June 22, 2020

Mr. David R. Bean
Director of Research and Technical Activities
Project No. 3-40
Governmental Accounting Standards Board
401 Merrit 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Dear Mr. Bean,

On behalf of the Government Finance Officers Association of the United States and Canada (GFOA), we thank the Governmental Accounting Standards Board (GASB) for the opportunity to comment on the proposed Technical Bulletin, *Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020 and Coronavirus Diseases* (proposed TB). This response was prepared by GFOA’s standing Committee on Accounting, Auditing, and Financial Reporting (CAAFR).

GFOA is grateful to GASB staff for the provision of such timely guidance under difficult circumstances. We do not disagree with the guidance proposed, however we have some suggestions and observations for your consideration.

First, we observe that there is no mention of the Education Stabilization Fund. These funds are distributed to states based on their share of ESEA Title I-A, funds. State education agencies will then distribute at least 90% of funds to school districts and public charter schools based on their share of Title I-A funds. Ideally, the final TB would provide GASB’s interpretation as to whether these resources are, like those from the Coronavirus Relief Fund (CRF), expenditure-driven-grant-type voluntary nonexchange transactions, subject to eligibility requirements, as opposed to being purpose-restricted.

Next, notwithstanding the nomenclature of the U.S. Treasury, we believe it is acceptable for governments to report CRF resources (once all eligibility requirements are met) as “intergovernmental revenue” or even “federal grants,” in accordance with GAAP, an interpretation supported by the issuance of a CFDA# and the requirement for CRF expenditures to be reported on a government’s schedule of expenditures of federal assistance. We ask you to consider that clarification in the TB.

Also, we encourage you to include reference in the TB to the fact that governments do have display and disclosure options that would allow them to highlight costs associated with COVID-19 responses, despite your interpretation that they would not qualify for reporting as extraordinary or special item. In particular, we urge you to highlight the effective use of a government’s Management’s Discussion and Analysis to inform readers of additional costs and lost revenues directly and indirectly caused by COVID-19.
Finally, we understand the existing GAAP that led to the conclusion that PPP loans must be reported as liabilities until a government borrower is legally released from the obligation to repay, regardless of it having met all requirements for the loan to be forgiven. Nonetheless we wish to point out that this appears to be a situation where the required financial reporting will portray the legal form rather than the economic substance of the situation.

If you have any questions or wish to discuss this response, please feel free to contact Michele Mark Levine of the GFOA staff, at (312) 917-6101 or mlevine@gfoa.org. Thank you.

Melanie S. Keeton, CPA, Chair
Committee on Accounting, Auditing, and Financial Reporting

Diane B. Allison, CPA, CGFO, Vice-Chair
Committee on Accounting, Auditing, and Financial Reporting