Tax Expenditure Briefing by Donald Marron

The Board has ranked tax expenditures as a high priority project and hopes to consider a project plan during 2014. In preparation for that effort, Donald Marron, Director of Economic Policy Initiatives, Institute Fellow, and Director Emeritus of the Tax Policy Center with the Urban Institute, provided an educational session on tax preferences including tax expenditures. Dr. Marron noted that much policy is made through the tax code and that tax provisions often substitute for spending programs. He provided strong argument for as much transparency regarding tax expenditures as for traditional spending programs. The members greatly appreciated that time and expertise Dr. Marron shared. His insights offer an excellent foundation for the project.
Current Board Projects

(For more information on any of the current projects, click on the title of the project below to be directed to the related active project page.)

Federal Reporting Entity

Although the Reporting Entity project was not an agenda topic at the abbreviated October meeting, staff provided the Board with a project update. At the December meeting, specific proposed language to address the following issues will be discussed:

- Clarifying principles regarding organizations included in the budget but which may not be controlled
- Renaming “disclosure organizations”
- Reconsidering the misleading to exclude principle.
- Addressing “temporary control” within the characteristics of consolidation entity and disclosure organization.
- Discussing the application of principles to the Federal Reserve and analysis planned during the implementation period
- Reviewing the intra-governmental required note disclosure for FASB based organizations.

Note that a public hearing was held on August 28th. The transcripts will be posted at www.fasab.gov in late November.

Point of Contact: Melissa Loughan, 202-512-5976, loughanm@fasab.gov


FASAB staff has engaged a task force and the National Academy of Public Administration (NAPA) to assist in developing an ideal reporting model. At the initial task force meeting, participants discussed high-level features of an electronic, web-based model. However, while exploring the possibilities of various features, participants noted the challenge in discussing matters in abstract and suggested building a web-based mockup. Also, staff engaged NAPA to study financial and related information needs for managerial and reporting purposes. The study would inform development of the ideal reporting model and support the Board’s managerial cost accounting project.

During the October 2013 meeting, the Board discussed building a web-based mockup and determined that additional information was needed at this stage of the project. Primarily, members believed that the project involves two aspects: (1) the what - what information should be provided given that there are different users with different information needs; and (2) the how - how should the information be presented, including
the tools needed to provide access to the information. Members believed that it would be best to understand ‘the what’ aspect before developing ‘the how.’ Accordingly, FASAB staff will focus on the what for the December 2013 meeting.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

Leases

The Lease Project was not discussed at the October Board meeting. Staff is continuing preliminary research on the project by following the developments of the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board lease project, conferring with the Governmental Accounting Standards Board, and gathering information from federal entities on their leasing activities.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

Risk Assumed

The risk assumed project: insurance and guarantee phase was not discussed at the October Board meeting. Staff is researching the potential impact of the FASB’s insurance contracts proposed standards (Topic 834 – issued June 27, 2013) on those federal entities that follow FASB GAAP to identify lessons learned in the federal environment. Staff plans on discussing these findings at the December 2013 board meeting.

Point of Contact: Robin Gilliam, 202-512-7356, gilliamr@fasab.gov

Public-Private Partnerships (P3)

Pursuant to the Board’s August meeting advice, staff presented a (1) revised draft P3 definition along with an alternative definition for discussion and (2) revised presentation of the conclusive and suggestive characteristics to include language identifying the risk involved in each. In addition, a flowchart (i.e., waterfall or cascade approach) depicting how any forthcoming P3 guidance would relate to existing standards, including the exposed federal reporting entity standards, was provided as an attachment.

Preceding the Board’s discussion, several task force members joined with staff to discuss the project and answer member questions. Task force member comments include:

- The importance of protecting the best interests of the taxpayer
- P3s are a very good way of delivering public value that would otherwise not be achieved
• P3s must not be done in darkness and we need to foster accountability and sound accounting

• Ill-advised and inconsistent guidance is being provided from outside sources

• Materiality needs to be considered from a qualitative view because what might be immaterial from a quantitative view may not always be immaterial qualitatively

• No prudent private sector participant in a P3 would fail to take each of the nine recommended task force disclosures into consideration and as such, government agencies should be on equal footing by also considering and communicating these nine disclosures

After a robust discussion concerning what a federal P3 definition should accomplish relative to financial reporting, the Board decided that a broad P3 definition accompanied by risk-based characteristics should be pursued. Overall, members agreed to continue to work with the revised draft definition they worked on in August. However, the Board asked that the task force continue refining the proposed characteristics.

As a result of the discussion and decisions made, the Board will proceed with a definition that captures a wide universe of arrangements or transactions which will then be pared down.

If you are interested in joining the P3 Task Force or know of someone who might be interested in its work, please consider contacting Mr. Domenic N. Savini at 202-512-6841 or email him at savinid@fasab.gov.

Point of Contact: Domenic Savini, 202-512-6841, SaviniD@fasab.gov
### FASAB Current Technical Agenda and Status of Projects

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Key Activities or Status - Note that all estimates of progress assume that exposure drafts are finalized as statements without re-exposure due to significant changes.
Research—Staff Research Phase of Project & Board Deliberations
ED—Exposure Draft Issued
DP—Board Due Process, including review of comment letters, etc.
PH—Public Hearing
PV—Preliminary Views Issued
UR—Under Review, document approved by FASAB and sent to sponsors for 90-day review
Final—Final Standard, Concept, Interpretation, etc. issued final.

The guide was developed by the Cost Accounting Issues Subgroup lead by Sandra Van Booven -- Comptroller and Director, Finance, National Geospatial Intelligence Agency. The subgroup is part of the AAPC General Property, Plant & Equipment Task Force chaired by AAPC member, Donjette L. Gilmore, Director - Accounting & Finance Policy, Office of the Under Secretary of Defense (Comptroller)/DCFO -- Department of Defense.

The implementation guidance in TR 15 promotes an understanding of the flexibility in the application of the standards as it relates to:

a) Recognition requirements related to programmatic, managerial, administrative, and other elements of program costs incurred during the G-PP&E lifecycle, the required levels of precision, and acceptable methods for recognizing those costs (i.e., capital costs captured on the Balance Sheet or period expense costs captured on the Statement of Net Costs [SNC]),

b) The concept of a cost accumulation and allocation decision framework (i.e., acceptable methods of accumulating, assigning, and reporting cost data), and
c) Management’s role in applying the cost accumulation, assignment, and allocation decision framework.

One of the objectives of this guide is to enable federal reporting entities to use a consistent framework to interpret existing guidance. The guide also supports the objectives of ensuring that (1) transactions involving G-PP&E are recorded in accordance with federal accounting standards, and (2) the cost of producing federal financial information, as it relates to establishing the cost of G-PP&E, does not outweigh the benefits derived by the users of the financial information. Lastly, it provides a decision framework flowchart to assist entity management in applying the principles described throughout the technical release.

The technical release is available at [http://www.fasab.gov/about/aapc/technical-releases/](http://www.fasab.gov/about/aapc/technical-releases/)

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov
FASAB Meeting Schedule

Schedule for 2013 Meetings:

December 18th and 19th

Schedule for 2014 Meetings:

March 5th and 6th (Joint meeting with GASB)
April 23rd and 24th
June 25th and 26th
August 27th and 28th
October 22nd and 23rd
December 17th and 18th

Unless otherwise noted, FASAB meetings begin at 9 AM and conclude before 5 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas and briefing materials are available at http://www.fasab.gov/board-activities/meeting/briefing-materials/ approximately one week before the meetings.

AAPC Meeting Schedule

Schedule for 2014 Meetings:

Thursday, February 27
Thursday, May 15
Thursday, August 21
Thursday, November 20

Unless otherwise noted, AAPC meetings begin at 1 PM and conclude at 3 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at http://www.fasab.gov/about/aapc/meetings/ approximately one week before the meetings.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please pre-register on our Web site at http://www.fasab.gov/board-activities/meeting/information-for-observers/pre-registration/ no later than 8 a.m. the Tuesday before the meeting to be observed. The Government Accountability Office (GAO), which provides space for our meetings, has increased its security procedures and your name must be provided in advance to the GAO security force before you can enter the building. Thank you.