

Memorandum

Commitments

October 1, 2025

To: Members of the Board
From: Sherry L. Lee, Senior Analyst and Domenic Savini, Assistant Director
Thru: Monica R. Valentine, Executive Director
Subject: **Commitments** (Topic G)

INTRODUCTION

At the August 2025 meeting, the Board supported the use of a draft working definition for commitments, recognizing the conditional nature of commitments and suggested keeping the definition streamlined. Board members generally agreed with including “binding agreements” and “may result” in the definition and suggested that staff consider other refinements such as adding “measurable” to the definition and footnoting that future transactions may be exchange or non-exchange transactions. Staff agreed and noted that the commitments task force will consider all Board’s suggestions and refine the working definition as appropriate. To that end, it was agreed that it would be helpful to consider potential scope exclusions in conjunction with the draft working definition given that several standards already addressed specific types of commitments agreements.

In addition, due to the general and broad nature of the commitments definition, it may be helpful to consider specific categories to help reporting entities identify agreements for commitments reporting, consistent with other standard setters.

The attached staff analysis discusses the (1) Board’s suggested edits to the initial draft working definition of commitments so far discussed and reviewed by the task force, (2) task force suggested scope exclusions, and (3) suggested specific reporting categories for commitments reporting.

REQUEST FOR FEEDBACK BY December 8, 2025

Please review the attached staff analysis on commitments. Staff requests responses to the ensuing questions in the staff analysis by **December 8 2025**.

NEXT STEPS

Pursuant to Board direction, staff will continue to research and develop guidance as appropriate.

ATTACHMENTS

Attachment 1: Staff Analysis

APPENDIX A: OMB Guidance, Federal Commitments

Staff Analysis

Commitments

October 1, 2025

INTRODUCTION

As Federal agencies enter into countless agreements in carrying out their missions, certain existing standards require the reporting of potential future use of government resources. Therefore, clearly defining commitments will help agencies report commitments not already addressed by existing guidance more consistently, helping avoid preparer burden and increasing comparability among agencies and user understandability.

At the August 2025 meeting, the Board reviewed the draft working definition of commitments and provided comments and suggested changes. Since the member suggestions may affect the population of agreements to be considered for commitments reporting, staff determined that considering potential scope exclusions in conjunction with the definition might lead to better understanding of the population to be considered for commitments reporting. Staff obtained the task force views on potential scope exclusions by utilizing a questionnaire process.

In addition, due to the general and broad nature of the commitments draft working definition, some task force members suggested that the Board consider specifying discrete categories for commitments reporting which is consistent with other standard setters.

The below staff analysis and recommendations discuss the (1) Board's suggested edits to the initial draft working definition of commitments so far discussed and reviewed by the task force, (2) task force suggested scope exclusions, and (3) suggested specific reporting categories for commitments reporting.

SUMMARY OF ANALYSIS AND RECOMMENDATIONS

Clearly defining commitments and setting scope limitations would help agencies report commitments while reducing redundancy and confusion¹. The wording in

¹ Please refer to the Qualitative Characteristics of Financial Reporting Information as noted in both SFFAC 1, *Objectives of Federal Financial Reporting* and SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*. In

the definition, such as “binding”, “may”, and “measurable” may result in the inclusion or exclusion of certain agreements for commitments reporting. **Staff recommends that the Board consider**

- **Including agreements that may not be measurable** in commitments reporting to achieve the reporting objectives,
- **Excluding agreements subject to specific reporting requirements** from commitments reporting, and
- **Developing specific categories of commitments** to help agencies identify agreements for commitments reporting.

DETAILED ANALYSIS AND RECOMMENDATIONS

Member Comments on Initial Working Definition of Commitments

In August 2025, the following draft working definition of commitments was presented to the Board:

Commitments are binding agreements ^{FN} that, upon the occurrence of one or more future events or when the terms and conditions specified in the agreement being met, may result in the future outflow or other sacrifice of government resources.

^{FN} - Commitments are not liabilities of the government. Upon the occurrence of the future event or events, such as the delivery of goods or services, or when terms or conditions specified in the agreement are met, an assessment will determine whether the government has incurred a liability. If part of a contract or agreement has met the criteria for a liability, that part is no longer considered a commitment.

Board members suggested the following edits, with **suggested deletions shown in blue text** and **suggested additions shown in red text**.

*Commitments are binding agreements ^{FN} that, ~~upon the occurrence of one or more future events or when the terms and conditions specified in the agreement being met,~~ may result in **a measurable** ~~the~~ future ~~outflow or other sacrifice~~ **use** of government resources.*

short, as per SFFAC 1, Par. 156 they are as follow: understandability, reliability, relevance, timeliness, consistency, and comparability.

FN - Commitments are not liabilities of the government. Upon the occurrence of the future ~~event~~ transactions (exchange or nonexchange) or events (such as the delivery of goods or services), ~~or when terms or conditions specified in the agreement are met~~, an assessment will determine whether the government has incurred a liability. If part ~~or all~~ of a contract or agreement has met the criteria for a liability, that part ~~or all of a contract~~ is no longer considered a commitment.

Staff Analysis on Adding “Measurable” to the Definition

A member suggested adding “measurable” to the commitments definition. “Measurability” means that an item has a relevant attribute that can be quantified in monetary units with sufficient reliability to be reasonably estimable². Adding “measurable” to the commitments definition would limit reporting of commitments to those agreements that can be quantified reliably as of the reporting date. Agreements that may not be quantified reliably, even if the amount may be significant, would be excluded from commitments reporting. The existence, the nature, and the potential impact these agreements may have on future budgetary resources would not be transparent. As a result, the four objectives of federal financial reporting, including Budgetary Integrity, Operating Performance, Stewardship, and Systems and Control may not be achieved by excluding commitments that may not be measurable.

Staff recommends that the Board consider reporting significant commitments that may not be measurable to bring transparency and accountability to these potentially significant government activities. That is, adding “measurable” to the definition would limit reporting³.

² SFFAS 5, *Accounting for Liabilities of The Federal Government*, paragraph 34.

³ Once the past transaction or event criterion is met, measurability may be considered to determine if the government has incurred a liability in accordance with SFFAS 5, *Accounting for Liabilities of the Federal Government*.

Scope Exclusions of Commitments

Depending on the final wording in the commitments definition, certain agreements with the potential future use of government resources will be either included or excluded in an entity's financial reporting. Therefore, considering the scope exclusions in conjunction with the draft working definition will help determine the population subject to commitments reporting. In September 2025, staff obtained the views of the task force by utilizing a questionnaire process and received 16 responses, consisting of 11 from federal preparers, 3 from the auditing community, and 2 from the user community. The questionnaire consisted of the following questions relating to scope exclusions followed by the task force results:

1. **Option 1- Targeted Exclusion Based on Recognized Liabilities:**

Commitments are considered future liabilities of the government. However, some commitments are required to report a liability under current FASAB standards.

Do you agree or disagree that only commitments with liabilities recognized on the Balance Sheet, such as long-term noncancelable leases, should be excluded from commitments reporting?

- a. **Two respondents (13%) agreed with Option 1. Option 1 implies that commitments reporting should only focus on those agreements that do not have an associated recognized liability.**
- b. The two respondents believed that all agreements except long-term noncancelable leases should be subject to commitments reporting. Additionally, they expressed concern that the list of exclusions in Option 2 is too broad and may allow for some agreements that are considered commitments to be excluded from reporting.

2. **Option 2 – Broader Exclusion Based on Agreement Type:** **Do you agree or disagree that commitments agreements subject to specific FASAB standards should follow the reporting requirements under those standards and be excluded from commitments reporting?**

The following is a list of current FASAB standards that address specific types of commitments agreements:

- i. SFFAS 2: *Accounting for Direct Loans and Loan Guarantees*
- ii. SFFAS 17: *Accounting for Social Insurance*
- iii. SFFAS 49: *Public Private Partnerships*
- iv. SFFAS 51: *Insurance Programs*

v. SFFAS 54: *Leases*

- a. **Fourteen respondents (87%) agreed with Option 2.**
- b. These respondents believed that the specific standards already prescribe comprehensive accounting and reporting requirements tailored to the unique characteristics of those agreements. Subjecting the same agreements to the commitments standard would be redundant and potentially inconsistent.
- c. One respondent suggested cross-referencing requirements where appropriate.

Staff recommends that the Board consider adopting Option 2 (for further task force review) to exclude commitments agreements the Board specifically addressed in other pronouncements to avoid subjecting the same agreements to multiple reporting standards, thereby streamlining standards, reducing redundancy and overlap and increasing clarity.

Categories of Commitments

As discussed above, scope exclusions could help limit commitments reporting to agreements not specifically addressed by the Board. However, due to the general and broad nature of the commitments draft working definition, two respondents from the auditing community suggested that it would further help if the Board would consider identifying specific categories of commitments for reporting, consistent with other accounting standard setters.

- The Financial Accounting Standards Board in Accounting Standards Codification (ASC) 440, *Commitments*, requires the disclosure of significant commitments including the following:
 - a. Unused letters of credit,
 - b. Preferred stock dividends in arrears,
 - c. Commitments such as those for plant acquisition, and
 - d. Obligation to reduce debt, maintain working capital, or restrict dividends.
- The Government Accounting Standards Board in Codification 2300.106k requires the disclosure of construction and other significant commitments in notes to financial statements.

Appendix A lists significant commitments that federal entities are currently reporting under the OMB guidance. These commitments may be categorized as follows⁴:

***FUNDED*⁵:**

- **Undelivered Orders Unpaid**

***UNFUNDED*:**

- **Treaties and International agreements**
 - U.S. Participation in the International Monetary Fund
 - Callable Capital Subscriptions for Multilateral Development Banks
- **Purchase obligations**

⁴ The categories are [for illustration purpose only](#). Staff will work with the task force and will coordinate with the Chief Financial Officer's Council, as appropriate, to ensure the categories accurately reflect federal commitments.

⁵ According to the 2024 Financial Report of the U.S. Government, 78% in fiscal year 2024 and 77% in fiscal year 2023 of reported commitments by agencies according to OMB guidance are undelivered orders unpaid.

- Government-Sponsored Enterprises Senior Preferred Stock Purchase Agreements
 - Fuel Purchase Obligations
 - Power Purchase Obligations
 - Other Purchase Obligations
- **Grants**
 - Airport Improvement Program
- **Guarantees**
 - Commitments to extend loan and other guarantees
- **Other Commitments**

Identifying specific categories of commitments agreements would help agencies identify agreements without having to review every agreement for commitments reporting, thereby increasing efficiency while reducing reporting burden.

Staff recommends that the Board consider staff to work with the task force and coordinate with the Chief Financial Officer's Council, as appropriate, to further identify significant categories of federal commitments to ensure the categories accurately reflect federal commitments.

APPENDIX A

QUESTIONS FOR THE BOARD

Question 1- Does the Board agree with the suggested changes to the working definition of commitments?

As noted on page 5, staff recommends that the Board not incorporate “measurable” into the commitments working definition as it would limit the reporting of significant commitments. Staff believes that concerns regarding preparer or auditor burden can be satisfactorily addressed by incorporating scope exclusions.

The following is the updated draft working definition with member suggestions incorporated:

Commitments are binding agreements ^{FN} that may result in the future use of government resources.

***FN** - Commitments are not liabilities of the government. Upon the occurrence of the future transactions (exchange or nonexchange) or events (such as the delivery of goods or services), an assessment will determine whether the government has incurred a liability. If part or all of a contract or agreement has met the criteria for a liability, that part or all of a contract is no longer considered a commitment.*

Question for the Board:

1. Does the Board agree with the suggested changes to the working definition of commitments?

Question 2- Does the Board agree with Option 2 scope exclusion recommended by the task force?

As noted on page 7, staff recommends that the Board consider Option 2, which would [exclude commitment agreements already addressed in other Board pronouncements to avoid subjecting the same agreements to multiple reporting requirements.](#)

Question for the Board:

2. Does the Board agree with Option 2 scope exclusion recommended by the task force?

Question 3- Does the Board support staff working with the task force and the CFO Council to (1) refine the application of the scope exclusions and (2) further identify significant categories of commitments?

As noted on page 9, staff recommends that the Board consider supporting staff working with the task force and the CFO Council to [further \(1\) refine the application of the scope exclusions and \(2\) identify significant categories of federal commitments to ensure the categories reflect significant federal commitments.](#)

Question for the Board:

3. Does the Board support staff working with the task force and the CFO Council to (1) refine the application of the scope exclusions and (2) further identify significant categories of commitments?

Question 4 - Does the Board have any other comments or concerns related to commitments reporting?

Question for the Board:

4. Does the Board have any other comments or concerns related to commitments reporting?

Federal Commitments

The following table summarizes the federal commitments disclosed in Note 20 of the FY 2024 Financial Report of the U.S. Government, with additional details provided by Treasury:

Commitments	Agency	FY 2024 <i>in millions</i>	FY 2023 <i>in millions</i>
Undelivered Orders - Unpaid	Various Agencies	1,994,200	1,830,000
Government-Sponsored Enterprises Senior Preferred Stock Purchase Agreements*	Department of the Treasury	254,100	254,100
U.S. Participation in the International Monetary Fund**	Department of the Treasury	160,200	151,000
Callable Capital Subscriptions for Multilateral Development Banks***	Department of the Treasury	132,443	130,165
Fuel Purchase Obligations	Tennessee Valley Authority	5,646	4,537
Commitments to Extend Loan Guarantees	Department of Agriculture	4,056	3,731
Power Purchase Obligations	Tennessee Valley Authority	2,661	1,135
	Department of Energy	637	234
Grant Programs – Airport Improvement Program	Department of Transportation	503	280
Other Purchase Obligations	United States Postal Services	6,282	7,366
	Smithsonian Institution	0	15
	Tennessee Valley Authority	2,085	1,035

Commitments	Agency	FY 2024 <i>in millions</i>	FY 2023 <i>in millions</i>
	Department of Homeland Security	13	16
	Department of Energy	1,780	884
	Millennium Challenge Corporation	1556	0
Total Commitments		2,566,162	2,384,498