FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
Board Meeting Minutes
August 20-21, 2024
Hybrid Meeting (In-person and via Zoom for Government)

For research purposes, please see the briefing materials at www.fasab.gov. Briefing materials for each session are organized by topic; references to these topics in the minutes are hyperlinked.

Attendance

The following Federal Accounting Standards Advisory Board (FASAB or "the Board") members were present throughout the meeting: Messrs. Scott (chair), Bell, Dacey, Patton, and Vicks, and Mses. Bronner, Dudley, and Johnson. The executive director, Ms. Valentine, and FASAB counsel, Mr. Kirwan, were present throughout the meeting.

Tuesday, August 20, 2024

Administrative Matters

- **Clippings and Updates**

Mr. Scott asked the members if there were any comments on the clippings provided by staff.

Ms. Reese, Governmental Accounting Standards Board (GASB) senior project manager, provided a brief overview of GASB's recent activities.

Ms. Reese highlighted the following GASB projects:

- Classification of nonfinancial assets – The goal is to reconsider the existing classification of nonfinancial assets and other related sub-classifications. The proposal does not address recognition of capital assets but the presentation classifications in the note disclosures related to capital assets. The proposal requires certain capital assets to be reported as a separate classification and not buried in some other classification. The requirement includes capital assets held for sale, lease assets, subscription assets, intangible assets other than lease and subscription, and assets related to public-private partnerships (P3s).

  The guidance includes a definition of "held for sale." The definition is when a government has decided to sell the asset and it is probable the sale will be finalized within one year of the financial statement date, which is a high threshold. The Board is expected to issue GASB Statement No. 104 soon.

- Revenue and expense recognition – The goal is to develop a comprehensive, principles-based model that would establish categorization, recognition, and measurement guidance applicable to a wide range of revenue and expense transactions. The Board is reviewing feedback received on the June 2020 Preliminary Views (PV) document and working towards an exposure draft (ED). The Board is continuing to redeliberate transactions that do not have performance obligations (category B transactions). They discussed imposed transactions other than property taxes, which would be recognized when the individual or entity commits or omits the action that relates to this imposition.

  The Board also discussed shared revenue, including the imposition of the provision of resources and the sharing of resources with another government. The Board scoped out transactions that have the characteristics of loan transactions.

- Going concern uncertainties and severe financial stress – GASB is working toward a proposal to address issues related to disclosures for going concern uncertainties and severe financial stress. The Board agreed on a principles-based approach. A going concern and severe financial stress are conditions where the government is near insolvency. The Board discussed disclosures that would be made if an entity is in either of these conditions. In addition, members are considering general disclosures on the specific factors giving rise to the going concern uncertainty or the severe financial stress condition, the government's evaluation of those factors, and any actions the government has taken to address that situation. The Board is working toward a PV document sometime in 2025.

- Infrastructure assets – This project is the result of research on capital assets. The project will address issues related to accounting and financial reporting for infrastructure assets. The goal is to make the information (1) more comparable across governments and consistent over time, (2) more useful for making decisions and assessing government accountability, (3) more relevant to assessments of a government's economic condition, and (4) a better reflection of the capacity of those assets to provide service and how that capacity may change over time.

  The Board plans to retain current guidance to allow an alternative method of accounting for infrastructure assets. They are adding an explicit requirement to reevaluate the estimated useful life periodically. Also, there would be a requirement to present, as required supplementary information (RSI), information about estimated and actual amounts to maintain and preserve those assets.

  Some of the disclosures being considered include the summary of significant accounting policies related to infrastructure, the policy for capitalizing and depreciating, including the estimated useful lives, any changes to that policy that the government may have made during the year, and the policy for maintaining and monitoring all infrastructure assets.

  The Board is expected to issue a PV document by the end of 2024.

- Subsequent events (reexamination of Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*) – The objective of this project is to improve the accounting and financial reporting for subsequent events to address issues related to (1) confusion about and challenges associated with applying the existing standards, (2) inconsistency in practice in the information provided about subsequent events, and (3) the usefulness of the information provided about subsequent events. The Board has begun deliberations toward an ED of a proposed Statement by the end of 2024.

- Electronic financial reporting (a monitoring activity) – GASB has been discussing implications of the Financial Data and Transparency Act—specifically the requirement for state and local governments to have procedures in place to provide financial statements electronically. GASB is discussing its role in providing guidance for these requirements. Staff is doing outreach in that area and developing a technology-agnostic taxonomy where personalized data tags can be created when the standardized ones do not fit for certain items. Draft consolidated regulations have been issued. The Board is identifying the entity level to which it would apply. The draft regulations specify the legal entity, which could create difficulties for state and local governments in their financial statements because generally accepted accounting principles (GAAP) financial statements are for a reporting entity, which sometimes includes more than one legal entity.

GASB is also considering what the data requirements are. The draft rules are extremely high level when it comes to what technology would be used to file that information. There is still a process of final consolidated rulemaking, and then the individual agencies would make more detailed rules after that.

One member commented that FASAB could possibly learn from GASB's work as it begins the reexamination projects.

Mr. Scott thanked Ms. Reese for keeping the Board informed of the GASB's activities.

Agenda Topics

- **Reexamination of Existing Standards**

Melissa Batchelor, assistant director, began the discussion on topic A by explaining that the focus of the session would be the Board's prioritization of the reexamination issue areas. She explained that the prioritized issue areas determined by the Board would be considered in the technical agenda session on August 21.

Ms. Batchelor briefly recapped the history of the project and noted that FASAB had issued the Invitation to Comment (ITC), *Reexamination of Existing Standards,* in 2023. The ITC was a valuable tool because the Board gathered much information from our stakeholders about areas in need of reexamination. During the first half of 2024, the Board considered preliminary research on the reexamination issue areas identified through the ITC. The research was to better inform the Board so it could prioritize the issue areas.

Question 1 – Does the Board have any specific questions or comments regarding the revenue paper with issue areas for reexamination?

Ms. Batchelor explained that the Board tentatively agreed to consider revenue as a priority topic for reexamination. At the April 2024 and June 2024 meetings, staff provided preliminary research that supported revenue remaining a priority topic. Certain members requested additional information to inform prioritization discussions during the August meeting. Ms. Batchelor explained that the briefing materials provide the comments raised by ITC respondents and additional analysis, organized by individual reexamination issue areas. See attachment 2 of the briefing materials, *Preliminary Revenue (Statement of Federal Financial Accounting Standards [SFFAS] 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting) Research – Listing and Analysis of Issue Areas*.

Based on pre-meeting feedback, Ms. Batchelor explained that most members agreed that the core revenue issue area should be placed on the research agenda. She noted that certain members had questions about some of the issue areas and separability of certain issues. She explained that once the core revenue project is placed on the research agenda, the scope of the core revenue project may be tweaked as the Board learns more in the research phase.

During discussions, the Board provided additional direction and thoughts on the core revenue research. Members explained that they do not want a lengthy research phase that would result in one massive project. Considering the priority approach, the Board would like to address narrow scope areas within core revenue. The Board would like staff to brief the Board during research and suggest focused, short-term projects. Members explained they would like staff to identify areas that can be acted on more promptly because it is important to address issue areas in an expeditious manner.

See question 3 where the Board's prioritization is discussed more fully.

Question 2 – Does the Board generally agree with staff recommendations for the prioritization of reexamination issues?

Ms. Batchelor explained the Board determined that taking a priority approach to address the issues would be most beneficial to stakeholders because it would be most responsive to critical issues. The Board generally agreed on the following four factors in prioritization of reexamination issues:

- Clarifying the standards (including addressing gaps in standards)
- Streamlining and burden reduction
- Critical nature of the issue
- Pervasiveness

To assist the Board with prioritization, staff prepared a *Reexamination Prioritization Matrix* (see attachment 3 of the briefing materials). The matrix includes the reexamination issue areas with an assessment against each of the four prioritization factors, along with staff notes. Staff also provided a recommended prioritization for the Board's consideration. Based on pre-meeting feedback, members found the matrix and staff analysis with recommendations to be helpful in determining their priority order.

Question 3 – For purposes of facilitating Board member prioritization, please submit your top three issue areas that are estimated to be over two years and top three issue areas estimated to be less than two years.

Ms. Batchelor explained that it would be helpful for all members to discuss their prioritized rankings along with explanation. She reminded members that the prioritized issue areas would be considered in the technical agenda session on August 21. She also reminded members that the prioritization is for the order in which the projects will be addressed, and the Board plans to continue going through the specific issue areas in a prioritized manner until all issues identified through the ITC have been addressed.

Mr. Scott explained that the Board can only manage a limited number of projects but that he did not want resources to be the focus of the discussion in this session. The purpose of this session is for the Board to determine the reexamination priorities and that information will be used in the technical agenda session. Each year the Board will continue to reassess and determine priorities.

Mr. Scott polled the Board and asked that members provide their top priorities. Each member explained their top five priorities and reasoning during the Board discussion. Although staff had previously asked members to provide their top three issue areas that are expected to be over two-year projects and their top three areas expected to be less than two-year projects, the Board did not believe this differentiation was necessary for the priority discussion. Therefore, the Board focused on determining the top five issue areas.

Through robust Board discussion, the Board determined the following as the top five reexamination issue areas to be considered in the technical agenda session (in alphabetical order):

- Core revenue (to be placed on research agenda)
- Commitments
- GAAP hierarchy
- Loan disclosures
- Subtopic environmental liabilities and legal claims when there are multiple parties involved

In addition, purchases versus consumption method and environmental liabilities broadly were the next two areas receiving support from more than one member and will be considered in the project queue. As noted, the Board plans to address all issue areas and will prioritize remaining issues annually. The Board will consider these further in the technical agenda session on August 21.

- **Software Technology**

Mr. Williams, senior analyst, introduced topic B by explaining that staff was proposing a framework for the Board to apply when deliberating recognition guidance for software licenses at a future meeting. The framework includes the following working definitions:

- A <u>software license</u> is a legal instrument that provides a federal entity the right to use a software resource under specific terms and conditions. Software licenses allow the federal entity to install and control the underlying software on its own IT hardware. This term does not apply to software that federal entities access over a network on a hosted platform as part of a cloud-based software as a service (SaaS) arrangement.

- A perpetual software license is a non-expiring license that provides a federal entity the right to use a software resource indefinitely.

- A term-based software license is a temporary license that provides a federal entity the right to use a software resource for a specified period.

Mr. Williams further explained that the framework distinguishes a software license from a cloud-based SaaS arrangement for recognition guidance purposes. The working definition makes it clear that a software license allows the federal entity to install and control the software on its own hardware. Whereas a SaaS arrangement allows an entity to only access the software over the internet on a hosted platform.

Staff noted that FASAB guidance for term-based software licenses used to apply to prior capital lease guidance. However, since SFFAS 54, *Leases*, became effective, there is no longer any guidance addressing term-based software licenses and stakeholders have requested that the Board address this issue.

Question 1 – Does the Board have any questions or comments on staff's analysis?

Question 2 – Does the Board agree with staff's recommended framework for developing recognition guidance for software licenses?

The Board agreed with the proposed framework and members provided their tentative thoughts on potential recognition guidance for software licenses. One member noted that a broad and flexible guidance framework, which requires preparer judgment, would likely be more effective to address the fast-changing nature of software resources.

Some members believed that a software license provides more control over the underlying software resource than a cloud-based SaaS arrangement, which is more like a service contract. However, other members noted that the economic substance and services that federal entities receive from term-based software licenses and SaaS arrangements are similar and that both have service-contract aspects. The members believed that accounting guidance should treat SaaS and term-based software licenses similarly if they provide similar economic benefits and services regardless of whether they are accessed through the cloud or controlled on the customer's own hardware.

Some members believed that a perpetual software license more clearly represents an asset than a term-based license since the customer can control and use the software indefinitely. However, one member noted that even if federal entities acquire term-based software licenses, they likely will need to use that software indefinitely and would probably keep renewing the license. The member believed that accounting guidance should consider this practical reality with software license arrangements. Another member agreed and noted that liability recognition for term-based software licenses would be important to consider if guidance allows asset recognition.

One member noted that not having an intangible asset guidance framework limits the Board's options for addressing guidance needs for software licenses and other potential intangible assets that are becoming more common in the federal environment. The member suggested that broad principles-based guidance for intangible assets would provide preparers direction on how to identify and account for intangible assets if the Board determines there is a material reporting need. Several other members agreed that the Board should consider addressing the gap in intangible asset guidance through a Statement or at least starting with updating relevant asset concepts.

Mr. Williams stated that staff would use the feedback provided by members and continue to collaborate with the working group to develop a cost-benefit analysis of software license recognition options for the Board to deliberate at a future meeting.

The Board meeting adjourned for lunch.

- **Annual Report Review**

In addition to the Board, the following Appointments Panel members were present for the session: Mses. Kearney (filling in for Ms. Harrison) and Ganeriwala and Messrs. Showalter and Smith.

Ms. Valentine introduced the draft fiscal year (FY) 2024 annual report from topic C. She noted that FASAB releases an annual report and three-year plan each FY to enhance visibility of its operations and to obtain input regarding the Board's plans. The report includes a letter from the chair and a letter from the executive director. It also includes FASAB's collaboration, outreach, and educational activities throughout the FY, as well as a section on governance, operations, and budgetary resources.

Ms. Valentine added that Board members complete a survey annually to assess the Board's conformance to the five criteria, as identified by the American Institute of CPAs, which are essential for a GAAP standard-setting body. The survey results provide information needed for the annual report and support continuous improvement. The survey results are provided to the Appointments Panel and the Board. Survey results are also summarized and included in the annual report.

Ms. Valentine noted that she had added to the report highlights from the member survey identifying areas that contributed to the effectiveness and efficiency of the Board during the year.

The objective for the session was for the Appointments Panel and Board members to review an initial draft of the FY 2024 annual report and three-year plan. Ms. Valentine reminded the members that since the report would not be issued until November, they would have an opportunity to see an updated version at the October Board meeting.

She also noted that staff had received some comments from members with suggested edits on the draft report.

Ms. Valentine asked the members two questions:

Question 1 – Does the Board have any suggested revisions to the annual report?

Question 2 – Does the Board have any suggested revisions to the three-year plan?

The Board discussed several suggestions to make for the next draft:

- Consider adding a list of the Accounting and Auditing Policy (AAPC) members and the 2025 FASAB meeting dates.
- Consider using the number and breadth of technical inquiries as an output measure.
- Include balanced training feedback.
- Move the list of publications so that it is earlier in the report.

The Board discussed the difficulty of accurately capturing FASAB's outcomes as opposed to its outputs. FASAB's success is not easily quantifiable since its mission is to serve multiple different user groups and the effects of FASAB's guidance is generally long term.

One member questioned putting FASAB's outreach efforts before the list of publications and project developments and preferred listing FASAB's work products before outreach. Staff responded that this outreach is integral to those work products and that is how the documents progress from drafts to final issuances. The member suggested adding a results in brief section at the beginning of the report, before outreach, to catalog and briefly summarize the purpose of each document that FASAB released during the FY. Members agreed.

Ms. Valentine noted that she would work with staff to update the draft FY 2024 annual report based on the meeting discussion and edits from both Appointments Panel and Board members.

Ms. Valentine reminded Appointments Panel and Board members to provide any other suggested edits to her so that staff could make those updates and have a final draft ready for the October Board meeting. The final report is scheduled to be issued on November 15, 2024.

Adjournment

The Board meeting adjourned for the day at 2:30 p.m.

- **Steering Committee Meeting**

The Committee approved FASAB's fiscal year 2025 budget. Actual funding levels are dependent on final FY 2025 appropriations and will be determined after appropriations are provided to each of the Board's sponsors. The Committee also discussed FASAB's FY 2026 budget, as well as other administrative matters.

Wednesday, August 21, 2024

Agenda Topics

- **Climate-Related Financial Reporting**

Ms. Gilliam, assistant director, introduced topic D on climate-related reporting. She reviewed the June 2024 meeting discussion in which the Board analyzed approximately 158 disclosures from the International Financial Reporting Standards S2, *Climate Related Disclosures*—of which eleven were the original Task Force for Climate-related Disclosures—to determine which were appropriate for federal financial reporting.

The Board then focused on three high-level disclosures and provided staff with 24 comments, recommendations, or requested research. This feedback directed staff to provide an education panel and a discussion on the proposed climate-related financial reporting framework for this meeting. The education session included subject matter experts from four agencies to address five questions.

How does the Federal Emergency Management Administration (FEMA) distinguish a climate-related event from a natural disaster or non-climate-related event?

Ms. Gilliam introduced Mr. Jesse Rozelle, who is the program manager for FEMA's Natural Hazards Risk Assessment Program. Mr. Rozelle said that FEMA does not differentiate between climate-related events and non-climate-related events. FEMA focuses on impacts to communities and how to lessen those impacts, with a focus on climate resilience.

FEMA analyzes risk through a common understanding of components in relation to its mission. He highlighted four of those components: threat/hazard, exposure, vulnerability, and coping capacity.

The Natural Hazard Risk Assessment Program looks at the probability and intensity of events to understand the threat or hazard and the potential annualized loss to see where to focus federal dollars and the probability that the return on investment will lessen that impact. It manages and synchronizes the National Risk Index and Hazus platforms.

The National Risk Index compares 18 multi-hazard risks across the nation. Hazus, in contrast, is fine-tuned for loss-modeling methods to perform structure-level damage or community-level assessments that can be rolled into a national-level tool like the National Risk Index. These tools are publicly available for the emergency management community to use for risk reduction efforts.

Ms. Gilliam thanked Mr. Rozelle.

Has the federal government defined what a climate-related event is?

Ms. Gilliam introduced Dr. Sarah Kapnick, who is the chief scientist at the National Oceanic and Atmospheric Administration (NOAA) and a FASAB climate task force member. Dr. Kapnick said that NOAA's mission is to produce the science and provide public access to scientific data. NOAA has six different research line offices and NOAA Corps, which is responsible for the stewardship, conservation, and management of coastal and marine ecosystems.

NOAA does not say if an extreme event is a climate event versus a weather event. Science explains extreme events through a field called "extreme event attribution." This field of science assesses whether global warming contributed to a mix of factors that led to that extreme event rather than it being caused by solely one event.

It is the vulnerability of society that leads to the economic damages and drives the economic costs of extreme weather and climate events. Our built environment, its ability to withstand extremes, and the resilience of society to bounce back and avoid disruptions to commerce combined with weather and climate events occurring affects these numbers over time.

Since 1980, the Billion-Dollar Weather and Climate Disasters Program has collected scientific data for all disasters across the United States that reach at least a billion dollars in damages. It allows scientists to understand environmental conditions and drivers that quantify these events over time by type. It shows an increase in the frequency and intensity of extreme physical events. The United States has sustained 395 weather and climate disasters since 1980 with overall damages/costs at $2.8 trillion. As of August 2024, there have been 19 confirmed weather and climate disaster events across the United States with losses exceeding $1 billion. NOAA can quantify the likelihood of the underlying events (for example, severe storms, droughts, and floods) and how they change over time but not identify if it is a weather event or a climate event.

What are climate services?

Ms. Gilliam introduced Dr. Julian Reyes, who is the climate adaptation program lead for the Bureau of Land Management (BLM). Dr. Reyes was formerly the deputy director for services at the U.S. Global Change Research Program (USGCRP) and the assistant director for climate services at the White House Office of Science and Technology Policy.

Dr. Reyes explained that climate-services work is catalyzed from Executive Order 14008, *Executive Order on Tackling the Climate Crisis at Home and Abroad,* published January 27, 2021. Paragraph 211.d called for the expansion and improvement of the nation's climate information and products for the public. In October 2021, *Climate Information and Services for the Public* was published, which articulated a vision for the future where every American, every community, and every business has access to usable climate services that empower them to prepare or respond to be resilient to climate change.

To operationalize the vision, in September 2022 the Executive Office of the President formed the Fast Track Action Committee (FTAC). In March 2023, FTAC published *A Federal Framework and Action Plan for Climate Services*, which called for developing a coherent and durable framework for coordinating federal climate services to ensure that both users and producers are at the same table and that no single agency can or should own climate services. Effective and equitable climate services include feedback from users, decision-makers, and communities to drive improvements in climate services as shown in *A Federal Framework and Action Plan for Climate Services, Figure 2.1. Core links in the knowledge value chain for climate services* (slide 26).

BLM is a superuser of climate services because it does not have research authority. BLM manages nearly 10 percent of the nation's land and also 30 percent of subsurface minerals. It leverages existing partnerships and relationships with producers of climate services to maximize the benefit for its mission, such as the U.S. Geological Survey's entire suite of climate services data, tools, information, and technical assistance.

What is the availability of climate-spending information for climate-related events, and do agencies have the capabilities to report spending for climate-related events?

Ms. Gilliam introduced Mr. Joe Thompson, assistant director, and Ms. Zoe Need, senior analyst, from the Government Accountability Office's (GAO) Natural Resources and Environment team who addressed these questions.

Mr. Thompson said an important distinction is that financial reports are backward looking and event-based, providing a historical perspective. Auditors are familiar with how to total up damages from individual events that occurred, but that is not sufficient for climate adaptation work because adaptation is forward looking.

GAO's recent climate change work is forward looking and applies a disaster resilience framework to address how the federal government manages climate risk within its programs, identify gaps, and provide organizational structures to better manage those risks and save money for taxpayers.

Ms. Need said GAO is issuing a paper next month about climate resilience. GAO found that climate economics information is limited because it is a developing field. Research for this paper included:

- Office of Management and Budget's (OMB) *Analytical Perspectives* for FY 2023-2025, the federal budget exposure to climate risk. For FY 2024, GAO found the federal government could spend an additional $26 billion to $134 billion annually (in 2021 dollars) through the late century due to costs from crop insurance, coastal disaster relief, health care expenditures, and wildland fire suppression spending.

- USGCRP's Fifth National Climate Assessment's new economics chapter. GAO found that tax revenues may fall due to decreases in real estate values and household income, and that expenditures are expected to increase. The National Flood Insurance Program could have additional future cost of $3.9 billion in annual losses by 2050.

- FY 2023 federal financial reports to determine what information agencies included based on the optional and required climate-related financial reporting in OMB Circular A-136, *Federal Financial Reporting Requirements*. GAO found there is limited climate-related financial information and it varied across different agencies.

- FY 2024 budget requests from a few agencies. GAO found limited information. These agencies published information on budgetary needs for mission-related climate activities to address climate-related financial risks.

The Council of Economic Advisers told GAO there is little current capacity and coordination between existing federal entities to develop economic assessments on climate-related cost information.

OMB staff told GAO that they do not have the capacity in terms of available staff to develop guidance for agencies to report on these climate-related financial risks.

In the upcoming report, GAO recommends an "organizational arrangement" to prioritize climate resilience investments through 1) a national climate change strategic plan; 2) a national climate information system; 3) expansion of the use of climate economics information; 4) a consistent approach for prioritizing federal climate resilience investments; and 5) a community-driven climate migration pilot program.

Mr. Scott thanked the panel. He explained that FASAB is at the beginning of this project and trying to determine what type of climate-related information should be in an annual financial report by assessing what users of the financial statements want to understand about climate's effect on the financial position, condition, and program performance of both federal agencies and the federal government as a whole. He facilitated the Q&A.

Board member question #1: To what extent have panelists contributed to their agency's financial reports?

Panel member(s) response: None of the panelists have contributed to their agency financial reports.

Board member question #2: Do federal agencies have the capacity to separate climate costs from other costs and report them in annual reports?

Panel member(s) response:

Mr. Thompson said that agencies cannot separate climate costs from other costs. OMB can present climate change funding in government-wide reports through the budget process.

Ms. Johnson added that OMB encourages agencies to report accrual costs in financial statements by major program or responsibility segment. Climate data is collected from the budget. Budget data is not necessarily related to costs. It is obligational data reported by program, project, activity, and object class to assist with aggregating it across the government.

Program, project, and activity cannot be aggregated across the government because each varies by agency and different program needs that are driven by appropriations language. Object class data is the only data that we can aggregate across the government. However, there is no object class for anything climate related.

The only way OMB gets climate-related information is through agency data calls. Agencies analyze their budget data and, through varying capacities, will try to estimate whether an appropriation is fully related to climate. Agency analysis is at a granular level, is not an accrual-cost measurement, and is not built into the systematic transactional processing work. Therefore, separating climate-related costs from other costs does not yet exist government-wide.

Dr. Kapnick said that NOAA's research and development is at an early stage and is focused on a macro-economic level. OMB is leading studies across the federal government to look at specific programs to determine vulnerabilities to those programs from climate change and how the financial costs may change. One example is the United States Department of Agriculture's (USDA) analysis of its insurance program for livestock based on the U.S. Drought Monitor data. NOAA funded a specific study to assess what drought would look like in the future. NOAA was able to quantify how climate change would change the value of USDA's insurance program for livestock assuming that the livestock is in the same places.

Mr. Rozelle said that challenges across the federal government for forward-looking economic forecasting include understanding how the environment and storms will change over time. Understanding impacts to cities, society, and buildings into the future also needs consistency across the federal government. For example, the first challenge is to define what the future is. Is it 2050 or 2100 for the federal government's plan? There are also economic timelines for projections on how society is going to change. There is a lot of great research but what is consistent to use across agencies?

Board member question #3: Are the financial statements—a historically-based model—the right reporting venue? Are there other climate-related reports about projections that Congress and the Executive Branch can use to make decisions about funding?

Panel member(s) response:

Mr. Thompson said that forward-looking risk information could be built into agency risk management processes. Information from financial reporting could provide information that supports risk management processes, but it would not be the only report needed.

Dr. Kapnick said that post-major disaster losses could be included in the historically based financial report. Private sector accounting is starting to discuss particular events, such as writing up an extreme rainfall event or seawater inundation and describing the damage and loss of this physical asset in that location. For example, a write up could say, “Loss was due to this meteorological event. However, climate change has made this more likely by X percent, and, therefore, we should expect greater losses in the future.”

Board member question #4: Is the direction of research to identify economy-wide costs as opposed to government costs?

Panel member(s) response:

Mr. Thompson said yes, it is economy wide. There are different approaches, such as a top-down, economy-wide approach. Much of that information has been used traditionally to talk about the social cost of carbon, which is valuable for regulatory purposes.

Applying climate-economics information to understand how much risk the government might buy down through adaptation investment is a new area of research. Climate economists are starting to shift their focus to advising decision-makers who want to figure out where to invest money in terms of climate change adaptation. But they are not there yet.

Board member question #5: Will this information help us frame what policy choices we may want to make in the future? If the federal government had all this information, is it going to drive a policy choice? For example, would it be difficult to say now how much an agency may or may not spend in the future based on policy choices?

Panel member(s) response:

Mr. Thompson said that GAO’s research shows the federal government does not have an overall architecture to make those decisions. The current structure is for communities to apply for climate services grants to address specific needs. However, if the government wanted to protect a certain part of the country from a significant climate-related risk, there is no federal decision-making architecture in place to accomplish that yet. The upcoming GAO report points out that the path forward for how to develop that overall decision-making architecture is through an “organizational arrangement.”

Dr. Kapnick said NOAA has expanded its chief economist team to quantify resilience adaptation work. In particular, what are the socioeconomic benefits of those projects? Economists will analyze all grants provided and the billions of dollars NOAA has spent in this space to understand which ones have the greatest impacts. NOAA will be able to use this information in its decision processes for the future in tandem with partner science agencies.

Dr. Reyes said the federal government has not rolled up spending, especially on climate information and services, despite a recommendation in the FTAC report, as well as many questions from Congress on how to achieve that. Having a baseline of how much federal agencies are investing in climate information and services that is then being used for decision making is important. How much that spending may increase or decrease in the future is also important.

Board member question #6: Can reporting entities identify significant amounts of financial risk or potential financial outlay for climate-related events based on current policies or missions? Can agencies describe their climate-related risks and how they are trying to mitigate or manage those risks?

Panel member(s) response:

Mr. Thompson said that an agency's understanding of climate-related risk is built into its climate adaptation plans. OMB has reflected some of that in its OMB Circular A-136 instructions.

Ms. Gilliam noted that climate adaptation plans can be found at sustainability.gov and are connected to executive orders, so they might not be valid with a change in administration.

Mr. Scott concluded this part of the session and thanked the guests. He provided a brief recess. When he reconvened the meeting, he said that Ms. Gilliam had provided an updated proposed framework for each member as a hard copy and email sent on August 20. This was based on preliminary comments received.

Question 1 – Does the Board agree with the proposed climate-related financial reporting framework?

Ms. Gilliam reviewed members' preliminary comments:

- Develop definitions prior to work on reporting requirements.
- Place additional RSI for climate-related events and risks in a separate section of the financial report other than in management's discussion and analysis (MD&A).
- Instruct agencies on how to discuss significant causes of material changes, including climate-related spending, to the entity's financial

position, financial performance, and operating performance, as required by proposed MD&A guidance.

- Consider challenges with reporting specific amounts or ranges of climate-related costs because agencies have limited effective cost accounting systems and federal financial reports require only a few specific costs. This includes the cost/benefit of developing detailed criteria for what is included as a climate-related cost (and what is not).

Members thanked Ms. Gilliam for the informative education session and discussed the updated proposed framework.

Members discussed why an additional RSI section was needed because MD&A is RSI. One member explained that an additional RSI section could contain more detailed climate-related information, beyond what will be required in MD&A. MD&A could summarize that information with a reference to the separate RSI section. Members wanted to know what additional climate-related information should be reported considering the information panelists shared during the education session.

Members questioned why climate is being singled out for reporting when there are a number of other risks to discuss, such as improper payments and cybersecurity.

Members discussed whether to continue this project if all significant climate-related information could naturally be reported through proposed MD&A guidance.

Members discussed that research is being done at a macro-economic level, whereas FASAB wants to report at a climate-related event level for reporting entities. Members learned from the panel that agencies have little capacity or the right amount of data to provide climate spending information in federal financial reports. Members discussed that there is no federal definition for climate-related events and asked whether federal financial reports are the right place for this information. Will these updates to the financial reports support climate-related decision making?

Members did not reach any conclusions on RSI reporting for climate-related information or the updated proposed climate-related financial reporting framework. Mr. Scott directed staff to continue the conversation at a future meeting.

- **Technical Agenda Review**

Ms. Valentine introduced topic E— the technical agenda review—to the Board. She noted that the Board annually reviews its technical agenda to determine priorities for the upcoming year. In addition to setting the Board's priorities in August, the Board will conduct a mid-year review of the technical agenda at the February 2025 meeting.

Ms. Valentine reminded the members that current FASAB staff resources include four assistant directors, two senior analysts, one analyst, one communications analyst, one executive assistant, and the executive director. As many members have noted, given the limited resources, staff continues to provide well-written, well-researched, and technically sound products to the Board and AAPC for deliberations. In addition, staff regularly provides responses to technical inquiries, conducts task force meetings, attends government-wide meetings representing FASAB, and participates in a variety of training and outreach activities.

Ms. Valentine stated that resources such as details and interns, where appropriate, cannot be viewed as permanent resource replacements, given the considerable learning curve and short-term nature of these appointments. She noted that part of her work is to continually monitor all project stages to determine the pace of each particular project.

The objective for the session was for the members to review the Board's technical agenda projects and pre-research topics to determine priorities for the upcoming year.

Included in the process this year was to integrate the reexamination project priority discussions from August 20 into the overall technical agenda-setting discussion. The objective is to give members an opportunity to add some of the priority projects from the reexamination.

Current Technical Agenda Projects:

- Climate-Related Financial Reporting
- Land Post-issuance
- Leases Post-issuance
- MD&A Post-issuance
- P3s
- Reexamination of Existing Standards
- Software Technology
- Technical Clarifications of Existing Standards
- AAPC – Leases Implementation Guidance Updates
- AAPC – P3s Implementation Guidance

Research Topic:

- Commitments

Ms. Valentine presented to the Board a summary of the Board's current major technical agenda projects, current research agenda topic, current post-issuance technical agenda projects, and the current AAPC implementation project. Ms. Valentine also proposed three reexamination projects to be added to the technical agenda and one reexamination project for the research agenda.

Current Major Technical Agenda Projects

Climate-related Financial Reporting

Software Technology

Current Research Agenda Topic

Commitments

Current Post-Issuance Technical Agenda Projects

SFFAS 54 – Leases

SFFAS 59 – Land

Proposed SFFAS 64 – Management's Discussion & Analysis

Current AAPC Implementation Project

SFFAS 49 – Public-Private Partnerships: Disclosure Requirements

Technical Agenda Topics to be Added

Federal GAAP Hierarchy

Direct Loan & Loan Guarantee Disclosures

Commitments

Research Agenda Topic to be Added

Core Revenue

Next Proposed Projects in the Queue

Subtopic: Liabilities and Legal Claims when there are Multiple Parties Involved

Purchase versus Consumption Method

Environmental Liabilities (*broadly*)

Ms. Valentine also mentioned some projects that staff is monitoring on the Board's behalf.

Ms. Valentine noted that she had heard from most members on the two questions posed by staff prior to the meeting. Most members agreed with staff's recommendations.

Mr. Scott polled the members on both questions.

Question 1 – Does the Board agree to continue with the current technical agenda projects and that the use of details where appropriate and interns be available to supplement FASAB staff resources to continue moving the projects forward?

A majority of members agreed with staff's recommendations to

- continue with the current technical agenda projects and
- use details and interns to supplement FASAB staff resources and continue moving the projects forward, where appropriate.

Question 2 – Does the Board agree to add the recommended reexamination projects to the research agenda?

A majority of members agreed with staff's recommendation to add three reexamination projects to the technical agenda and one reexamination project to the research agenda. Ms. Valentine clarified that some projects are in a "monitoring mode," such as land and leases, given their current implementation stage.

There was a brief discussion with the members noting the following:

- One member asked about the status of the technical clarifications project. Ms. Valentine noted that there is no current work being done on that project; however, it is a category that specific issues from ongoing projects could be moved to. Based on a suggestion from the chair, staff plans to combine this category with the omnibus projects.
- One member asked about the land project. Mr. Savini, assistant director, noted that GAO is beginning to monitor land implementation challenges related to the audit guidance. Mr. Dacey added that GAO will be monitoring the related land audit guidance and the audit bulletin. He noted that he expects to get feedback on the FY 2024 audit procedures, which should provide important information for the Board. He stated that he could possibly brief the Board with some discussion of what was actually found in those audits by the December meeting, but certainly by February.
- Several members stressed that they hoped some of the reexamination projects could be completed in the short-term. Ms. Valentine reminded members that all projects will go through the full due process cycle, including thorough research, community input, and Board deliberations.

- One member suggested putting the direct loan disclosures project on the research agenda instead of the technical agenda to ensure adequate research is done and to not create an expectation that there will definitely be changes to the disclosures. Ms. Valentine reassured the member that staff will research the topic thoroughly, including researching why the extensive disclosures were proposed originally. A majority of the members agreed to leave the direct loan disclosures project on the technical agenda.

Adjournment

The Board meeting adjourned for the day at 2:30 p.m.