

Memorandum

Commitments

June 1, 2026

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

INTRODUCTION

At the December 2025 meeting, the Board reviewed member-suggested edits to the working definition of “commitment”¹. The Board generally believed that including “measurable” in the definition would exclude certain potentially significant agreements. Members generally noted that terms such as “measurable” and “significant” are best addressed in other sections of the authoritative guidance such as disclosure criteria.

While the Board generally agreed with the task force recommendation to exclude agreements subject to specific FASAB standards to reduce preparer burden, members suggested that staff review those standards to determine whether the agreements meet the working definition and, if they do, whether the disclosure requirements are consistent with the disclosures the Board is considering for the commitments project. In addition, the Board agreed with the task force recommendation to develop potential commitment reporting categories working with the Chief Financial Officer’s (CFO) Council and task force.

In accordance with the Board’s direction, staff has:

- [Reviewed existing standards](#) addressing specific types of agreements to determine (a) if the agreements meet the working definition of commitment and (b) existing disclosure requirements related to commitments, if any (*Refer to pages 6 to 7 and Appendix A for details*),
- [Requested subject matter experts through the CFO Council](#) and worked with the group to develop commitment categories (*Refer to pages 8 to 10 for details*), and
- [Obtained task force views on potential commitment disclosures](#) (*Refer to pages 10 to 13 and Appendix B for details*).

¹ At the December 2025 Board meeting, the Board agreed to use the following definition for commitment: *A commitment is a binding agreement that, upon the occurrence of one or more future events or when the terms and conditions specified in the agreement are met, may result in the use of government resources.*

The objective of this meeting is for the Board to review and consider the following:

- (1) Staff's [recommendation on leveraging existing standards](#) addressing specific types of commitment agreements,
- (2) Staff's [recommended framework to identify significant commitment categories](#), and
- (3) Task force [recommendation on potential commitment disclosures](#).

REQUEST FOR FEEDBACK BY June 12, 2026

Please review the attached staff analysis on commitments. Staff requests responses to the ensuing questions in the staff analysis by **June 12, 2026**.

NEXT STEPS

Pursuant to Board direction, staff will work with the task force to refine the proposed commitment disclosures and begin developing the proposed guidance on commitment reporting, as appropriate. Refer to page 15 for details on how staff plans to execute these efforts.

ATTACHMENTS

1. Staff Analysis
2. Appendix A: Staff Review of Existing Standards
3. Appendix B: Task Force Questionnaire and Responses

Staff analysis

Commitments

June 1, 2026

INTRODUCTION

Purpose

Federal agencies enter into countless agreements with other entities in carrying out their missions. Existing pronouncements may not fully address agreements that could require the future use of government resources potentially having a significant effect on the future position of the government. While the Office of Management and Budget (OMB) requires agencies to report commitments in Circular A-136, the Board determined that, as the accounting standard setter for the federal government, FASAB should consider developing Level A guidance to help reduce preparer burden and increase comparability, where appropriate.

Background

- August 2023 meeting: During the technical agenda-setting session the Board agreed to add Commitments as a research project.
- December 2023 meeting: Staff noted that (1) commitments do not meet the “present obligation” criteria for a liability noted in SFFAC 5², (2) commitments also do not meet the liability recognition criteria in SFFAS 5³, and (3) reporting commitments help achieve the financial reporting objectives of budgetary integrity and stewardship.
- August 2024: The Commitments topic was added to the reexaminations project as a potential technical project.
- February 2025: The Board approved the commitments project plan.
- During 2025: Staff (1) held one-one-one meetings with six agencies reporting significant commitments per OMB guidance to gain an understanding of how agencies gathered commitment information and related challenges, (2) formed a task force to help research commitments and develop recommendations for the Board’s consideration.
- During the August and December 2025 meetings: Staff introduced the task force recommended commitment working definition to which the Board deliberated and made suggestions for improvement.

² SFFAC 5: Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements.

³ SFFAS 5: *Accounting for Liabilities of The Federal Government*. Staff noted that (1) for exchange type agreements, goods or services have not been delivered and (2) for non-exchange type commitments, there is no unpaid amount due.

- December 2025 meeting: The Board generally did not support including “measurable” in the working definition because some agreements may be significant but may not be measurable. Including these non-measurable agreements would increase transparency and accountability. The Board also questioned the usefulness of the footnote to the working definition. Some members believed that the footnote seemed to focus on liabilities whereas commitments and liabilities are mutually exclusive. Additionally, another member believed that exchange or nonexchange relates to the binding agreement and not to a future event. As a result, the Board agreed to remove the footnote to keep the definition concise. The working definition was updated accordingly:

A commitment is a binding agreement that, upon the occurrence of one or more future events or when the terms and conditions specified in the agreement are met, may result in the use of government resources.

Because the working definition is general and broad, the Board agreed with staff’s proposal to work with the CFO Council and the task force to develop commitment categories to help preparers and auditors focus efforts on significant commitments, consistent with FASB and GASB commitments guidance.

The Board also generally agreed with the task force recommendation to exclude agreements subject to specific FASAB standards from the scope of the commitments project to lessen preparer burden. However, some members recommended that staff analyze those standards to determine whether the agreements meet the working definition and if existing disclosure requirements are consistent with those the Board is considering developing for the commitments project.

Outreach Activities

To help with the research on commitments, in April 2025 a task force was formed, consisting of 47 volunteers representing entities from the following communities:

- 17 federal preparers,
- 4 audit entities (1 federal, 3 private),
- 2 academics, and
- 1 private citizen.

Staff obtained task force views on various areas related to commitments through a questionnaire process. Task force recommendations are shared with the Board as appropriate.

In addition, to ensure a comprehensive review of commitment categories that reflect significant commitments of the federal government, staff presented to the CFO Council

during its January 27, 2026, meeting and requested subject matter experts from agencies to work on developing commitment categories. The following ten agencies and one sub-agency responded to the request to meet, and staff held one-on-one meetings with these agencies throughout April 2026 to discuss agency significant commitment agreements.

- Department of Agriculture (USDA)
- Department of Energy (DOE)
- Department of Homeland Security (DHS)
- Department of the Interior's (DOI) Bureau of Reclamation (BOR)
- Department of Transportation (DOT)
- Department of Health and Human Services (HHS)
- Department of Housing and Urban Development (HUD)
- Department of the Treasury (Treasury)
- Department of Veteran Affairs (VA)
- Department of State (DOS)
- Social Security Administration (SSA)

Research

To prepare for the meetings with agencies to develop commitment categories, staff reviewed each agency's commitment disclosures in the respective Agency Financial Report (AFR). Because meetings were held with only ten agencies and a sub-agency, staff also reviewed the AFRs for the remaining 24 CFO Act agencies to ensure significant agreements are considered in developing commitment categories.

In addition, to determine if agreements subject to specific reporting requirements meet the working definition of commitment and if there are commitment-related disclosures, staff reviewed the following standards that may contain commitments:

- SFFAS 2: *Accounting for Direct Loans and Loan Guarantees*
- SFFAS 5, *Accounting for Liabilities of the Federal Government*, related to pensions, other retirement benefits, and other postemployment benefits (amended by SFFAS 33)
- SFFAS 17: *Accounting for Social Insurance*
- SFFAS 37: *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements*
- SFFAS 49: *Public-Private Partnerships: Disclosure Requirements*
- SFFAS 51: *Insurance Programs*
- SFFAS 54: *Leases*

ANALYSIS

I. LEVERAGING EXISTING STANDARDS ADDRESSING SPECIFIC TYPES OF COMMITMENT AGREEMENTS

Staff analyzed existing standards for potential commitments and related disclosures. Details of the review are shown in Appendix A. In brief, Appendix A reveals that agreements governed by SFFAS 2 (*Direct Loans and Loan Guarantees*), 5 and 33 (*pension, ORB, and OPEB*), 17 and 37 (*Social Insurance*), 49 (*Public-Private Partnerships*), 51 (*Insurance Programs*), and 54 (*Leases*) meet the working definition of commitment, because these agreements are considered binding agreements that may require use of government resources when the criteria are met. However, staff noted that reporting commitments among these standards is not consistent and could lead to reporting gaps.

Table 1 summarizes staff's analysis in Appendix A of existing standards addressing specific types of agreements.

Table 1

SFFAS	Type of Agreements	Meet commitment definition?	Are Commitment Disclosures Reported?	Staff Notes
2	Loans and Loan Guarantees	Yes	No Potential Reporting Gap	The federal credit programs are created by statutes which are considered binding agreements between the government and the borrowers who meet the criteria for subsidies. The subsidy costs will result in the use of government resources.
5 & 33	Pensions, Other Retirement Benefits, and Other Postemployment Benefits	Yes	No Potential Reporting Gap	Pensions, other retirement benefits, and other postemployment benefits are created by statutes and will result in the use of government resources when criteria for benefits are met.
17 & 37	Social Insurance Programs (Social	Yes	Yes, discussed in MD&A (RSI)	Because the benefits are prescribed by statutes, social insurance programs are

SFFAS	Type of Agreements	Meet commitment definition?	Are Commitment Disclosures Reported?	Staff Notes
	Security, Medicare, Railroad Retirement benefits, Black Lung benefits, and Unemployment Insurance)			considered binding agreements between the government and the people. Social insurance programs meet the commitment definition. SFFAS 37 amends SFFAS 17 to include social insurance commitments in MD&A which is Required Supplementary Information (RSI).
49	Public-Private Partnership (P3) arrangements or transactions	Yes	No. Potential Reporting Gap	P3s may result in a lease, contract, grant, direct loan or loan guarantee, or PP&E transfer. All are considered binding agreements and may result in use of government resources. Note that for P3s accounted for as leases, commitment reporting would be adequately disclosed.
51	Insurance Programs	Yes	No Potential Reporting Gap	Insurance programs are created by statutes, which are considered binding agreements that may result in the use of government resources.
54	Leases	Yes	Yes, as liability/right-to-use asset.	Leases are binding agreements that may result in the use of government resources. However, future lease payments are reported as liability/right-to-use assets.

In summary, staff's review of existing standards found that agreements subject to specific standards identified above meet the commitment definition. However, [except for commitments related to leases that are recognized as liabilities and right-to-use assets, and social insurance commitments reported as MD&A, commitments associated with other types of agreements are not required to be disclosed under existing standards.](#) Staff believes excluding these agreements (those shaded in light yellow) from commitment disclosures results in (1) incomplete information regarding the effect these agreements may have on future resource needs, and/or (2) scattered commitment information in various parts of the financial statements.

To ensure that the commitment disclosures are comprehensive while avoiding excessive burden on reporting entities, a general description of the agreement subject to specific standards in the commitment disclosures with cross-references to other relevant disclosures or RSI would provide readers with a more complete picture of the government's commitments, as suggested by some members during the December 2025 meeting.

RECOMMENDATION #1: Commitment agreements subject to specific reporting standards

Staff recommends that commitment agreements subject to the specific standards in Table 1 highlighted in light yellow, include a general description of the commitment with cross-references to the specific disclosure or discussion in the financial statements to ensure completeness of the commitment disclosures.

II. SIGNIFICANT COMMITMENT CATEGORIES

In April, staff met with federal finance, policy, and program subject matter experts (SMEs) from ten agencies and one sub-agency to discuss significant agreement types at those agencies. Staff also reviewed the agency financial reports of the 24 CFO Act agencies for commitment disclosures. Based on the meeting discussions and the AFR review, staff identified the following significant commitment agreement categories:

- **Contracts for goods and services** - This category consists of the core commitments for federal procurement. The government reported over \$2 trillion in undelivered orders for FY 2025.
- **Financial assistance agreements** - This category consists of agreements in which federal entities provide funds to support non-federal entities. The category may be further divided into the following sub-categories (with examples of agency commitments):
 - **Grants**
 - **Cooperative agreements**
 - **Social insurance**
 - **Insurance programs**
 - DOT's Aviation Insurance Programs and Marine War Risk Insurance Program,
 - Housing and Urban Development's (HUD's) FHA Insurance-in-Force,
 - **Loans and loan guarantees**
 - Department of Education's federal family education loan program
 - Treasury's Federal Financing Bank loans and loan guarantees
 - Treasury's callable capital subscriptions to multilateral development banks
 - Treasury's U.S. participation in the International Monetary Fund
 - HUD's Ginnie Mae mortgage-backed securities guarantees
 - **Stabilization agreements**

- DOE's Power purchase agreements
- Treasury's exchange stabilization agreements
- Treasury's government-sponsored preferred stock purchase agreements
- **Other financial assistance agreements**
 - DOT's Transportation Security Agency reimbursement to airports for eligible costs
 - Environmental Protection Agency's North American Agreement on Environmental Cooperation
- **Pensions, Other Retirement Benefits, and Other Postemployment Benefits Programs**
- **Public-Private Partnerships**
- **Leases**
- **Rewards programs**
 - Department of State's Rewards for Justice, Narcotics Rewards Program, and Transnational Organized Crime Rewards Program
- **Other significant commitments**
 - DOE's Integrated Fish and Wildlife Program

The above commitment categories may be separated into those that are subject to existing specific reporting standards and those that are not:

Commitment categories subject to specific reporting standards:

- Financial assistance
 - Loans and loan guarantees (SFFAS 2)
 - Social insurance (SFFASs 17 & 37)
 - Insurance programs (SFFAS 51)
- Pensions, Other Retirement Benefits, and Other Postemployment Benefits Programs (SFFAS 5)
- Public-private partnerships (SFFAS 49)

- Leases (SFFAS 54)

Commitment categories not subject to specific reporting standards:

- Contracts for goods and services
- Financial assistance agreements
 - Grants,
 - Cooperative agreements,
 - Stabilization agreements, and
 - Other financial assistance agreements
- Rewards programs
- Other significant commitments

When compiling the list of commitment categories, staff made **no distinction between domestic and foreign parties to the agreements**, because the potential effects of the commitments on future government resources are the same regardless of whether the agreement is with a domestic or a foreign entity.

- **RECOMMENDATION #2: Required Disclosures: Commitment Categories**

Staff recommends that the Board consider adopting the above as a framework in identifying significant commitment categories. Staff believes this will help agencies focus their efforts in identifying significant agreements, resulting in increased transparency and comparability while mitigating or reducing preparer and audit burden.

III. TASK FORCE RECOMMENDED POTENTIAL COMMITMENT DISCLOSURES

In 2025, staff obtained task force views on commitment-related information that users of financial statements may consider important through a questionnaire process. *Detailed questions and responses are shown in Appendix B.*

The following is a summary of the responses to the questions for respondents (QFR) and staff takeaway and recommendations based on the responses.

What information should be disclosed?

Table 2 summarizes the responses to [QFR #1](#) on what information the task force considers important to users of financial statements.

Table 2: Information for Commitment Disclosures

Element	Very Important	Somewhat Important	Not Important
Amount/Estimated Amount	88%	12%	0%
Description of Commitment	65%	35%	0%
Statutes or Other Authorities	30%	35%	35%
Terms and Conditions	23%	54%	12%

Staff takeaway:

- A strong majority of respondents believe that [disclosing the amount or estimated amount of commitments is important](#) because the information helps users determine the fiscal impact of such agreements.
- Respondents also [strongly support including a description of commitments in the disclosure](#), because the information would help users understand the reasons for the commitments and assess their relevance to agency priorities and programs. Some respondents note that a general description at a summary level is sufficient.
- A majority of respondents believe that [disclosing terms and conditions is important for users](#) to understand the circumstances when government

resources may be required. Some respondents suggest that terms and conditions may be incorporated into the description of the commitments.

- A majority of the respondents believe that it is **important or somewhat important to disclose statutes or other authorities** to ensure that accountability and transparency for the entity's activities are carried out in accordance with those statutes or other authorities.

How should commitments be disclosed?

Table 3 summarizes the responses to QFRs #2 to #4 on how commitments should be disclosed.

Table 3: How commitments should be disclosed

How Commitment Should be Disclosed	Very Important	Somewhat Important	Not Important
Aggregate Amount by Agreement Type/Category (QFR #2)	53%	41%	6%
By Future Year (QFR #3)	23%	30%	47%
At Government-wide Level (QFR #4)	77%	23%	0%

Staff takeaway:

- Respondents generally agree that **aggregating commitment amounts and disclosing them by type/category at the summary level is sufficient in providing useful information to users** of financial statements. However, the types/categories of agreements should be precisely defined for consistency. Excessive disclosure details may increase preparer burden and irrelevant information may confuse readers. Some respondents believe that the reporting entity should be given the discretion to report at the level deemed appropriate to the entity.
- While there is support for disclosing commitments by future years, a majority of respondents believe **that uncertainties about when terms or conditions are met may make the assessment difficult or even impossible**. In addition, some respondents believe that disclosing forward-looking information pertains more to budgetary reporting than financial reporting.

Based on the task force responses to the questionnaire, staff makes the following recommendations for the Board to consider.

RECOMMENDATION #3: Recommended Commitment Disclosures

- Disclosures should include:
 - A general description of significant commitments, including terms and conditions under which the entity may result in the use of government resources and statutes if the commitment is the result of specific legislative requirements,
 - Amount or estimated amount of commitment, if estimable,
 - Other relevant information, and
 - Commitments should be disclosed at the entity and government-wide level.

IV. NEXT STEPS

Pursuant to Board direction, staff will work with the task force to refine the proposed commitment disclosures and begin developing the proposed guidance on commitment reporting, as appropriate. Staff will execute these proposed efforts as follows:

- **July – August 2026:** Consolidate Board feedback from the June 2026 meeting and collaborate with the task force to refine the draft guidance.
 - **Reconcile Scope Gaps and Existing Standards** - Staff will evaluate Board feedback regarding the reporting gaps identified in SFFAS 2, 5, 33, 49, and 51. If the Board agrees with leveraging these standards, staff will draft specific omnibus amendment text requiring a general description of these commitments alongside direct cross-references to their existing financial statement or RSI locations.
 - **Incorporate Framework Edits** - Staff will refine the proposed target framework of significant commitment categories (e.g., procurement contracts, financial assistance agreements, rewards programs) based on any edits or improvements suggested by the Board.
 - **Draft Disclosure Requirements** - Staff will draft disclosure requirements focused strictly on high-importance user data: the amount or estimated amount (if estimable), summary descriptions, relevant terms and conditions, and specific legislative mandates.
- **September - October 2026:** Present an initial Exposure Draft (ED) on Reporting and Disclosures for Federal Commitments for the Board's review and approval.

QUESTIONS FOR THE BOARD

Question 1 - Does the Board agree with the staff analysis and recommendation that commitment reporting leverage existing standards addressing specific types of agreements and include a general description of the commitment with cross references to the specific disclosure in the financial statements? If not, please explain your rationale along with any changes, improvements or edits you suggest we consider.

As noted on pages 6 to 7, staff's review of existing standards addressing specific types of agreements found that these agreements meet the commitment definition. However, except for leases that are recognized as liabilities and right-to-use-assets, and social insurance commitments reported as MD&A, commitments are not required to be disclosed under specific standards. Staff recommends that the Board consider requiring a general description of the commitment with cross references to the specific disclosure in the financial statements to ensure completeness of the commitment disclosures. This would entail amending the disclosure requirements for the standards in question.

Question for the Board:

1. Does the Board agree with the staff analysis and recommendation that commitment reporting of leverage existing standards addressing specific types of agreements and include a general description of the commitment with cross references to the specific disclosure in the financial statements? If not, please explain your rationale along with any changes, improvements or edits you suggest we consider.

Question 2 - Does the Board agree with the staff analysis and recommendation on adopting a framework to identify significant commitment categories commitment categories? If not, please explain your rationale along with any changes, improvements or edits you suggest we consider.

As noted on pages 9 to 11, staff recommends that the Board consider adopting the following commitment categories to help agencies focus their efforts in identifying significant agreements.

- Contracts for goods and services
- Financial assistance agreements
 - Grants,

- Cooperative agreements,
- Stabilization agreements, and
- Other financial assistance agreements
- Rewards programs
- Other significant commitments

Question for the Board:

2. Does the Board agree with the staff analysis and recommendation on adopting a framework to identify significant commitment categories commitment categories? If not, please explain your rationale along with any changes, improvements or edits you suggest we consider.

Question 3 – Does the Board agree with the task force recommendations on commitment disclosures? Does the Board have suggestions on additional disclosures? If not, please explain your rationale along with any changes, improvements or edits you suggest we consider

As noted on pages 12 to 14, the task force recommends that commitment disclosures should include:

- (1) A general description of significant commitments, including terms and conditions under which the entity may result in the use of government resources to include statutes if the commitment is the result of legislative requirement,
- (2) Amount or estimated amount of the commitment(s), if estimable,
- (3) Other relevant information, and
- (4) Commitments should be disclosed at the entity and government-wide level.

Question for the Board:

3. Does the Board agree with the task force recommendations on commitment disclosures? Does the Board have suggestions on additional disclosures? If not, please explain your rationale along with any changes, improvements or edits you suggest we consider.

Question 4 - Does the Board agree with staff's proposed next steps and timeline? If not, please explain your rationale and what changes you would recommend for staff to consider.

As detailed on page 15, following the June Board meeting, staff plans to collaborate with the task force to refine the proposed commitment reporting guidance by:

1. First, reconciling scope gaps by drafting amendment language that leverages existing standards; SFFAS 2, 5, 33, 49, and 51 - that would require entities to provide general descriptions of commitments alongside cross-references to their current financial statement locations.
2. Next, finalizing the significant commitment category framework by incorporating the Board's feedback and developing precise definitions for approved categories such as procurement contracts and financial assistance agreements.
3. Finally, drafting the core text for a proposed Exposure Draft, including essential disclosure elements recommended by the task force, i.e., estimated amounts, summary descriptions, relevant terms, and legislative mandates, etc.

Question for the Board:

4. Does the Board agree with staff's proposed next steps and timeline? If not, please explain your rationale and what changes you would recommend for staff to consider.

Detailed Analysis of Existing Standards for Potential Commitments

The Board issued various standards addressing agreements between the federal government and other entities. Staff determined that the following Statements of Federal Financial Accounting Standards (SFFAS) are related to agreements⁴ that may contain commitments:

- **SFFAS 2: Accounting for Direct Loans and Loan Guarantees**
- **SFFAS 5, Accounting for Liabilities of the Federal Government**, related to pensions, other retirement benefits, and other postemployment benefits (amended by SFFAS 33)
- **SFFAS 17: Accounting for Social Insurance**
- **SFFAS 37: Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements**
- **SFFAS 49: Public-Private Partnerships: Disclosure Requirements**
- **SFFAS 51: Insurance Programs**
- **SFFAS 54: Leases**

The following is the staff analysis to determine whether the agreements subject to the reporting under the above standards meet the commitment working definition and if so, whether commitments are required to be disclosed.

I. **SFFAS 2: Accounting for Direct Loans and Loan Guarantees**

The federal credit programs provide subsidies to segments of the population not adequately served by nonfederal financial institutions in the form of direct loans and loan guarantees. The Federal Credit Reform Act of 1990 (the Act) requires that, for each fiscal year in which the direct loans or the loan guarantees are to be obligated, committed, or disbursed, the President's budget reflects the long-term cost to the government of the subsidies associated with the direct loans and loan guarantees. The Act also requires that, before direct loans are obligated or

⁴ At the August 2025 meeting, the FASAB legal counsel confirmed that statutes are considered binding agreements.

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loan guarantees are committed, annual appropriations generally be enacted to cover these costs.

SFFAS 2 requires the disclosure of information related to post-1991 direct loans and loan guarantees that are disbursed and/or outstanding.

Staff Analysis: Yes, agreements to provide direct loans and to extend loan guarantees meet the commitment working definition.

Staff's rationale is as follows:

The federal credit programs are created by statutes, and statutes are considered binding agreements between the government and the borrowers who meet the criteria for subsidies. The subsidy costs will result in the use of government resources. Thus, the federal credit programs meet the working definition of commitment. The required disclosures, however, are related to direct loans and loan guarantees that are disbursed and/or outstanding, which are past events. The cost related to direct loans and guaranteed loans **covered under the Act that have not been disbursed, which are the commitments**, are not required to be disclosed under SFFAS 2. Because the Act requires that the costs associated with direct loans and loan guarantees be covered by appropriations before direct loans are obligated or loan guarantees are committed, the commitment amounts are available to the reporting entities.

II. SFFAS 5, paragraphs 56 to 96 on pensions, other retirement benefits, and other postemployment benefits (amended by SFFAS 33)

SFFAS 5 requires federal entities to report liabilities and expenses when criteria are met for pensions, other retirement benefits, and other postemployment benefits in financial statements, and SFFAS 33 requires gains and losses from changes in long-term assumptions used to estimate the liabilities to be displayed in the statement of net cost separately from other costs.

Staff Analysis: Yes, pensions, other retirement benefits, and other postemployment benefits meet the commitment working definition.

Staff's rationale is as follows:

Pensions, other retirement benefits, and other postemployment benefits are authorized by statutes, and statutes are considered binding agreements between the government and the people. Because these programs require use of government resources when government employees meet the criteria for benefit payments, they meet the definition of commitment.

SFFAS 5 and SFFAS 33 do not specifically require the disclosure of commitments related to pensions, other retirement benefits, and other postemployment benefits.

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III. **SFFAS 17: Accounting for Social Insurance & SFFAS 37: Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements**

SFFAS 17 addresses the accounting and reporting of programs related to Social Security, Medicare, Railroad Retirement benefits, Black Lung benefits, and Unemployment Insurance for the general public.

SFFAS 37 amends SFFAS 17 to include a discussion on social insurance commitments, which is the net present value of future cash flows for all participants over the next 75 years (open group) in the entity's and government-wide management's discussion and analysis (MD&A).

Staff Analysis: Yes, social insurance programs meet the commitment working definition except for Social Security.

Staff's rationale is as follows:

Because the benefits under programs addressed by SFFAS 17 are prescribed by statutes, social insurance programs are considered binding agreements between the government and the people. Most social insurance programs meet the commitment definition, because benefit payouts will result in the use of government resources. Social Security, however, is self-funded through dedicated payroll taxes and employee and employer contributions and therefore, do not require the use of government resources.

SFFAS 37 requires the reporting of social insurance commitments in MD&A, which deviates from commitment disclosures being considered by the Board.

IV. **SFFAS 49: Public-Private Partnerships**

SFFAS 49 defines Public-Private Partnerships (P3s) as risk-sharing arrangements or transactions with expected lives greater than five years between public and private sector entities.

Disclosures of P3s include the following:

- The purpose, objective, and rationale for the P3 arrangement or transaction and the relative benefits/revenues being received in exchange for the government's consideration; and the entity's statutory authority for entering into the P3.
- A description of federal and non-federal funding of the P3 over its expected life.

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- The operational and financial structure of the P3, including the reporting entity's rights and responsibilities.

Staff Analysis: Yes, public-private partnerships meet the commitment working definition.

Staff's rationale is as follows:

Although it is not apparent that the P3 arrangements or transactions are legally binding, one might assume that they are because the arrangements or transactions are long-term and the public sector entity is at risk of loss. In addition, risk sharing implies that the arrangements or transactions may result in use of government resources. Thus, P3s are consistent with the working definition of commitment.

The P3 disclosure requirements are consistent with the proposed disclosure requirements for commitments.

V. SFFAS 51: Insurance Programs

SFFAS 51 defines insurance program as a program that is authorized by statutes to financially compensate a designated population of beneficiaries by accepting all or part of the risk for losses incurred as a result of an adverse event.

Disclosure requirements for insurance programs include a description of insurance programs, the nature and magnitude of uncertainty of estimated amounts to settle future claims, and others.

- Full costs, premiums collected, appropriations used, and borrowing needed during the reporting period, as well as the ability to repay borrowing.
- Investing activities.
- Arrangement duration and renewal characteristics.
- Premium pricing policies.
- The nature and magnitude of uncertainty of estimated amounts to settle future claims.

Staff analysis: Yes, insurance programs meet the commitment working definition.

Staff's rationale is as follows:

Insurance programs are authorized by statutes and are considered legally binding agreements between the government and the beneficiaries. The government is required to provide financial compensation to beneficiaries that result in the use of government resources. Thus, insurance programs meet the working definition of commitment. SFFAS 51 does not require the disclosure of commitments related to insurance programs.

VI. SFFAS 54: Leases

SFFAS 54 defines a lease as a contract or agreement whereby one entity conveys the right to control the use of property, plant, and equipment (PP&E) to another entity for a period of time as specified in the contract or agreement in exchange for consideration. For leases with term longer than two years that are non-intragovernmental and do not transfer ownership, the lessee at the commencement of the lease term recognizes a lease liability, along with a right-to-use lease asset, for future lease and other payments. Disclosure requirements include the principal and interest requirements to the end of the lease term for the lease liability for each of the five subsequent years and in five-year increments thereafter.

Staff Analysis: Yes, lease agreements meet the commitment working definition.

Staff's rationale is as follows:

Leases are considered binding agreements that may result in use of government resources when payments are due and thus meet the working definition of commitment. The recognition of future payments as a liability, however, deviates from the accounting treatment for commitments because commitments are not liabilities of the government until the future event or events occur (i.e., use of PP&E).

APPENDIX B

Questionnaire and Task Force Responses

During 2025, staff obtained task force views on commitment information deemed important to the users of financial statements through a questionnaire process. Staff received 17 responses to the questions for respondents (QFR) representing four communities.

- 10 from federal preparers,
- 4 from the auditing community (1 federal, 3 non-federal),
- 2 from the user community, and
- 1 from the academic community.

The following are detailed questions and the task force responses:

- **QFR #1:** As taxpayers and users of financial information, how important (very important, somewhat important, or not important) is it that federal entities disclose the following related to commitments? *Note: “Statutes” replaced “laws” in the original question because it is more appropriate in the context of the project.*
 - Statutes or other authorities that give the federal entity the right to enter into agreements resulting in commitments.
 - **Very important** – 5 respondents (30%) - Rationale: Statutes or other authorities are very important to assess the relevance of the commitment to agency priorities and programs.
 - **Somewhat important** – 6 respondents (35%) - Rationale: The importance depends on commitment type. It would be very important if a commitment is the result of legislative requirement. However, statutes or authorities are less important for commitments related solely to contracts and agreements entered into during normal courses of business.
 - **Not important** – 6 respondents (35%) - Rationale: There may be too many statutes or authorities to disclose. Listing individual statutes or authorities might provide more confusion than transparency.
 - Description of the commitments.
 - **Very important** – 11 respondents (65%) - Rationale: A summary description of the commitment is needed to assess the relevance of the commitment to agency priorities and programs. Also important is identifying significant commitments that are not estimable.

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- **Somewhat important – 6 respondents (35%) - Rationale:** A general description of significant commitments, either individually or aggregated by type/category of commitments, would be appropriate.
- **Not important – 0 respondent (0%) - Rationale:** Also see rationale for very and somewhat important.
- **Terms and conditions under which the federal entity may result in the use of government resources.**
 - **Very important – 4 respondents (23%) - Rationale:** The terms and conditions are very important to understand the circumstances government resources would be required.
 - **Somewhat important – 9 respondents (54%) - Rationale:** General terms and conditions would be important to disclose. Otherwise, it would be too numerous and confusing to readers. Also, terms and conditions could be combined with the description and be limited to only significant commitments.
 - **Not important – 4 respondents (23%) - Rationale:** Too much information could confuse readers.
- **Amount or estimated amount of commitment.**
 - **Very important – 15 respondents (88%) - Rationale:** The amount or estimated amount of commitment is very important for assessing the fiscal impact of commitments and comparison across programs and periods.
 - **Somewhat important – 2 respondents (12%) - Rationale:** While the amount is important, it may be difficult to reliably estimate the amount.
 - **Not important – 0 respondent (0%) - Rationale:** See rationales for very important and somewhat important.
- **Other (please specify) – Some respondents suggested to include the following in the disclosure:**
 - Timing and duration of commitments.
 - The likelihood that commitments will result in the use of government resources.
 - The financing sources for commitments and whether commitments are subject to future appropriations or are tied to dedicated collections.
 - Conditions under which commitments can be changed or terminated.

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- Limitations or impediments to an entity's execution of commitments.
- **Very important:** Material commitments that are not estimable.
- **QFR #2:** Do you agree, partially agree, or disagree that commitments should be aggregated and reported as a lump sum amount by type/category of agreement?
 - **Agree – 9 respondents (53%) - Rationale:** Aggregating commitment amounts and disclosing by type/category at the summary level is sufficient in providing useful information to users of financial statements, as excessive details may increase preparer burden. However, the types/categories of agreements should be precisely defined for consistency, and consideration should be given to commitments that cannot be reasonably estimated.
 - **Partially agree – 7 respondents (41%) - Rationale:** Reporting entity should be given the discretion to report at the level deemed appropriate to the entity.
 - **Disagree – 1 respondent (6%) - Rationale:**
- **QFR #3:** Because appropriations are generally annual, do you agree, partially agree, or disagree that commitments should be reported by type/category of agreements by future year, such as *future year 1, future year 2, future year 3, etc.*, to show the effect of commitments on the entity's future budgetary resources?
 - **Agree – 4 respondents (23%) - Rationale:** Disclosing by future year would assist in establishing future budgets.
 - **Partially agree – 5 respondents (30%) - Rationale:** Disclosing by future year would improve planning for timing of appropriations to meet resource needs. However, the nature of the commitment may not allow for an assessment of resource needs by year. The uncertainties about timing may make the assessment impossible. Even if it's possible, it may involve a high level of effort to track and report commitments by future year.
 - **Disagree – 8 respondents (47%) - Rationale:** Disclosing by future year pertains more to budgetary reporting than financial reporting. The budgeting process already provides a well-structured and transparent view of future budget needs for outlying fiscal years. It would be difficult to determine future years considering the uncertainties involved in the assumptions about when terms and conditions would be met.

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- **QFR #4:** One of the primary objectives of reporting commitments is to assess the effect of commitments on future budgetary resources of the government. Do you agree, partially agreement, or disagree that commitments should also be reported at the government-wide level, in addition to reporting at the component entity level, to assess the effect of commitments on future budgetary resources of the government?
 - **Agree – 13 respondents (77%) - Rationale:** Reporting at the government-wide level would help users understand the government's total commitments relative to fiscal capacity and sustainability. Some respondents note that most of the government's commitments currently reported are undelivered orders against existing, not future, budgetary resources.
 - **Partially agree – 4 respondents (23%) - Rationale:** Reporting commitments at the government-wide level would provide information on future budgetary needs. However, some respondents cautioned that it might cause confusion if the reported commitments do not align with OMB budget proposals.
 - **Disagree – 0 respondent (0%) - Rationale:** See rationale for agree and partially agree.