SFFAS 60, par. 19) are amended as follows:

42. The future lease payments should be discounted using the interest rate the lessor charges the lessee. If the interest rate is not stated in the lease, the interest rate should be based on marketable Treasury securities with similar maturity to the term of the lease lessee's estimated incremental borrowing rate⁷ (the estimated rate that would be charged for borrowing the lease payment amounts for the lease term) should be used.

~~FN 7— A federal lessee's incremental borrowing rate would be the Department of the Treasury borrowing rate for securities of similar maturity to the term of the lease unless the entity has its own borrowing authority.~~

3. Paragraphs 42A-42C are added to SFFAS 54 as follows:

42A. The discount rate should be reasonably consistent with the Treasury rate on the date of initial lease liability recognition, in accordance with paragraphs 40 and 42 (or the Treasury rate published on the date the discount rate is updated, in accordance with paragraphs 46 and 48). The rate may be based on a recent Treasury rate or historical average rate for the Treasury security of a similar maturity to the lease term, provided that the rate is reasonably consistent with the Treasury rate on the date of initial liability recognition (or the date the liability is updated).

42B. When selecting a marketable Treasury rate term of similar maturity to the term of the lease, reporting entities may round down to the nearest maturity term with a published rate, interpolate the rate for the period between two published rates, or round up to the closest published rate. The methodology for selecting marketable Treasury rate terms and related rates, interpolating, and/or rounding them should be consistent from period to period.

42C. Reporting entities should not extrapolate the maximal Treasury security term rate when the term of the lease exceeds the maximal Treasury security term; rather, reporting entities should simply select the maximal Treasury security rate term. For example, reporting entities should select the 30-year Treasury security rate as the discount rate for a lease with a 75-year term (assuming that the maximal Treasury security term is 30 years at the time of selection).

4. Paragraphs 47 and 48 of SFFAS 54 are amended as follows:

47. A lease liability is not required to be remeasured, nor is the discount rate required to be reassessed, solely for a change in the Treasury security rate-lessee's incremental borrowing rate.

48. If the discount rate is required to be updated based on the provisions of paragraph 46, the discount rate should be based on the revised rate the lessor charges the lessee at the time the discount rate is updated. If that interest rate cannot be readily determined, the marketable Treasury rate with similar maturity to the term of the lease lessee's estimated incremental borrowing rate at the time the discount rate is updated should be used.

5. Paragraph 59 of SFFAS 54, and the previously-issued amendment thereto (SFFAS 60 par. 25), are amended as follows:

59. The future lease payments to be received should be discounted using the rate the lessor charges the lessee. If the interest rate is not stated in the lease, the interest rate should be based on marketable Treasury securities with similar maturity to the term of the lease-lessor's estimated incremental borrowing rate should be used.^{9A}

~~FN 9A — A federal lessor's incremental borrowing rate would be the Department of the Treasury borrowing rate for securities of similar maturity to the term of the lease unless the entity has its own borrowing authority.~~

6. Paragraphs 59A-59C are added to SFFAS 54 as follows:

59A. The discount rate should reasonably consistent with the Treasury rate on the date of initial lease receivable recognition, in accordance with paragraphs 56 and 59 (or the Treasury rate published on the date the discount rate is updated, accordance with paragraph 63). The rate may be based on a recent Treasury rate or historical average rate for the Treasury security of a similar maturity to the lease term, provided that the rate is reasonably consistent with the Treasury rate on the date of initial receivable recognition (or the date the receivable is updated).

59B. When selecting a marketable Treasury rate term of a similar maturity to the term of the lease, reporting entities may round down to the nearest maturity term with a published rate, interpolate the rate for the period between two published rates, or round up to the closest published rate. The methodology for selecting marketable Treasury rate terms and related rates, interpolating, and/or rounding them should be consistent from period to period.

59C. Reporting entities should not extrapolate the maximal Treasury security term rate when the term of the lease exceeds the maximal Treasury security term; rather,

reporting entities should simply select the maximal Treasury security rate term. For example, reporting entities should select the 30-year Treasury security rate as the discount rate for a lease with a 75-year term (assuming that the maximal Treasury security term is 30 years at the time of selection).

7. Footnote 11 to paragraph 89 of SFFAS 54 is amended as follows:

89. Sale-leaseback transactions involve the sale of an underlying asset by the owner and a lease of the property back to the seller (original owner). A sale-leaseback should include a transaction that qualifies as a sale¹¹ to be eligible for sale-leaseback accounting. A sale-leaseback transaction that does not include a transaction that qualifies as a sale should be accounted for as a borrowing by both the seller-lessee and the buyer-lessor.

FN 11 – See SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, par. 295 (with the public), and 314-315 (intragovernmental).

8. Paragraph 92 of SFFAS 54 is amended as follows:

A seller-lessee should disclose the terms and conditions of sale-leaseback transactions in addition to the disclosures required of a lessee (par. 37 or 54, as applicable). A buyer-lessor should provide the disclosures required of a lessor (par. 38 or 67, as applicable).

EFFECTIVE DATE

9. The requirements of this Statement are effective for reporting periods beginning after September 30, 2023.

The provisions of this Statement need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this proposed Statement—not the material in this appendix—would govern the accounting for specific transactions, events, or conditions.

This Statement may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this Statement. The authoritative sections of the Statements are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

PROJECT HISTORY

- A1. Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, was issued in April 2018 with an effective date for reporting periods beginning after September 30, 2020. The effective date was later amended by SFFAS 58, *Deferral of the Effective Date of SFFAS 54, Leases*, to reporting periods beginning after September 30, 2023.
- A2. In August 2019, the Federal Accounting Standards Advisory Board (FASAB or “the Board”) and the Accounting and Auditing Policy Committee (AAPC or “the Committee”) commenced projects on their technical agendas to identify implementation challenges and develop guidance related to SFFAS 54.
- A3. The AAPC assembled a large group of task force members—over 100 stakeholders—as a means of crowdsourcing the identification and analysis of a wide breadth of potential SFFAS 54 implementation topics.
- A4. In June and August 2020, the Board discussed omnibus amendments candidates identified by project staff and the task force to include in the exposure draft of an initial omnibus amendments proposal (the proposal was eventually approved and issued as SFFAS 60, *Omnibus Amendments 2021: Leases-Related Topics*). The Board considered input provided by exposure draft (ED) respondents and task force during the due process for SFFAS 60.
- A5. Some respondents and task force members requested additional guidance on incremental borrowing rate estimates. One respondent also suggested that the Board clarify whether sale-leaseback requirements under paragraphs 89-92 of SFFAS 54 apply to intragovernmental transactions (see SFFAS 60, *Basis for Conclusions*, par. A8.b and A8.d). The Board decided to address those outstanding implementation issues through subsequent pronouncements.
- A6. Following the issuance of SFFAS 60, the leases implementation task force recommended that the Board clarify numerous aspects of SFFAS 54, paragraphs 42 and 59, which provided for discounting lease liabilities and receivables using estimated incremental

borrowing rates. These recommendations were consistent with those raised by respondents to the exposure draft of SFFAS 60.

- A7. The Board considered numerous factors when evaluating paragraphs 42 and 59 and developing omnibus amendments:
- a. Elements of the requirements identified by task force members as requiring additional clarification.
 - b. Technical implementation issues associated with implementation of footnote 7 for entities with independent borrowing authorities.
 - c. Qualitative characteristics of information in financial reports, such as:
 - i. Paragraphs 152-153 of Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, provide that accounting standards can have many different kinds of effects that must be considered, including effects on the activities of accountants and auditors. It also provides that the Board must be aware of these potential effects when considering the costs and benefits of any given accounting alternative. In this particular context, the Board considered potential effects on costs of implementation, auditability, and consistent application when assessing the level of detail needed.
 - ii. Paragraphs 160 and 164 of SFFAC 1 provide that:
 - 1. reliability can be affected by the degree of estimation in the measurement process and by uncertainties inherent in what is being measured, and
 - 2. differences among financial reports should be caused by substantive differences in the underlying transactions or organizations rather than by the mere selection of different alternatives in accounting practices.
 - d. Approaches used in the following documents:
 - i. SFFAS 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits* (par. 28-32)
 - ii. Governmental Accounting Standards Board (GASB) Statement 87, *Leases*²
 - iii. Financial Accounting Standards Board (FASB) Accounting Standards Update 2021-09, *Discount Rate for Lessees that Are Not Public Business Entities*
- A8. The Board discussed its original intent that intragovernmental sale-leasebacks be subject to the requirements of paragraphs 89-92 of SFFAS 54. The Board agreed that the

²The GASB material contained in this document is copyrighted by the Financial Accounting Foundation (FAF), 401 Merrit 7, P.O. Box 5116, Norwalk, CT 06856-5116, and was used with [permission pending]. Complete copies of the documents are available from the FAF.

intended applicability to intragovernmental sale-leasebacks was not sufficiently clear due to an absence of references related to intragovernmental transaction guidance, including:

- a. Paragraphs 314 and 315 of SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*
- b. Paragraphs 37-38 of SFFAS 54, *Leases*

DRAFT

APPENDIX B: ABBREVIATIONS

AAPC	Accounting and Auditing Policy Committee
CFR	Consolidated Financial Report of the U.S. Government
ED	Exposure Draft
FASAB	Federal Accounting Standards Advisory Board
FAF	Financial Accounting Foundation
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GPFFR	General Purpose Federal Financial Report
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards

FASAB Members

George A. Scott, Chair

R. Scott Bell

Gila J. Bronner

Robert F. Dacey

Sallyanne Harper

Carol S. Johnson

Patrick McNamee

Terry K. Patton

Graylin E. Smith

FASAB Staff

Monica R. Valentine, Executive Director

Ricky A. Perry, Jr., Senior Analyst

Federal Accounting Standards Advisory Board

441 G Street, NW

Suite 1155

Washington, D.C. 20548

Telephone (202) 512-7350

Fax (202) 512-7366

www.fasab.gov

Leases Project Plan

	<u>Deferral</u> SFFAS 58	<u>Implementation Guidance</u> TR 20 Updates To TR 20	<u>Omnibus</u> SFFAS 60 SFFAS TBD (see Att. 2)	<u>RWAs / Leasehold Improvements</u> SFFAS TBD	Training / Outreach
FY 2020	Draft Exposure Period Finalize Issuance SFFAS 58 ISSUED	Draft	Research Draft		Provide
FY 2021		Exposure Period Finalize / Approve Research	Exposure Period Finalize / Approve Research	Research Draft	Provide
FY 2022 Q1		Issuance TR 20 ISSUED Research	Issuance SFFAS 60 ISSUED Research Draft	Research Draft	Draft FY 22 content
FY 2022 Q2			Draft	Draft	Provide
FY 2022 Q3		Research	Draft Exposure Period	Draft Exposure Period	Provide
FY 2022 Q4		Research	Exposure Period Finalize	Exposure Period Finalize	Provide
FY 2023 Q1		Research	Finalize / Approve	Finalize / Approve	Draft FY 23 content
FY 2023 Q2		Research	Issuance	Issuance	Provide
FY 2023 Q3					Provide
FY 2023 Q4					Provide
FY 2024 Q1	SFFAS 54 effective				

Last updated February 2022. Timelines for issuance have been extended and may need to be extended an additional quarter, pending Board deliberations and other due process uncertainties. Staff hopes to ballot both proposals under development in December 2022, which may result in late 2023 Q1 or early 2023 Q2 issuance (given the 90-day sponsor review period).