



National Aeronautics and Space Administration  
Headquarters, Office of the Chief Financial Officer  
Washington, D.C. 20546-0001

DATE: February 4, 2021

TO: FASAB ([fasab@fasab.gov](mailto:fasab@fasab.gov))

FROM: Eileen Detka, Deputy Director for Policy & Compliance (Finance)

SUBJECT: FASAB and AAPC Issue Exposure Drafts: Implementation Guidance for Leases & Omnibus Amendments to Leases-Related Topics

**QFR 1** Do you generally support the proposed Statement and TR proposals as a whole? Please provide reasons for your views.

**The requirement to identify long-term lease liabilities (lessee) and lease revenue (lessor) and to standardize the accounting treatment of all leases (avoiding capital and operating leases) would theoretically simplify financial reporting.**

**Although the concept of a lease appears to be simple, there are lingering technical issues that remain. As noted below, these include questions around consideration, economic benefit, and control.**

**QFR 2** Are there specific aspects of the proposed Statement and/or TR that you disagree with? If so, please explain the reasons for your positions, the paragraph number(s), and/or topic area(s) of the proposals that are related to your positions, and any alternatives you propose and the authoritative basis for such alternatives.

**1. Leases allowing for either party to terminate the lease (paragraph 22).**

- a. **The proposed language (referencing SFFAS 54 paragraph 19.a) states that periods for which *both* the lessee and the lessor have an option to terminate the lease without permission from the other party are excluded from the lease term as cancellable periods. (Emphasis original.)**
- b. **OMB A-11, Appendix B, Paragraph 3, *Cancellation clauses* provides that "it will be presumed that the lease will run for the full term of the contract, and the minimum payments will be calculated on the basis of the lease and other contractually required payments that will be made over the full term of the lease (including options to renew).**
- c. **How should reporting entities recognize the difference in the lease liability and lease asset values for leases that score as capital and require budget authority to be obligated up front, resulting in a different lease term under OMB A-11 Appendix B scoring and SFFAS 54?**
- d. **Please confirm that if the cancellation penalties are so great that they exceed the total payments under the full term of the lease (with all options), then the reporting entity would need to record the higher liability (non-cancellable period plus cancellation penalty) rather than the lower liability for the reporting entity (all periods without the cancellation penalty).**

**QFR 3** Are you aware of any implementation issues that are not addressed in the proposed Statement and/or TR? Do any ambiguous areas remain that could lead to challenges with implementing SFFAS 54 requirements? If so, please provide examples of the issues and any references to applicable guidance, and/or topic area(s) related to the issues, and any potential solutions you propose.

**1. Consideration.**

- a. Please confirm, for the purposes of this standard, that “consideration” is use only in a monetary sense, and that agreements whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for non-monetary consideration are not considered leases for the purpose of the standard and that non-monetary consideration leases need not be disclosed. (Consideration, in a legal sense, applying to both monetary and non-monetary senses.)
- b. NASA enters into non-monetary agreements with other entities (both federal and no-federal, international and domestic) that would qualify as a lease if the standard applies to non-monetary consideration. While there is no asset or financial liability to record, it is unclear if NASA would need to disclose such leases and/or estimate the value of the non-monetary consideration as part of the disclosures (SFFAS 37, par 37, 38, 54, 67), particularly with regards to SFFAS 4, paragraphs 8-9 and 108-113A as discussed in paragraph 4 of the TR.

**2. Economic benefit.**

- a. Please confirm, for the purposes of this standard, if “economic benefit” does not imply that the reporting entity receives a direct monetary transaction from the use of the asset. For example, if a federal agency leases office space for the use of Headquarters staff that do not collect any fees for their services, but allows the agency to operate more efficiently, would it still be considered a lease?
- b. Please confirm, for the purposes of this standard, that the “right to obtain economic benefits” (paragraph 3a) and “the right to control access to the economic benefits” (paragraph 3b) does not mandate that the lessee must do those things, only that it has the right to. For example, if a federal agency leases an asset and chooses not to use it, would it still be considered a lease?

**3. Discount rate.**

- a. In assessing whether or not to update the discount rate (SFFAS 54 paragraphs 45, 46), please confirm if by “significantly affect the amount of the lease liability,” the standard refers to the individual lease liability and not the reporting entity’s overall lease liability.

**4. Solar farms (paragraph 9).**

- a. The scenario described is confusing.
  - i. There scenario states there is no payment (monetary consideration) for the land and the electricity is provided at market rate (no financial incentives or concessions) with a variable amount and no minimums. Would the agreement not

then fail to meet the definition of a lease in that there is no liability to record (SFFAS 54, paragraphs 40/41)? Note: This assumes the standard only applies to monetary consideration (non-monetary consideration possibilities include improved energy resiliency by directly accessing electricity produced on site, bypassing grid risks).

- ii. Furthermore, the definition of control is not clear enough. In this case, it is not clear that the reporting entity *does not* have the ability to control access to the economic benefits from the power generated. The scenario as written, seems to indicate that the reporting entity does have the ability to control the economic benefits produced from the solar farm, in that the reporting entity has the right of first refusal to all electricity generated. In other words, the private party *must sell all* electricity demanded by the reporting entity to the reporting entity, the private company can only control any excess electricity not sold to the reporting entity and does not know how much excess electricity will be generated until the reporting entity uses it. That seems to imply control. The lessee has control of the land, in that that only they can build the solar farm and other entities may not use the land in such a way as to interfere with the solar farm (e.g., the lessor can't build a building or structure where the solar farm is). Regardless, it seems this is irrelevant given paragraph 4.a.i. above.

5. Cell tower or antenna placement agreements (paragraph 10).

- a. Please provide an example of when a cell phone tower or antenna placement agreement would not be a lease, excluding non-monetary consideration examples?

**QFR 4** Are there specific aspects of these proposals that you favor or otherwise wish to provide comments on?

See QFR1 and QFR2, response paragraph 1 and 2 above.

**SMC 1** Is the proposed guidance under paragraph 4 of the proposed TR applicable to federal lease scenarios to your knowledge? Please provide feedback regarding the usefulness of the proposed guidance in the context of those scenarios and/or the extent to which you believe the proposed guidance addresses implementation issues under potential scenarios. Please describe any alternative views or suggestions for improvement.

See QFR2, response paragraph 1 above.

**SMC 2** Please provide feedback regarding the usefulness of the proposed guidance under paragraph 13 of the proposed TR and/or the extent to which you believe the proposed guidance addresses implementation issues related to federal oil and gas leases. Please describe any alternative views or suggestions for improvement.

NASA does not have oil/gas leases.

**SMC 3** Is the proposed guidance under paragraph 95 of the proposed TR potentially applicable to intragovernmental transactions that are similar to a sale-leaseback to your knowledge? Please provide feedback regarding the usefulness of the proposed guidance in the context of those scenarios and/or the extent to which you believe the proposed guidance addresses implementation issues under potential scenarios. Please describe any alternative views or suggestions for improvement.

**NASA does not conduct sale-leaseback leases.**

**SMC 4** Is the proposed guidance under paragraph 98 of the proposed TR applicable to existing and/or potential intragovernmental lease-leaseback transactions to your knowledge? Please provide feedback regarding the usefulness of the proposed guidance in the context of those scenarios and/or the extent to which you believe the proposed guidance addresses implementation issues under potential scenarios. Please describe any alternative views or suggestions for improvement.

**NASA does not conduct sale-leaseback leases.**