

Memorandum

Omnibus Amendments

December 5, 2023

To: Members of the Board
From: Sherry L. Lee, Senior Analyst and Domenic N. Savini, Assistant Director
Thru: Monica R. Valentine, Executive Director
Subject: **Omnibus Amendments 2023-2 - Ballot** (Topic C)

INTRODUCTION

At the October 2023 meeting, members reviewed comment letters on the exposure draft titled *Omnibus Amendments: Amending Statements of Federal Financial Accounting Standards 38, 49 and Technical Bulletin 2011-1*. Members agreed to move forward with the proposed amendments to Statement of Federal Financial Accounting Standards (SFFAS) 38, *Accounting for Federal Oil and Gas Resources*, and Technical Bulletin (TB) 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*, to retain information on oil, gas, and other natural resources as required supplementary information.

Additionally, members agreed to move forward with a proposed amendment to paragraph 24b of SFFAS 49, *Public-Private Partnership*. To that end, in reviewing the comment letters related to the proposed amendment, members discussed both reasons for and against the “where available” exception. Given the desire to reach a balance between user needs and preparer burden, members identified additional clarifying edits to paragraph 24b to ensure that preparers retain the flexibility to use estimates in disclosing the mix and amount of private partner funding. These additional clarifying edits were initially made at the October meeting, then followed by pre-ballot edits (refer to Attachments 4 and 5 for details) which have been carried over to the ballot draft documents at Attachments 1 and 2.

On November 20, 2023 members were provided with a pre-ballot document (Attachments 4 and 5) with comments due December 4 that included the following:

- Clarifying paragraph 24b. concerning the use of estimates regarding the mix and amounts of federal and non-federal funding.
- Distinguishing federal and non-federal contributions from ongoing operating revenues and costs.
- BFC addition of three paragraphs (A31-A33) discussing the use of estimates.

Staff wishes to thank Messers Dacey and McNamee who provided valuable input and advice in preparing the pre-ballot draft for full Board review.

Please note that once the Board finalizes the 24b amendment language, including the footnote and Basis for Conclusions, staff will replace the Paragraph A30 language accordingly.

Summary of Pre-Ballot Member Comments

Member	Paragraph	Suggested Edit(s)	Staff Notes
Ms. S. Harper	A33	Delete last sentence	Concur. Extraneous text
Mr. G. Scott	5 and Appendix A 2 nd paragraph	Par. 5 - Remove extra comma and Appendix A – Change to singular “affect” and not affects.	Concur.
Mr. S. Bell	5 – See Footnote to 24b amendment.	In first sentence, the “generally” modifier to “exclude” leaves open a “what if” question/gap for preparers. We note something similar re: the second “generally” reference.	Concur. Based on staff’s review, we suggest deleting both uses of “generally.”
Mr. T. Patton	5 – See 24b amendment.	Is the term “nature” sufficiently clear to those that will implement the standard?	Concur and suggest deleting. The word "nature" is subjective and duplicative of the 24b. requirement to provide a "description" of the funding. Staff also notes the footnote reference unintentionally creates a new disclosure requirement. Therefore, staff suggests deleting "nature."

REQUEST FOR BALLOT FOR VOTING FORM BY DECEMBER 12, 2023

Prior to the Board's December meeting, please review the attached ballot draft SFFAS 63: *Omnibus Amendments* (Attachments 1 and 2), which includes amendments to SFFAS 38 and TB 2011-1 and the editorial changes to paragraph 24b and the basis for conclusions. Given the unanimous decision to proceed with the 24b amendment, staff will be collecting the Ballot for Voting form at the conclusion of the December meeting session.

Members may either email the Word file or simply reply by email indicating their vote. Members may also submit the form prior to the meeting.

Please submit responses to Sherry L. Lee at LeeSL@fasab.gov and Domenic Savini at SaviniD@fasab.gov with a cc to Monica Valentine at ValentineM@fasab.gov.

NEXT STEPS

Pending Board member ballot approval, staff will submit an approved SFFAS to Sponsors for review, as well as Congressional review.

ATTACHMENTS

1. Ballot Draft SFFAS 63: *Omnibus Amendments* – Clean Version
2. Ballot Draft SFFAS 63: *Omnibus Amendments* – Tracked Version
3. Ballot for Voting
4. Pre-Ballot Draft SFFAS 63: *Omnibus Amendments* – Clean Version
5. Pre-Ballot Draft SFFAS 63: *Omnibus Amendments* – Tracked Version

ATTACHMENT 1

Ballot Draft SFFAS 63: Omnibus Amendments – Clean Version



OMNIBUS AMENDMENTS

AMENDING STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING STANDARDS 38, 49,
AND TECHNICAL BULLETIN 2011-1

Statement of Federal Financial Accounting Standards 63

Ballot Draft

December 5, 2023

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.

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- [Mission statement](#)
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- [Statements of Federal Financial Accounting Standards and Concepts](#)
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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

SUMMARY

This Statement of Federal Financial Accounting Standards (SFFAS) amends the following:

- retain the requirement to report oil and gas and other natural resource information as required supplementary information (RSI) by rescinding paragraphs 6 and 31 of Statement of Federal Financial Accounting Standards (SFFAS) 38, *Accounting for Federal Oil and Gas Resources*, and paragraphs 5 and 31 of Technical Bulletin (TB) 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*, and
- remove the “where available” exception and provide flexibility for developing estimates in accordance with paragraph 24b of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*.

MATERIALITY

The provisions of this Statement need not be applied to information if the effect of applying the provision(s) is immaterial.¹ 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.

¹ 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.

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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*.
2. This Statement amends the following guidance:
 - a. SFFAS 38, *Accounting for Federal Oil and Gas Resources*
 - b. Technical Bulletin (TB) 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*
 - c. SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*

Amendments To SFFAS 38 and TB 2011-1

3. This paragraph rescinds paragraphs 6 and 31 of SFFAS 38:

~~6. It is the Board's intent that the information required by this Statement transition to basic information after being reported as RSI for a period of three years. Prior to the conclusion of the three-year RSI period, the Board plans to make a determination as to whether the information will transition to basic information as financial statement recognition or note disclosure. This Statement will remain in effect until such time a determination is made.~~

~~31. It is the Board's intent that the information required by this Statement transition to basic information after being reported as RSI for a period of three years. Prior to the conclusion of the three-year RSI period, the Board plans to make a determination as to whether the information will transition to basic information as financial statement recognition or note disclosure. This Statement will remain in effect until such time a determination is made.~~
4. This paragraph rescinds paragraphs 5 and 31 of TB 2011-1:

~~5. It is the Board's intent that the information required by SFFAS 38 transition to basic information after being reported as RSI for a period of three years. Prior to the conclusion of the three-year RSI period, the Board plans to make a determination as to whether the information required by SFFAS 38 will transition to basic information as financial statement recognition or note disclosure. It is anticipated that a similar determination would be made for natural resources other than oil and gas based on agencies' experiences implementing the guidance in this technical bulletin.~~

~~31. It is the Board's intent that the information required by SFFAS 38 transition to basic information after being reported as RSI for a period of three years. Prior to the conclusion of~~

~~the three-year RSI period, the Board plans to make a determination as to whether the information required by SFFAS 38 will transition to basic information as financial statement recognition or note disclosure. It is anticipated that a similar determination would be made for natural resources other than oil and gas based on agencies' experiences implementing the guidance in this technical bulletin.~~

Amendments To SFFAS 49

5. This paragraph amends paragraph 24b of SFFAS 49 as follows:

24b. A description of federal and non-federal funding of the P3 over its expected life, including the estimated mix of federal and non-federal funding, and, ~~where available~~, the estimated amounts of such funding. FN Such estimated amounts may be specific amounts, a range of amounts, or the general magnitude of the funding. Disclosure should include the basis for management's estimates (e.g., based on contract terms, initial estimates of P3 funding, etc.) to provide additional context for the source of the estimated funding. ~~For any amounts that are not available, the disclosures should indicate such.~~

FN - Funding, as used here, relates to the amount of contributions of federal and non-federal capital, equity, or debt instruments to the P3 project, but would exclude ongoing operating revenues and costs. Such funding may take different forms, such as cash, tangible assets, leaseholds, loans, and/or loan guarantees. In contrast, paragraph 24.c.ii relates to the federal entity's aggregate cash flows to be received and to be paid over the remaining expected life of the P3, which comprise ongoing operating revenues and costs.

Effective Date

6. The requirements of this Statement are effective upon issuance.

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 Statement—not the material in this appendix—should 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 Statements that affect this Statement. Within the text of the Statements, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of amending Statements for the rationale for each amendment.

PROJECT HISTORY

OIL AND GAS AND OTHER NATURAL RESOURCES REPORTING

- A1. The Federal Accounting Standards Advisory Board (FASAB or “the Board”) issued SFFAS 38, *Accounting for Federal Oil and Gas Resources*, on April 13, 2010. SFFAS 38 requires the value of the federal government’s estimated petroleum royalties from the production of federal oil and gas proved reserves to be reported in a schedule of estimated federal oil and gas petroleum royalties. In addition, SFFAS 38 requires the value of estimated petroleum royalty revenue designated for others be reported in a schedule of estimated federal oil and gas petroleum royalties to be distributed to others, as part of a discussion of all significant federal oil and gas resources under management of the entity.
- A2. On July 6, 2011, FASAB issued SFFAS 41, *Deferral of the Effective Date of SFFAS 38*, which deferred the effective date of SFFAS 38 from periods beginning after September 30, 2011, to periods beginning after September 30, 2012.
- A3. Also on July 6, 2011, FASAB issued Technical Bulletin (TB) 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*, which applies the general principles in SFFAS 38 and requires federal entities to report as required supplementary information (RSI) the value of the federal government’s estimated royalties and other revenue from other federal natural resources that are (1) under long-term lease, long-term contract, or other long-term agreement and (2) reasonably estimable as of the reporting date.
- A4. At the time SFFAS 38 and TB 2011-1 were issued, the Board believed that the estimated federal royalty share of proved oil and gas reserves and recoverable reserves of other natural resources could be reliably estimated and converted to monetary terms and, therefore, could be presented as basic information. However, members wanted to gather more information about the reliability of the valuation methodology before the Board made a final decision on whether the information should be recognized on the face of the financial statements or disclosed in the notes to the financial statements. The Board agreed to require that the information be reported as RSI for three years. Before the end of the three-year RSI period, the Board planned to decide whether the information would transition to

basic information as financial statement recognition or note disclosure. The Board acknowledged that new information might become available that would warrant continued reporting as RSI.

- A5. Between 2012 and 2014, FASAB removed the reassessment of the SFFAS 38 reporting requirements as a potential Board project due to other priorities.
- A6. In August 2022, the Board revisited the open-ended reporting requirement in paragraphs 6 and 31 of SFFAS 38 and paragraphs 5 and 31 of TB 2011-1. The Board acknowledged its original intent to transition natural resources reporting from RSI to basic information after three years was based on the belief that over time there would be improvements in certain measurement approaches for valuing royalties from oil and gas proved reserves and recoverable reserves of other natural resources. However, based on discussions with the Department of the Interior, measurement challenges remain.
- A7. Interior's valuation methodology for oil and gas petroleum royalties from federal onshore and offshore oil and gas proved reserves is based on oil and gas proved reserve estimates published by the Department of Energy's Energy Information Administration (EIA). Because the EIA published national oil and gas proved reserve estimates are developed from well operators' estimated proved reserves and are not subject to audit, verifying the proprietary information would be challenging.
- A8. In addition, the EIA oil and gas proved reserve estimates are not separated between federal and non-federal, and, therefore, Interior estimates the federal portion of each state's oil and gas proved reserves using production on federal land. However, production on federal land only provides an indirect correlation in the valuation methodology and thereby increases the uncertainties about the methodology.
- A9. The valuation methodology for estimating the federal royalty share of proved oil and gas reserves assumes 100 percent of the oil and gas proved reserves will be produced over time. Uncertainties about future production affect this assumption, resulting in additional uncertainties.
- A10. The Board also considered the oil and gas price fluctuations that may result in significant changes in the asset value of future royalty revenues between reporting periods and the resulting diminished meaningfulness of asset value to users.
- A11. Coal is the only significant federal natural resources reported under the requirements of TB 2011-1. The estimation methodology for royalties from federal coal recoverable reserves relies on assumptions that result in uncertainties and challenges:
 - a. The amount of coal in a federal lease is difficult to estimate because the geologic model is based on wide-spaced exploration drilling and necessitates the use of geologic assumptions that may not be accurate.
 - b. Estimates of recoverable reserves change when assumptions, such as price and mining technology, change.
 - c. The methodology is based on current year production and projected future production until the reserves are 100 percent depleted, resulting in additional uncertainties.

- d. Coal price fluctuations may result in significant changes in the asset value of future royalty revenue projections between reporting periods.
- A12. One objective of the Board's reexamination of existing standards project is to eliminate or revise unnecessary requirements to reduce reporting burden. The Board believes that changing the reporting requirements under SFFAS 38 and TB 2011-1 to basic information may add to reporting burden without yielding reporting benefits.
- A13. The Board acknowledged that actual royalties collected and distributed are currently recognized and disclosed in accordance with SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. The Board does not believe there is a further benefit to recognize future royalties as basic information.
- A14. The Board noted that the Financial Accounting Standards Board and the U.S. Securities and Exchange Commission require reporting of oil and gas reserve quantities and asset value as RSI rather than as basic information.
- A15. Considering the significant measurement uncertainties and associated challenges, the Board believes that the potential benefits do not justify the cost and added burden to increase the reliability of the oil and gas and other natural resources information for basic information presentation; therefore, the Board agreed to propose that the SFFAS 38 and TB 2011-1 reporting requirements remain as RSI.

PUBLIC-PRIVATE PARTNERSHIPS

- A16. At the October 2022 Board meeting, staff briefed the Board concerning SFFAS 49, *Public Private Partnerships: Disclosure Requirements*, implementation challenges requiring attention. The implementation challenges were a result of information gathering meetings with two federal Inspectors General, a public accounting (audit) firm, and two financial policy accountants to help identify challenges they saw requiring attention. Additionally, staff conducted agency one-on-one meetings as well as training and outreach sessions to also help identify potential impediments to SFFAS 49 implementation.
- A17. As a result, staff identified 15 implementation challenges (some of which were deemed beyond the Board's control or overlapping with other noted challenges) that could benefit from additional Board guidance; that is, amendments, interpretations, and/or technical guidance. In December 2022, staff assembled an SFFAS 49 public-private partnership (P3) implementation task force to further study implementation issues, such as preparer or auditor challenges, and related Board action that might be necessary in light of said challenges. At a January 2023 meeting, the task force concluded that an amendment to paragraph 24b might be beneficial.
- A18. Paragraph 24b requires "a description of federal and non-federal funding of the P3 over its expected life, including the mix and, where available, the amounts of such funding. For any amounts that are not available, the disclosures should indicate such." Task force representatives noted that paragraph 24b of SFFAS 49, which was meant exclusively to allow reporting entities to exclude the amounts of non-federal partner's funding for situations when such information is unavailable, has been inappropriately applied by some

reporting entities to exclude reporting of (1) federal partner funding estimates and (2) cash flows required by paragraphs 24c and 24d. Further, task force representatives noted that non-federal partner funding information may have been excluded without reasonable efforts to obtain or estimate the funding information.

- A19. The Board agreed to remove the “where available” exception in paragraph 24b to require disclosure of the amounts of non-federal partner funding in all circumstances, regardless of availability, and to avoid potential misapplication of paragraph 24b to the amounts of federal funding and other cash flow disclosure requirements. The Board believes that disclosure of such information is important to inform users as to the amount of funding attributable to each partner within a P3. That is, such amounts invested can affect a user’s understanding of the relative risks each partner is undertaking, the relative economic incentives they each bear or share, as well as the overall reasonableness of the P3’s expected life. The Board recognizes that non-federal funding information may not always be readily available from the non-federal partners, but reporting entities should be able to estimate it in such circumstances.

SUMMARY OF OUTREACH AND RESPONSES

- A20. The Board released an Exposure Draft (ED) proposal on August 22, 2023, for public comments requested by September 21, 2023. Upon release of the ED, FASAB notified constituents through the FASAB website and listserv, the Federal Register, and FASAB newsletter. FASAB also provided news releases to its press contacts, including various news organizations and committees of professional associations generally commenting on EDs in the past. To encourage responses, a reminder notice was provided to FASAB’s listserv near the comment deadline.
- A21. The Board received 14 comment letters in response to the ED. The Board did not rely on the number in favor of or opposed to a given position, but considered each response and weighed the merits of the points raised.
- A22. Respondents unanimously agreed with the amendments to SFFAS 38 and TB 2011-1. The Board confirmed its proposal to retain oil and gas and other natural resources information in RSI.
- A23. However, respondents had mixed views on the proposed amendments to SFFAS 49. The Board considered each response and weighed the merits of the points raised, and agreed to remove the exception in paragraph 24b while providing flexibility on the mix and amounts of federal and non-federal funding required in paragraph 24b of SFFAS 49.

CLARIFICATION TO PARAGRAPH 24B OF SFFAS 49

- A24. Most respondents generally agreed with the Board’s proposal to address the “where available” exception via the proposed amendment or with possible modifications to recognize concerns over complexities and difficulties when estimating the mix and amount of non-federal funding. These respondents noted that: (a) the mix and amount of non-federal funding would be necessary for management to negotiate and evaluate the P3

arrangements and are a corollary to understanding the contract terms, and identifying balances and transactions for accounting purposes, and (b) reasonable estimates should be available for disclosure and that the standard's language should not be utilized to circumvent the intent of the SFFAS 49 disclosures.

- A25. However, respondents who disagreed with the proposed amendment primarily expressed concerns with what they viewed as (a) difficulties when estimating federal and/or non-federal funding when the information is not available, and (b) audit implications when information is not reasonably available.
- A26. The Board notes that the majority of respondents, including preparers, agreed that the “where available” exception should be addressed to avoid exploitation. To that end, some respondents noted that the Board should consider “raising the bar” making it more difficult to avoid disclosure of private partner funding amounts and clearly noting that the 24b. exception could not be used to avoid reporting any other paragraph 24 disclosure requirement. To the contrary, other respondents were in support of the proposed amendment as exposed and expressed concerns with the retention of the “where available” exception even if accompanied by language that would “raise the bar.”
- A27. The Board notes that SFFAS 49 intended to provide preparers and auditors with flexibility concerning private partner funding amounts for those instances when the entity would be legally or contractually prohibited from disclosing said amounts. However, the Board also believes that as some respondents have noted, the mix and amount of both federal and non-federal funding are not only precursors to a P3 arrangement/transaction, but they are also necessary for effective management of such projects. For example, several OMB documents require full life cycle reporting and specific to P3s, assessments of private partner participation for budget scoring purposes.
- A28. Nevertheless, to strike a balance between user needs and preparer concerns, the Board believes that estimates of the mix and amount of federal and non-federal private partner funding should be permitted in the standard.
- A29. The Board notes SFFAC 1, *Objectives of Federal Financial Reporting*, which states at paragraph 160 that reliability does not imply precision or certainty and that estimates are appropriate for reporting. This paragraph also states that under certain circumstances, a properly explained estimate provides more meaningful information than no estimate at all. Specific to the operating performance reporting objective, SFFAC 1, paragraph 132 mentions the use of estimates or ranges of estimates when referring to exposures to loss which is of significant concern to some users.
- A30. Given that the Board desires to reach a balance between user needs and preparer concerns, the following clarifying edits to the ED amendment were adopted:

24b. A description of federal and non-federal funding of the P3 over its expected life, including the estimated mix and, ~~where available,~~ the estimated amounts of such funding. Such amounts may be within a range of estimates, the range itself, or a general dollar magnitude FN. ~~For any amounts that are not available, the disclosures should indicate such.~~

FN - For purposes of this standard, a general dollar magnitude estimate can be an estimate of dollars or percentage increases/decreases of an

aggregate amount of funding by partner type; federal and non-federal. A GDM estimate provides information on the estimated overall impact of a change in the amount of funding from a pre-established baseline as opposed to re-estimating a baseline each reporting period.

Using Estimates

- A31. Measuring the mix and amount of federal and non-federal private partner funding amounts may require the use of estimates or approximations. According to Statement of Federal Financial Accounting Concepts (SFFAC) 5, Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements, to be recognized an item must be measurable, which means a monetary amount can be determined with reasonable certainty or is reasonably estimable (underscoring added for emphasis). For this reason, the Board notes that it (1) does not seek precision in determining the mix and amount of federal and non-federal private partner funding and (2) does not intend to direct or prescribe the use of any particular approach.
- A32. The Board notes that estimates often are used in accounting and financial reporting. The presentation of information based on estimation is not new and can be reliable so long as the estimate is reasonable and based on a rational, systematic and consistent method. The Board has long recognized that the use of estimation necessarily implies the use of professional judgment. This does not negate the value of the estimate to users of the financial information.
- A33. The objective of the federal and non-federal funding disclosure in paragraph 24.b is to provide information on the relative amounts of funding provided by the P3 parties, to help users understand material risks to the federal government. The Board recognized that there may be uncertainty, particularly in estimating the funding provided by non-federal parties. At the same time, the Board believes that federal entities entering P3 arrangements or transactions generally have developed estimates of the relative funding expected to be provided by the parties, in deciding to enter the P3 arrangements. Such initial estimates, adjusted for any material changes in the relative funding by the parties, generally would be sufficient for meeting this disclosure requirement, in the absence of more precise estimates. The Board also believes that the funding estimates need only be updated when there is evidence of a material change in the relative funding by the parties.

APPENDIX B: ABBREVIATIONS

EIA	Energy Information Administration
FASAB	Federal Accounting Standards Advisory Board
OMB	Office of Management and Budget
P3	Public-Private Partnership
RSI	Required Supplementary Information
SFFAS	Statement of Federal Financial Accounting Standards
TB	Technical Bulletin

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

Raymond Vicks

FASAB Staff

Monica R. Valentine, Executive Director

Sherry L. Lee, Senior Analyst

Domenic N. Savini, Assistant Director

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

ATTACHMENT 2

Ballot Draft SFFAS 63: Omnibus Amendments – Tracked Version



OMNIBUS AMENDMENTS

AMENDING STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING STANDARDS 38, 49,
AND TECHNICAL BULLETIN 2011-1

Statement of Federal Financial Accounting Standards 63

~~Pre~~-Ballot Draft

December ~~XX~~5, 2023

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Federal Accounting Standards Advisory Board
441 G Street, NW
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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*.
2. This Statement amends the following guidance:
 - a. SFFAS 38, *Accounting for Federal Oil and Gas Resources*
 - b. Technical Bulletin (TB) 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*
 - c. SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*

Amendments To SFFAS 38 and TB 2011-1

3. This paragraph rescinds paragraphs 6 and 31 of SFFAS 38:

~~6. It is the Board's intent that the information required by this Statement transition to basic information after being reported as RSI for a period of three years. Prior to the conclusion of the three-year RSI period, the Board plans to make a determination as to whether the information will transition to basic information as financial statement recognition or note disclosure. This Statement will remain in effect until such time a determination is made.~~

~~31. It is the Board's intent that the information required by this Statement transition to basic information after being reported as RSI for a period of three years. Prior to the conclusion of the three-year RSI period, the Board plans to make a determination as to whether the information will transition to basic information as financial statement recognition or note disclosure. This Statement will remain in effect until such time a determination is made.~~

4. This paragraph rescinds paragraphs 5 and 31 of TB 2011-1:

~~5. It is the Board's intent that the information required by SFFAS 38 transition to basic information after being reported as RSI for a period of three years. Prior to the conclusion of the three-year RSI period, the Board plans to make a determination as to whether the information required by SFFAS 38 will transition to basic information as financial statement recognition or note disclosure. It is anticipated that a similar determination would be made for natural resources other than oil and gas based on agencies' experiences implementing the guidance in this technical bulletin.~~

~~31. It is the Board's intent that the information required by SFFAS 38 transition to basic information after being reported as RSI for a period of three years. Prior to the conclusion of~~

the three-year RSI period, the Board plans to make a determination as to whether the information required by SFFAS 38 will transition to basic information as financial statement recognition or note disclosure. It is anticipated that a similar determination would be made for natural resources other than oil and gas based on agencies' experiences implementing the guidance in this technical bulletin.

Amendments To SFFAS 49

5. This paragraph amends paragraph 24b of SFFAS 49 as follows:

24b. A description of federal and non-federal funding of the P3 over its expected life, including the estimated mix of federal and non-federal funding, and ~~where available~~, the estimated amounts of such funding. FN Such estimated amounts may be specific amounts, a range of amounts, or the general magnitude and nature of the funding. Disclosure should include the basis for management's estimates (e.g., based on contract terms, initial estimates of P3 funding, etc.) to provide additional context for the source of the estimated funding. ~~For any amounts that are not available, the disclosures should indicate such.~~

FN - Funding, as used here, relates to the amount of contributions of federal and non-federal capital, equity, or debt instruments to the P3 project, but would generally exclude ongoing operating revenues and costs. Such funding may take different forms, such as cash, tangible assets, leaseholds, loans, and/or loan guarantees. In contrast, paragraph 24.c.ii relates to the federal entity's aggregate cash flows to be received and to be paid over the remaining expected life of the P3, which generally comprise ongoing operating revenues and costs.

Effective Date

6. The requirements of this Statement are effective upon issuance.

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.

Commented [SDN1]: Per Mr. Scott Bell October 17 meeting.

Commented [SDN2]: Per Mr. Bob Dacey October 17 meeting.

Commented [SDN3]: G. Scott 21 November email.

Commented [SDN4]: Per Ms. Carol Johnson October 17 meeting.

Commented [SDN5]: Per Terry Patton via 30 November email. I would like to make sure that "nature" is sufficiently clear to those that will implement the standard. I understand that it is not cash flows and can be debt or equity funding, but I am not sure if I would understand it as a preparer.

Commented [SDN6R5]: Staff suggests deleting "nature." The word "nature" is considered subjective because it refers to inherent qualities or characteristics of what's being described. On the other hand, the 24b. Requirement to provide a "description" of the funding is factual. Given that a description could include or embody the "nature" of the funding, staff thinks the footnote reference is not only duplicative, but unintentionally creates a new disclosure (subjective) requirement. Therefore, staff suggests deleting "nature."

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Commented [SDN7]: Per Scott Bell email 28 November. – Treasury believes that the "generally" modifier to "exclude" leaves open a "what if" question/gap for preparers. Are there scenarios where ongoing revenues and costs would NOT be excluded? We anticipate a need for further guidance if phrased as such.

We note something similar re: the second "generally" reference re: "comprise" – but we do NOT think the need for additional guidance is as great in relative terms. The context in which "generally" appears is different in the second instance. We are most concerned re: the need to clarify the first "generally" (exclude) reference.

Commented [SDN8R7]: Staff suggests deleting "generally." Although the intent was to create preparer flexibility, staff has consulted its task force and notes their similar concern with Treasury's point.

Further, the use of "generally" implies a flexibility that could undermine the disclosure and create a loophole.

Commented [SDN9]: As discussed at October meeting between Mr. Dacey and Mr. Savini, clarifying how these disclosures differ from 24c ii would aid in implementation.

Commented [SDN10R9]: Per Mr. McNamee concerning the term "general dollar magnitude", staff was advised that this is a term of art in the FAR dealing with changes in costs, which doesn't seem to be the focus of 24b. Staff concurs and has eliminated that term and truncated to "general magnitude."

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 Statement—not the material in this appendix—should 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 Statements that affect this Statement. Within the text of the Statements, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of amending Statements for the rationale for each amendment.

Commented [SDN11]: G. Scott 21 November email.

PROJECT HISTORY

OIL AND GAS AND OTHER NATURAL RESOURCES REPORTING

- A1. The Federal Accounting Standards Advisory Board (FASAB or “the Board”) issued SFFAS 38, *Accounting for Federal Oil and Gas Resources*, on April 13, 2010. SFFAS 38 requires the value of the federal government’s estimated petroleum royalties from the production of federal oil and gas proved reserves to be reported in a schedule of estimated federal oil and gas petroleum royalties. In addition, SFFAS 38 requires the value of estimated petroleum royalty revenue designated for others be reported in a schedule of estimated federal oil and gas petroleum royalties to be distributed to others, as part of a discussion of all significant federal oil and gas resources under management of the entity.
- A2. On July 6, 2011, FASAB issued SFFAS 41, *Deferral of the Effective Date of SFFAS 38*, which deferred the effective date of SFFAS 38 from periods beginning after September 30, 2011, to periods beginning after September 30, 2012.
- A3. Also on July 6, 2011, FASAB issued Technical Bulletin (TB) 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*, which applies the general principles in SFFAS 38 and requires federal entities to report as required supplementary information (RSI) the value of the federal government’s estimated royalties and other revenue from other federal natural resources that are (1) under long-term lease, long-term contract, or other long-term agreement and (2) reasonably estimable as of the reporting date.
- A4. At the time SFFAS 38 and TB 2011-1 were issued, the Board believed that the estimated federal royalty share of proved oil and gas reserves and recoverable reserves of other natural resources could be reliably estimated and converted to monetary terms and, therefore, could be presented as basic information. However, members wanted to gather more information about the reliability of the valuation methodology before the Board made a final decision on whether the information should be recognized on the face of the financial statements or disclosed in the notes to the financial statements. The Board agreed to require that the information be reported as RSI for three years. Before the end of the three-year RSI period, the Board planned to decide whether the information would transition to

basic information as financial statement recognition or note disclosure. The Board acknowledged that new information might become available that would warrant continued reporting as RSI.

- A5. Between 2012 and 2014, FASAB removed the reassessment of the SFFAS 38 reporting requirements as a potential Board project due to other priorities.
- A6. In August 2022, the Board revisited the open-ended reporting requirement in paragraphs 6 and 31 of SFFAS 38 and paragraphs 5 and 31 of TB 2011-1. The Board acknowledged its original intent to transition natural resources reporting from RSI to basic information after three years was based on the belief that over time there would be improvements in certain measurement approaches for valuing royalties from oil and gas proved reserves and recoverable reserves of other natural resources. However, based on discussions with the Department of the Interior, measurement challenges remain.
- A7. Interior's valuation methodology for oil and gas petroleum royalties from federal onshore and offshore oil and gas proved reserves is based on oil and gas proved reserve estimates published by the Department of Energy's Energy Information Administration (EIA). Because the EIA published national oil and gas proved reserve estimates are developed from well operators' estimated proved reserves and are not subject to audit, verifying the proprietary information would be challenging.
- A8. In addition, the EIA oil and gas proved reserve estimates are not separated between federal and non-federal, and, therefore, Interior estimates the federal portion of each state's oil and gas proved reserves using production on federal land. However, production on federal land only provides an indirect correlation in the valuation methodology and thereby increases the uncertainties about the methodology.
- A9. The valuation methodology for estimating the federal royalty share of proved oil and gas reserves assumes 100 percent of the oil and gas proved reserves will be produced over time. Uncertainties about future production affect this assumption, resulting in additional uncertainties.
- A10. The Board also considered the oil and gas price fluctuations that may result in significant changes in the asset value of future royalty revenues between reporting periods and the resulting diminished meaningfulness of asset value to users.
- A11. Coal is the only significant federal natural resources reported under the requirements of TB 2011-1. The estimation methodology for royalties from federal coal recoverable reserves relies on assumptions that result in uncertainties and challenges:
 - a. The amount of coal in a federal lease is difficult to estimate because the geologic model is based on wide-spaced exploration drilling and necessitates the use of geologic assumptions that may not be accurate.
 - b. Estimates of recoverable reserves change when assumptions, such as price and mining technology, change.
 - c. The methodology is based on current year production and projected future production until the reserves are 100 percent depleted, resulting in additional uncertainties.

- d. Coal price fluctuations may result in significant changes in the asset value of future royalty revenue projections between reporting periods.
- A12. One objective of the Board's reexamination of existing standards project is to eliminate or revise unnecessary requirements to reduce reporting burden. The Board believes that changing the reporting requirements under SFFAS 38 and TB 2011-1 to basic information may add to reporting burden without yielding reporting benefits.
- A13. The Board acknowledged that actual royalties collected and distributed are currently recognized and disclosed in accordance with SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. The Board does not believe there is a further benefit to recognize future royalties as basic information.
- A14. The Board noted that the Financial Accounting Standards Board and the U.S. Securities and Exchange Commission require reporting of oil and gas reserve quantities and asset value as RSI rather than as basic information.
- A15. Considering the significant measurement uncertainties and associated challenges, the Board believes that the potential benefits do not justify the cost and added burden to increase the reliability of the oil and gas and other natural resources information for basic information presentation; therefore, the Board agreed to propose that the SFFAS 38 and TB 2011-1 reporting requirements remain as RSI.

PUBLIC-PRIVATE PARTNERSHIPS

- A16. At the October 2022 Board meeting, staff briefed the Board concerning SFFAS 49, *Public Private Partnerships: Disclosure Requirements*, implementation challenges requiring attention. The implementation challenges were a result of information gathering meetings with two federal Inspectors General, a public accounting (audit) firm, and two financial policy accountants to help identify challenges they saw requiring attention. Additionally, staff conducted agency one-on-one meetings as well as training and outreach sessions to also help identify potential impediments to SFFAS 49 implementation.
- A17. As a result, staff identified 15 implementation challenges (some of which were deemed beyond the Board's control or overlapping with other noted challenges) that could benefit from additional Board guidance; that is, amendments, interpretations, and/or technical guidance. In December 2022, staff assembled an SFFAS 49 public-private partnership (P3) implementation task force to further study implementation issues, such as preparer or auditor challenges, and related Board action that might be necessary in light of said challenges. At a January 2023 meeting, the task force concluded that an amendment to paragraph 24b might be beneficial.
- A18. Paragraph 24b requires "a description of federal and non-federal funding of the P3 over its expected life, including the mix and, where available, the amounts of such funding. For any amounts that are not available, the disclosures should indicate such." Task force representatives noted that paragraph 24b of SFFAS 49, which was meant exclusively to allow reporting entities to exclude the amounts of non-federal partner's funding for situations when such information is unavailable, has been inappropriately applied by some

reporting entities to exclude reporting of (1) federal partner funding estimates and (2) cash flows required by paragraphs 24c and 24d. Further, task force representatives noted that non-federal partner funding information may have been excluded without reasonable efforts to obtain or estimate the funding information.

- A19. The Board agreed to remove the “where available” exception in paragraph 24b to require disclosure of the amounts of non-federal partner funding in all circumstances, regardless of availability, and to avoid potential misapplication of paragraph 24b to the amounts of federal funding and other cash flow disclosure requirements. The Board believes that disclosure of such information is important to inform users as to the amount of funding attributable to each partner within a P3. That is, such amounts invested can affect a user’s understanding of the relative risks each partner is undertaking, the relative economic incentives they each bear or share, as well as the overall reasonableness of the P3’s expected life. The Board recognizes that non-federal funding information may not always be readily available from the non-federal partners, but reporting entities should be able to estimate it in such circumstances.

SUMMARY OF OUTREACH AND RESPONSES

- A20. The Board released an Exposure Draft (ED) proposal on August 22, 2023, for public comments requested by September 21, 2023. Upon release of the ED, FASAB notified constituents through the FASAB website and listserv, the Federal Register, and FASAB newsletter. FASAB also provided news releases to its press contacts, including various news organizations and committees of professional associations generally commenting on EDs in the past. To encourage responses, a reminder notice was provided to FASAB’s listserv near the comment deadline.
- A21. The Board received 14 comment letters in response to the ED. The Board did not rely on the number in favor of or opposed to a given position, but considered each response and weighed the merits of the points raised.
- A22. Respondents unanimously agreed with the amendments to SFFAS 38 and TB 2011-1. The Board confirmed its proposal to retain oil and gas and other natural resources information in RSI.
- A23. However, respondents had mixed views on the proposed amendments to SFFAS 49. The Board considered each response and weighed the merits of the points raised, and agreed to remove the exception in paragraph 24b while providing flexibility on the mix and amounts of federal and non-federal funding required in paragraph 24b of SFFAS 49.

CLARIFICATION TO PARAGRAPH 24B OF SFFAS 49

- A24. Most respondents generally agreed with the Board’s proposal to address the “where available” exception via the proposed amendment or with possible modifications to recognize concerns over complexities and difficulties when estimating the mix and amount of non-federal funding. These respondents noted that: (a) the mix and amount of non-federal funding would be necessary for management to negotiate and evaluate the P3

arrangements and are a corollary to understanding the contract terms, and identifying balances and transactions for accounting purposes, and (b) reasonable estimates should be available for disclosure and that the standard's language should not be utilized to circumvent the intent of the SFFAS 49 disclosures.

- A25. However, respondents who disagreed with the proposed amendment primarily expressed concerns with what they viewed as (a) difficulties when estimating federal and/or non-federal funding when the information is not available, and (b) audit implications when information is not reasonably available.
- A26. The Board notes that the majority of respondents, including preparers, agreed that the "where available" exception should be addressed to avoid exploitation. To that end, some respondents noted that the Board should consider "raising the bar" making it more difficult to avoid disclosure of private partner funding amounts and clearly noting that the 24b. exception could not be used to avoid reporting any other paragraph 24 disclosure requirement. To the contrary, other respondents were in support of the proposed amendment as exposed and expressed concerns with the retention of the "where available" exception even if accompanied by language that would "raise the bar."
- A27. The Board notes that SFFAS 49 intended to provide preparers and auditors with flexibility concerning private partner funding amounts for those instances when the entity would be legally or contractually prohibited from disclosing said amounts. However, the Board also believes that as some respondents have noted, the mix and amount of both federal and non-federal funding are not only precursors to a P3 arrangement/transaction, but they are also necessary for effective management of such projects. For example, several OMB documents require full life cycle reporting and specific to P3s, assessments of private partner participation for budget scoring purposes.
- A28. Nevertheless, to strike a balance between user needs and preparer concerns, the Board believes that estimates of the mix and amount of federal and non-federal private partner funding should be permitted in the standard.
- A29. The Board notes SFFAC 1, *Objectives of Federal Financial Reporting*, which states at paragraph 160 that reliability does not imply precision or certainty and that estimates are appropriate for reporting. This paragraph also states that under certain circumstances, a properly explained estimate provides more meaningful information than no estimate at all. Specific to the operating performance reporting objective, SFFAC 1, paragraph 132 mentions the use of estimates or ranges of estimates when referring to exposures to loss which is of significant concern to some users.
- A30. Given that the Board desires to reach a balance between user needs and preparer concerns, the following clarifying edits to the ED amendment were adopted:

24b. A description of federal and non-federal funding of the P3 over its expected life, including the estimated mix and ~~where available,~~ the estimated amounts of such funding. Such amounts may be within a range of estimates, the range itself, or a general dollar magnitude FN. ~~For any amounts that are not available, the disclosures should indicate such.~~

FN - For purposes of this standard, a general dollar magnitude estimate can be an estimate of dollars or percentage increases/decreases of an

aggregate amount of funding by partner type; federal and non-federal. A GDM estimate provides information on the estimated overall impact of a change in the amount of funding from a pre-established baseline as opposed to re-estimating a baseline each reporting period.

Commented [SDN12]: Staff notes that once the Board completes its pre-ballot process and finalizes this language, staff will replace Paragraph A30 accordingly. Staff expects Balloting to conclude no later than the December meeting.

Using Estimates

- A31. Measuring the mix and amount of federal and non-federal private partner funding amounts may require the use of estimates or approximations. According to Statement of Federal Financial Accounting Concepts (SFFAC) 5, Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements, to be recognized an item must be measurable, which means a monetary amount can be determined with reasonable certainty or is reasonably estimable (underscoring added for emphasis). For this reason, the Board notes that it (1) does not seek precision in determining the mix and amount of federal and non-federal private partner funding and (2) does not intend to direct or prescribe the use of any particular approach.
- A32. The Board notes that estimates often are used in accounting and financial reporting. The presentation of information based on estimation is not new and can be reliable so long as the estimate is reasonable and based on a rational, systematic and consistent method. The Board has long recognized that the use of estimation necessarily implies the use of professional judgment. This does not negate the value of the estimate to users of the financial information.
- A33. The objective of the federal and non-federal funding disclosure in paragraph 24.b is to provide information on the relative amounts of funding provided by the P3 parties, to help users understand material risks to the federal government. The Board recognized that there may be uncertainty, particularly in estimating the funding provided by non-federal parties. At the same time, the Board believes that federal entities entering P3 arrangements or transactions generally have developed estimates of the relative funding expected to be provided by the parties, in deciding to enter into the P3 arrangements. Such initial estimates, adjusted for any material changes in the relative funding by the parties, generally would be sufficient for meeting this disclosure requirement, in the absence of more precise estimates. The Board also believes that the funding estimates need only be updated when there is evidence of a material change in the relative funding by the parties, though it would be helpful to state the purpose of the disclosure, as well as including some of the thoughts expressed at the last Board meeting.

Commented [SDN13]: Both paragraphs reviewed by Messrs. McNamee and Dacey. Mr. McNamee made a minor edit to A23 switching "are" to its current placement in the first sentence. Mr. Dacey did not provide edits to A31 or A32 but suggested additional language as reflected in A33 via a 16 November email.

Commented [SDN14]: Language proposed by Mr. Dacey via 16 November email with some edits by Staff. Staff concurs that it would be helpful to state the purpose of the disclosure, as well as including some of the thoughts expressed at the October Board meeting.

Commented [SDN15]: S. Harper 21 November email

APPENDIX B: ABBREVIATIONS

EIA	Energy Information Administration
FASAB	Federal Accounting Standards Advisory Board
OMB	Office of Management and Budget
P3	Public-Private Partnership
RSI	Required Supplementary Information
SFFAS	Statement of Federal Financial Accounting Standards
TB	Technical Bulletin

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

Raymond Vicks

FASAB Staff

Monica R. Valentine, Executive Director

Sherry L. Lee, Senior Analyst

Domenic N. Savini, Assistant Director

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

ATTACHMENT 3

Ballot for Voting

Date: December 5, 2023

To: Members of the Board

From: Monica R. Valentine, Executive Director

Subject: **Ballot for Statement of Federal Financial Accounting Standards 63, Omnibus Amendments: Amending Statements of Federal Financial Accounting Standards 38, 49 and Technical Bulletin 2011-1.**

The following is a ballot for SFFAS 63. Please enter your name in the space provided below and indicate your approval or disapproval. Please e-mail the ballot to valentineM@fasab.gov with an e-mail copy to Sherry at LeeSL@fasab.gov and Domenic at savinid@fasab.gov.

Ballots are due by **December 19, 2023**. Members not responding by **December 26** will be considered to have abstained. If you decide to write a dissent, please notify staff immediately and provide your written dissent as soon as possible but no later than **December 11**. Any dissents received will be circulated to other members as soon as possible so that they may consider the views of the dissenting member.

Board member:

Date:

I **approve** the subject SFFAS

☐

I **do not approve** the subject SFFAS

☐

ATTACHMENT 4

Pre-Ballot Draft SFFAS 63: Omnibus Amendments – Clean Version

OMNIBUS AMENDMENTS

AMENDING STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING STANDARDS 38, 49,
AND TECHNICAL BULLETIN 2011-1

Statement of Federal Financial Accounting Standards 63

Pre-Ballot Draft

CLEAN VERSION

December XX, 2023

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](#)

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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

SUMMARY

This Statement of Federal Financial Accounting Standards (SFFAS) amends the following:

- retain the requirement to report oil and gas and other natural resource information as required supplementary information (RSI) by rescinding paragraphs 6 and 31 of Statement of Federal Financial Accounting Standards (SFFAS) 38, *Accounting for Federal Oil and Gas Resources*, and paragraphs 5 and 31 of Technical Bulletin (TB) 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*, and
- remove the “where available” exception and provide flexibility for developing estimates in accordance with paragraph 24b of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*.

MATERIALITY

The provisions of this Statement need not be applied to information if the effect of applying the provision(s) is immaterial.¹ 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.

¹ 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.

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AMENDMENTS TO SFFAS 38 AND TB 2011-1

3. This paragraph rescinds paragraphs 6 and 31 of SFFAS 38:

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FN - Funding, as used here, relates to the amount of contributions of federal and non-federal capital, equity, or debt instruments to the P3 project, but would generally exclude ongoing operating revenues and costs. Such funding may take different forms, such as cash, tangible assets, leaseholds, loans, and/or loan guarantees. In contrast, paragraph 24.c.ii relates to the federal entity's aggregate cash flows to be received and to be paid over the remaining expected life of the P3, which generally comprise ongoing operating revenues and costs.

EFFECTIVE DATE

6. The requirements of this Statement are effective upon issuance.

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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 Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

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PROJECT HISTORY

OIL AND GAS AND OTHER NATURAL RESOURCES REPORTING

- A1. The Federal Accounting Standards Advisory Board (FASAB or “the Board”) issued SFFAS 38, *Accounting for Federal Oil and Gas Resources*, on April 13, 2010. SFFAS 38 requires the value of the federal government’s estimated petroleum royalties from the production of federal oil and gas proved reserves to be reported in a schedule of estimated federal oil and gas petroleum royalties. In addition, SFFAS 38 requires the value of estimated petroleum royalty revenue designated for others be reported in a schedule of estimated federal oil and gas petroleum royalties to be distributed to others, as part of a discussion of all significant federal oil and gas resources under management of the entity.
- A2. On July 6, 2011, FASAB issued SFFAS 41, *Deferral of the Effective Date of SFFAS 38*, which deferred the effective date of SFFAS 38 from periods beginning after September 30, 2011, to periods beginning after September 30, 2012.
- A3. Also on July 6, 2011, FASAB issued Technical Bulletin (TB) 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*, which applies the general principles in SFFAS 38 and requires federal entities to report as required supplementary information (RSI) the value of the federal government’s estimated royalties and other revenue from other federal natural resources that are (1) under long-term lease, long-term contract, or other long-term agreement and (2) reasonably estimable as of the reporting date.
- A4. At the time SFFAS 38 and TB 2011-1 were issued, the Board believed that the estimated federal royalty share of proved oil and gas reserves and recoverable reserves of other natural resources could be reliably estimated and converted to monetary terms and, therefore, could be presented as basic information. However, members wanted to gather more information about the reliability of the valuation methodology before the Board made a final decision on whether the information should be recognized on the face of the financial statements or disclosed in the notes to the financial statements. The Board agreed to require that the information be reported as RSI for three years. Before the end of the three-year RSI period, the Board planned to decide whether the information would transition to

basic information as financial statement recognition or note disclosure. The Board acknowledged that new information might become available that would warrant continued reporting as RSI.

- A5. Between 2012 and 2014, FASAB removed the reassessment of the SFFAS 38 reporting requirements as a potential Board project due to other priorities.
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- A7. Interior's valuation methodology for oil and gas petroleum royalties from federal onshore and offshore oil and gas proved reserves is based on oil and gas proved reserve estimates published by the Department of Energy's Energy Information Administration (EIA). Because the EIA published national oil and gas proved reserve estimates are developed from well operators' estimated proved reserves and are not subject to audit, verifying the proprietary information would be challenging.
- A8. In addition, the EIA oil and gas proved reserve estimates are not separated between federal and non-federal, and, therefore, Interior estimates the federal portion of each state's oil and gas proved reserves using production on federal land. However, production on federal land only provides an indirect correlation in the valuation methodology and thereby increases the uncertainties about the methodology.
- A9. The valuation methodology for estimating the federal royalty share of proved oil and gas reserves assumes 100 percent of the oil and gas proved reserves will be produced over time. Uncertainties about future production affect this assumption, resulting in additional uncertainties.
- A10. The Board also considered the oil and gas price fluctuations that may result in significant changes in the asset value of future royalty revenues between reporting periods and the resulting diminished meaningfulness of asset value to users.
- A11. Coal is the only significant federal natural resources reported under the requirements of TB 2011-1. The estimation methodology for royalties from federal coal recoverable reserves relies on assumptions that result in uncertainties and challenges:
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- A14. The Board noted that the Financial Accounting Standards Board and the U.S. Securities and Exchange Commission require reporting of oil and gas reserve quantities and asset value as RSI rather than as basic information.
- A15. Considering the significant measurement uncertainties and associated challenges, the Board believes that the potential benefits do not justify the cost and added burden to increase the reliability of the oil and gas and other natural resources information for basic information presentation; therefore, the Board agreed to propose that the SFFAS 38 and TB 2011-1 reporting requirements remain as RSI.

PUBLIC-PRIVATE PARTNERSHIPS

- A16. At the October 2022 Board meeting, staff briefed the Board concerning SFFAS 49, *Public Private Partnerships: Disclosure Requirements*, implementation challenges requiring attention. The implementation challenges were a result of information gathering meetings with two federal Inspectors General, a public accounting (audit) firm, and two financial policy accountants to help identify challenges they saw requiring attention. Additionally, staff conducted agency one-on-one meetings as well as training and outreach sessions to also help identify potential impediments to SFFAS 49 implementation.
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- A18. Paragraph 24b requires "a description of federal and non-federal funding of the P3 over its expected life, including the mix and, where available, the amounts of such funding. For any amounts that are not available, the disclosures should indicate such." Task force representatives noted that paragraph 24b of SFFAS 49, which was meant exclusively to allow reporting entities to exclude the amounts of non-federal partner's funding for situations when such information is unavailable, has been inappropriately applied by some

reporting entities to exclude reporting of (1) federal partner funding estimates and (2) cash flows required by paragraphs 24c and 24d. Further, task force representatives noted that non-federal partner funding information may have been excluded without reasonable efforts to obtain or estimate the funding information.

- A19. The Board agreed to remove the “where available” exception in paragraph 24b to require disclosure of the amounts of non-federal partner funding in all circumstances, regardless of availability, and to avoid potential misapplication of paragraph 24b to the amounts of federal funding and other cash flow disclosure requirements. The Board believes that disclosure of such information is important to inform users as to the amount of funding attributable to each partner within a P3. That is, such amounts invested can affect a user’s understanding of the relative risks each partner is undertaking, the relative economic incentives they each bear or share, as well as the overall reasonableness of the P3’s expected life. The Board recognizes that non-federal funding information may not always be readily available from the non-federal partners, but reporting entities should be able to estimate it in such circumstances.

SUMMARY OF OUTREACH AND RESPONSES

- A20. The Board released an Exposure Draft (ED) proposal on August 22, 2023, for public comments requested by September 21, 2023. Upon release of the ED, FASAB notified constituents through the FASAB website and listserv, the Federal Register, and FASAB newsletter. FASAB also provided news releases to its press contacts, including various news organizations and committees of professional associations generally commenting on EDs in the past. To encourage responses, a reminder notice was provided to FASAB’s listserv near the comment deadline.
- A21. The Board received 14 comment letters in response to the ED. The Board did not rely on the number in favor of or opposed to a given position, but considered each response and weighed the merits of the points raised.
- A22. Respondents unanimously agreed with the amendments to SFFAS 38 and TB 2011-1. The Board confirmed its proposal to retain oil and gas and other natural resources information in RSI.
- A23. However, respondents had mixed views on the proposed amendments to SFFAS 49. The Board considered each response and weighed the merits of the points raised, and agreed to remove the exception in paragraph 24b while providing flexibility on the mix and amounts of federal and non-federal funding required in paragraph 24b of SFFAS 49.

CLARIFICATION TO PARAGRAPH 24B OF SFFAS 49

- A24. Most respondents generally agreed with the Board’s proposal to address the “where available” exception via the proposed amendment or with possible modifications to recognize concerns over complexities and difficulties when estimating the mix and amount of non-federal funding. These respondents noted that: (a) the mix and amount of non-federal funding would be necessary for management to negotiate and evaluate the P3

arrangements and are a corollary to understanding the contract terms, and identifying balances and transactions for accounting purposes, and (b) reasonable estimates should be available for disclosure and that the standard's language should not be utilized to circumvent the intent of the SFFAS 49 disclosures.

- A25. However, respondents who disagreed with the proposed amendment primarily expressed concerns with what they viewed as (a) difficulties when estimating federal and/or non-federal funding when the information is not available, and (b) audit implications when information is not reasonably available.
- A26. The Board notes that the majority of respondents, including preparers, agreed that the “where available” exception should be addressed to avoid exploitation. To that end, some respondents noted that the Board should consider “raising the bar” making it more difficult to avoid disclosure of private partner funding amounts and clearly noting that the 24b. exception could not be used to avoid reporting any other paragraph 24 disclosure requirement. To the contrary, other respondents were in support of the proposed amendment as exposed and expressed concerns with the retention of the “where available” exception even if accompanied by language that would “raise the bar.”
- A27. The Board notes that SFFAS 49 intended to provide preparers and auditors with flexibility concerning private partner funding amounts for those instances when the entity would be legally or contractually prohibited from disclosing said amounts. However, the Board also believes that as some respondents have noted, the mix and amount of both federal and non-federal funding are not only precursors to a P3 arrangement/transaction, but they are also necessary for effective management of such projects. For example, several OMB documents require full life cycle reporting and specific to P3s, assessments of private partner participation for budget scoring purposes.
- A28. Nevertheless, to strike a balance between user needs and preparer concerns, the Board believes that estimates of the mix and amount of federal and non-federal private partner funding should be permitted in the standard.
- A29. The Board notes SFFAC 1, *Objectives of Federal Financial Reporting*, which states at paragraph 160 that reliability does not imply precision or certainty and that estimates are appropriate for reporting. This paragraph also states that under certain circumstances, a properly explained estimate provides more meaningful information than no estimate at all. Specific to the operating performance reporting objective, SFFAC 1, paragraph 132 mentions the use of estimates or ranges of estimates when referring to exposures to loss which is of significant concern to some users.
- A30. Given that the Board desires to reach a balance between user needs and preparer concerns, the following clarifying edits to the ED amendment were adopted:

24b. A description of federal and non-federal funding of the P3 over its expected life, including the estimated mix and, ~~where available,~~ the estimated amounts of such funding. Such amounts may be within a range of estimates, the range itself, or a general dollar magnitude FN. ~~For any amounts that are not available, the disclosures should indicate such.~~

FN - For purposes of this standard, a general dollar magnitude estimate can be an estimate of dollars or percentage increases/decreases of an

aggregate amount of funding by partner type; federal and non-federal. A GDM estimate provides information on the estimated overall impact of a change in the amount of funding from a pre-established baseline as opposed to re-estimating a baseline each reporting period.

Using Estimates

- A31. Measuring the mix and amount of federal and non-federal private partner funding amounts may require the use of estimates or approximations. According to Statement of Federal Financial Accounting Concepts (SFFAC) 5, Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements, to be recognized an item must be measurable, which means a monetary amount can be determined with reasonable certainty or is reasonably estimable (underscoring added for emphasis). For this reason, the Board notes that it (1) does not seek precision in determining the mix and amount of federal and non-federal private partner funding and (2) does not intend to direct or prescribe the use of any particular approach.
- A32. The Board notes that estimates often are used in accounting and financial reporting. The presentation of information based on estimation is not new and can be reliable so long as the estimate is reasonable and based on a rational, systematic and consistent method. The Board has long recognized that the use of estimation necessarily implies the use of professional judgment. This does not negate the value of the estimate to users of the financial information.
- A33. The objective of the federal and non-federal funding disclosure in paragraph 24.b is to provide information on the relative amounts of funding provided by the P3 parties, to help users understand material risks to the federal government. The Board recognized that there may be uncertainty, particularly in estimating the funding provided by non-federal parties. At the same time, the Board believes that federal entities entering P3 arrangements or transactions generally have developed estimates of the relative funding expected to be provided by the parties, in deciding to enter into the P3 arrangements. Such initial estimates, adjusted for any material changes in the relative funding by the parties, generally would be sufficient for meeting this disclosure requirement, in the absence of more precise estimates. The Board also believes that the funding estimates need only be updated when there is evidence of a material change in the relative funding by the parties. I though it would be helpful to state the purpose of the disclosure, as well as including some of the thoughts expressed at the last Board meeting.

APPENDIX B: ABBREVIATIONS

EIA	Energy Information Administration
FASAB	Federal Accounting Standards Advisory Board
OMB	Office of Management and Budget
P3	Public-Private Partnership
RSI	Required Supplementary Information
SFFAS	Statement of Federal Financial Accounting Standards
TB	Technical Bulletin

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

Raymond Vicks

FASAB Staff

Monica R. Valentine, Executive Director

Sherry L. Lee, Senior Analyst

Domenic N. Savini, Assistant Director

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

ATTACHMENT 5

Pre-Ballot Draft SFFAS 63: *Omnibus Amendments* – Tracked Version



OMNIBUS AMENDMENTS

AMENDING STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING STANDARDS 38, 49,
AND TECHNICAL BULLETIN 2011-1

Statement of Federal Financial Accounting Standards 63

Pre-Ballot Draft

TRACKED VERSION

December XX, 2023

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](#)

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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

SUMMARY

This Statement of Federal Financial Accounting Standards (SFFAS) amends the following:

- retain the requirement to report oil and gas and other natural resource information as required supplementary information (RSI) by rescinding paragraphs 6 and 31 of Statement of Federal Financial Accounting Standards (SFFAS) 38, *Accounting for Federal Oil and Gas Resources*, and paragraphs 5 and 31 of Technical Bulletin (TB) 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*, and
- remove the “where available” exception and provide flexibility for developing estimates in accordance with paragraph 24b of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*.

MATERIALITY

The provisions of this Statement need not be applied to information if the effect of applying the provision(s) is immaterial.¹ 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.

¹ 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.

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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*.
2. This Statement amends the following guidance:
 - a. SFFAS 38, *Accounting for Federal Oil and Gas Resources*
 - b. Technical Bulletin (TB) 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*
 - c. SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*

AMENDMENTS TO SFFAS 38 AND TB 2011-1

3. This paragraph rescinds paragraphs 6 and 31 of SFFAS 38:

~~6. It is the Board's intent that the information required by this Statement transition to basic information after being reported as RSI for a period of three years. Prior to the conclusion of the three-year RSI period, the Board plans to make a determination as to whether the information will transition to basic information as financial statement recognition or note disclosure. This Statement will remain in effect until such time a determination is made.~~

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4. This paragraph rescinds paragraphs 5 and 31 of TB 2011-1:

~~5. It is the Board's intent that the information required by SFFAS 38 transition to basic information after being reported as RSI for a period of three years. Prior to the conclusion of the three-year RSI period, the Board plans to make a determination as to whether the information required by SFFAS 38 will transition to basic information as financial statement recognition or note disclosure. It is anticipated that a similar determination would be made for natural resources other than oil and gas based on agencies' experiences implementing the guidance in this technical bulletin.~~

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AMENDMENTS TO SFFAS 49

5. This paragraph amends paragraph 24b of SFFAS 49 as follows:

24b. A description of federal and non-federal funding of the P3 over its expected life, including the estimated mix of federal and non-federal funding, and, ~~where available~~, the estimated amounts of such funding. FN Such estimated amounts may be specific amounts, a range of amounts, , or the general magnitude and nature of the funding. Disclosure should include the basis for management's estimates (e.g., based on contract terms, initial estimates of P3 funding, etc.) to provide additional context for the source of the estimated funding. ~~For any amounts that are not available, the disclosures should indicate such.~~

FN - Funding, as used here, relates to the amount of contributions of federal and non-federal capital, equity, or debt instruments to the P3 project, but would generally exclude ongoing operating revenues and costs. Such funding may take different forms, such as cash, tangible assets, leaseholds, loans, and/or loan guarantees. In contrast, paragraph 24.c.ii relates to the federal entity's aggregate cash flows to be received and to be paid over the remaining expected life of the P3, which generally comprise ongoing operating revenues and costs.

Commented [SDN1]: Per Mr. Scott Bell October 17 meeting.

Commented [SDN2]: Per Mr. Bob Dacey October 17 meeting.

Commented [SDN3]: Per Ms. Carol Johnson October 17 meeting.

Commented [SDN4]: As discussed at October meeting between Mr. Dacey and Mr. Savini, clarifying how these disclosures differ from 24c ii would aid in implementation.

Commented [SDN5R4]: Per Mr. McNamee concerning the term "general dollar magnitude", staff was advised that this is a term of art in the FAR dealing with changes in costs, which doesn't seem to be the focus of 24b. Staff concurs and has eliminated that term and truncated to "general magnitude."

EFFECTIVE DATE

6. The requirements of this Statement are effective upon issuance.

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- A16. At the October 2022 Board meeting, staff briefed the Board concerning SFFAS 49, *Public Private Partnerships: Disclosure Requirements*, implementation challenges requiring attention. The implementation challenges were a result of information gathering meetings with two federal Inspectors General, a public accounting (audit) firm, and two financial policy accountants to help identify challenges they saw requiring attention. Additionally, staff conducted agency one-on-one meetings as well as training and outreach sessions to also help identify potential impediments to SFFAS 49 implementation.
- A17. As a result, staff identified 15 implementation challenges (some of which were deemed beyond the Board's control or overlapping with other noted challenges) that could benefit from additional Board guidance; that is, amendments, interpretations, and/or technical guidance. In December 2022, staff assembled an SFFAS 49 public-private partnership (P3) implementation task force to further study implementation issues, such as preparer or auditor challenges, and related Board action that might be necessary in light of said challenges. At a January 2023 meeting, the task force concluded that an amendment to paragraph 24b might be beneficial.
- A18. Paragraph 24b requires "a description of federal and non-federal funding of the P3 over its expected life, including the mix and, where available, the amounts of such funding. For any amounts that are not available, the disclosures should indicate such." Task force representatives noted that paragraph 24b of SFFAS 49, which was meant exclusively to allow reporting entities to exclude the amounts of non-federal partner's funding for situations when such information is unavailable, has been inappropriately applied by some

reporting entities to exclude reporting of (1) federal partner funding estimates and (2) cash flows required by paragraphs 24c and 24d. Further, task force representatives noted that non-federal partner funding information may have been excluded without reasonable efforts to obtain or estimate the funding information.

- A19. The Board agreed to remove the “where available” exception in paragraph 24b to require disclosure of the amounts of non-federal partner funding in all circumstances, regardless of availability, and to avoid potential misapplication of paragraph 24b to the amounts of federal funding and other cash flow disclosure requirements. The Board believes that disclosure of such information is important to inform users as to the amount of funding attributable to each partner within a P3. That is, such amounts invested can affect a user’s understanding of the relative risks each partner is undertaking, the relative economic incentives they each bear or share, as well as the overall reasonableness of the P3’s expected life. The Board recognizes that non-federal funding information may not always be readily available from the non-federal partners, but reporting entities should be able to estimate it in such circumstances.

SUMMARY OF OUTREACH AND RESPONSES

- A20. The Board released an Exposure Draft (ED) proposal on August 22, 2023, for public comments requested by September 21, 2023. Upon release of the ED, FASAB notified constituents through the FASAB website and listserv, the Federal Register, and FASAB newsletter. FASAB also provided news releases to its press contacts, including various news organizations and committees of professional associations generally commenting on EDs in the past. To encourage responses, a reminder notice was provided to FASAB’s listserv near the comment deadline.
- A21. The Board received 14 comment letters in response to the ED. The Board did not rely on the number in favor of or opposed to a given position, but considered each response and weighed the merits of the points raised.
- A22. Respondents unanimously agreed with the amendments to SFFAS 38 and TB 2011-1. The Board confirmed its proposal to retain oil and gas and other natural resources information in RSI.
- A23. However, respondents had mixed views on the proposed amendments to SFFAS 49. The Board considered each response and weighed the merits of the points raised, and agreed to remove the exception in paragraph 24b while providing flexibility on the mix and amounts of federal and non-federal funding required in paragraph 24b of SFFAS 49.

CLARIFICATION TO PARAGRAPH 24B OF SFFAS 49

- A24. Most respondents generally agreed with the Board’s proposal to address the “where available” exception via the proposed amendment or with possible modifications to recognize concerns over complexities and difficulties when estimating the mix and amount of non-federal funding. These respondents noted that: (a) the mix and amount of non-federal funding would be necessary for management to negotiate and evaluate the P3

arrangements and are a corollary to understanding the contract terms, and identifying balances and transactions for accounting purposes, and (b) reasonable estimates should be available for disclosure and that the standard's language should not be utilized to circumvent the intent of the SFFAS 49 disclosures.

- A25. However, respondents who disagreed with the proposed amendment primarily expressed concerns with what they viewed as (a) difficulties when estimating federal and/or non-federal funding when the information is not available, and (b) audit implications when information is not reasonably available.
- A26. The Board notes that the majority of respondents, including preparers, agreed that the "where available" exception should be addressed to avoid exploitation. To that end, some respondents noted that the Board should consider "raising the bar" making it more difficult to avoid disclosure of private partner funding amounts and clearly noting that the 24b. exception could not be used to avoid reporting any other paragraph 24 disclosure requirement. To the contrary, other respondents were in support of the proposed amendment as exposed and expressed concerns with the retention of the "where available" exception even if accompanied by language that would "raise the bar."
- A27. The Board notes that SFFAS 49 intended to provide preparers and auditors with flexibility concerning private partner funding amounts for those instances when the entity would be legally or contractually prohibited from disclosing said amounts. However, the Board also believes that as some respondents have noted, the mix and amount of both federal and non-federal funding are not only precursors to a P3 arrangement/transaction, but they are also necessary for effective management of such projects. For example, several OMB documents require full life cycle reporting and specific to P3s, assessments of private partner participation for budget scoring purposes.
- A28. Nevertheless, to strike a balance between user needs and preparer concerns, the Board believes that estimates of the mix and amount of federal and non-federal private partner funding should be permitted in the standard.
- A29. The Board notes SFFAC 1, *Objectives of Federal Financial Reporting*, which states at paragraph 160 that reliability does not imply precision or certainty and that estimates are appropriate for reporting. This paragraph also states that under certain circumstances, a properly explained estimate provides more meaningful information than no estimate at all. Specific to the operating performance reporting objective, SFFAC 1, paragraph 132 mentions the use of estimates or ranges of estimates when referring to exposures to loss which is of significant concern to some users.
- A30. Given that the Board desires to reach a balance between user needs and preparer concerns, the following clarifying edits to the ED amendment were adopted:

24b. A description of federal and non-federal funding of the P3 over its expected life, including the estimated mix and ~~where available,~~ the estimated amounts of such funding. Such amounts may be within a range of estimates, the range itself, or a general dollar magnitude FN. ~~For any amounts that are not available, the disclosures should indicate such.~~

FN - For purposes of this standard, a general dollar magnitude estimate can be an estimate of dollars or percentage increases/decreases of an

aggregate amount of funding by partner type; federal and non-federal. A GDM estimate provides information on the estimated overall impact of a change in the amount of funding from a pre-established baseline as opposed to re-estimating a baseline each reporting period.

Commented [SDN6]: Staff notes that once the Board pre-ballots and finalizes this language, staff will replace Paragraph A30 accordingly.

Using Estimates

A31. Measuring the mix and amount of federal and non-federal private partner funding amounts may require the use of estimates or approximations. According to Statement of Federal Financial Accounting Concepts (SFFAC) 5, Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements, to be recognized an item must be measurable, which means a monetary amount can be determined with reasonable certainty or is reasonably estimable (underscoring added for emphasis). For this reason, the Board notes that it (1) does not seek precision in determining the mix and amount of federal and non-federal private partner funding and (2) does not intend to direct or prescribe the use of any particular approach.

A32. The Board notes that estimates often are used in accounting and financial reporting. The presentation of information based on estimation is not new and can be reliable so long as the estimate is reasonable and based on a rational, systematic and consistent method. The Board has long recognized that the use of estimation necessarily implies the use of professional judgment. This does not negate the value of the estimate to users of the financial information.

Commented [SDN7]: Both paragraphs reviewed by Messrs. McNamee and Dacey. Mr. McNamee made a minor edit to A23 switching "are" to its current placement in the first sentence. Mr. Dacey did not provide edits to A31 or A32 but suggested additional language as reflected in A33 via a 16 November email.

A33. The objective of the federal and non-federal funding disclosure in paragraph 24.b is to provide information on the relative amounts of funding provided by the P3 parties, to help users understand material risks to the federal government. The Board recognized that there may be uncertainty, particularly in estimating the funding provided by non-federal parties. At the same time, the Board believes that federal entities entering P3 arrangements or transactions generally have developed estimates of the relative funding expected to be provided by the parties, in deciding to enter into the P3 arrangements. Such initial estimates, adjusted for any material changes in the relative funding by the parties, generally would be sufficient for meeting this disclosure requirement, in the absence of more precise estimates. The Board also believes that the funding estimates need only be updated when there is evidence of a material change in the relative funding by the parties, though it would be helpful to state the purpose of the disclosure, as well as including some of the thoughts expressed at the last Board meeting.

Commented [SDN8]: Language proposed by Mr. Dacey via 16 November email with some edits by Staff. Staff concurs that it would be helpful to state the purpose of the disclosure, as well as including some of the thoughts expressed at the October Board meeting.

APPENDIX B: ABBREVIATIONS

EIA	Energy Information Administration
FASAB	Federal Accounting Standards Advisory Board
OMB	Office of Management and Budget
P3	Public-Private Partnership
RSI	Required Supplementary Information
SFFAS	Statement of Federal Financial Accounting Standards
TB	Technical Bulletin

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

Raymond Vicks

FASAB Staff

Monica R. Valentine, Executive Director

Sherry L. Lee, Senior Analyst

Domenic N. Savini, Assistant Director

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