The state's contract with CGI for CORE appears to meet the definition for a SBITA but also conveys a perpetual license to use the vendor's software. The state has a contractual right to take possession of an instance of the software and run it on its own servers or servers designated by the state (other than CGI's servers). Paragraph 4. c. of the exposure draft (pasted below) excludes agreements that grant a perpetual license to use a vendor's software from the scope of the proposed guidance. Although it may be highly unlikely that the state would ever exercise the contractual right, there is in theory some value conveyed by this right. It may be worthwhile to provide feedback to the GASB to clarify guidance for SBITAs which convey a perpetual license.

Scope and Applicability of This Statement

3. This Statement establishes standards of accounting and financial reporting for SBITAs by a government end user (a government). The requirements of this Statement apply to financial statements of all state and local governments.

4. This Statement does not apply to:

a. Governments that provide the right to use their hardware or software to other entities through SBITAs
b. Contracts that meet the definition of a service concession arrangement in paragraph 4 of Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements
c. Licensing arrangements that grant a perpetual license to governments to use a vendor's computer software, which are subject to Statement No. 51, Accounting and Financial Reporting for Intangible Assets.

Also, questions arose back when trying to apply Statement No. 51 to CGI and Workday about software upgrades. Some upgrades may be optional while others may be required by the vendor to continue using the software. If the SBITA is within the scope of the proposed guidance, I think the issues around upgrades would be covered by the implementation stages and/or determining the subscription liability and subscription asset. If the SBITA does not fall within the scope of the proposed guidance and a government must apply the requirements of Statement No, 51 for internally generated software, outlays for upgrades may be more difficult to assess. The proposed guidance could acknowledge that some SBITAs may convey a perpetual license but if a government determines that it is unlikely that the government will ever take possession of an instance of the software that the SBITA is within the scope of the proposed guidance.

Although the definitions of SBITAs and leases as well as the underlying accounting for each are indeed similar, I agree with the GASB's statement in their basis for conclusions for Statement No 87 on Leases which states:
The proposed guidance on SBITAs addresses those "unique features and complexities" such as subscription term & factors that can impact the term, stages of implementation and how to account for outlays in those various stages, contracts with multiple components, etc. While I think it would be possible to combine guidance for SBITAs with leases, I do think that SBITAs possess enough of those unique features and complexities that a separate statement is appropriate. Even if the unique features and complexities were of a lesser extent thereby increasing the feasibility of including SBITAs with leases, since Statement No. 87 is now published guidance to amend just prior to its effective date would seem to be problematic for the GASB.

I think the proposed guidance addresses the issues we encountered when trying to apply Statement No. 51 to the state's contracts with CGI and Workday. I will continue to review the exposure draft to see if I can identify any suggested changes or considerations for the GASB.