April 28, 2020

Director of Research and Technical Activities
Project No. 3-39
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Project No. 3-39, Postponement of the Effective Dates of Certain Authoritative Guidance

Dear Director:

The following is the response of the Government Accounting and Auditing Committee of the Washington Society of Certified Public Accountants (WSCPA). The views expressed are the views of the Committee and not necessarily the views of the individual members or the WSCPA as a whole. We are pleased to have the opportunity to respond to the Governmental Accounting Standards Board’s (GASB) Exposure Draft (ED) Postponement of the Effective Dates of Certain Authoritative Guidance.

The WSCPA would like to thank you and the Governmental Accounting Standards Board (GASB) staff and board members for your rapid response to provide temporary relief to all state and local governments by considering the delay of effective dates of certain GASB standards and guidance. This will allow all state and local governments to focus on the immediate needs of our constituents during this unprecedented time.

Many local and state governments started their implementation of GASB 87 with the current effective date being January 1, 2020, and the effort to implement GASB 87 is still under way while the same resources that were focusing on implementation of this new guidance are now being diverted to administer other programs that address the needs of the general public, for example payment deferral programs providing immediate relief to tenants at the airports. Facing this pandemic, many local and state governments have to conserve their resources with budget cuts and hiring freezes to counter balance the significant decline in cash inflows due to reduced business activities, and slower collections on receivables. With the new guidance in this exposure draft, the effective date will be moved to January 1, 2021 but many of the relief programs will not be completed until 2021.

The COVID-19 Pandemic has significantly impacted the nation’s airports in particular. Air traffic is down as much as 90% and the airports are in the midst of developing relief measures with their tenants while meeting FAA guidance at the same time. Some agreements have automatic relief measures based on airline or passenger traffic, but many do not. The largest airport in the state of Washington, Seattle-Tacoma International Airport, is working on providing immediate relief in the form of payment deferral programs that will extend through December 2021. As you are aware, port authorities, especially airports, were distinctively impacted by GASB Statement No. 87, Leases. The standard requires port authorities to report many of the leases of its facilities per the new guidance. The process of identifying, quantifying, consolidating, recording and reporting on all of the leases has been a huge undertaking for many airports and ports with few, if any, having completed the task.
While we appreciate the extra year the GASB has granted in this exposure draft, the extension of a single year for GASB 87 does not provide sufficient timeline to address these concerns on the implementation of this standard. With the pandemic still in its early stages and the unknown impact to the global and local economy, many government entities cannot predict or assume they will be able to complete all relief programs in 2020 and many relief measures that are extending into 2021. Certainly, the complete impact to leases because of this pandemic is still very much an unknown. As a result, this uncertainty makes it extremely difficult to quantify the financial reporting requirements/impact required by GASB 87 on the hundreds of leases that an organization may need to analyze.

Therefore, the WSCPA would request the GASB change this exposure draft to allow for a two (2) year extension to the effective date of GASB 87. We know a two-year extension was discussed prior to the issuance of this draft and while we understand the Board’s concerns, we feel that it is not the complexity of the implementation that warrants the extension, but the complexity of the current situation, and competing priorities on the same resources, i.e. our accounting professions, in the local and state governments that warrants the additional extension. Many factors required for full implementation of the standard may not be fully known at the implementation date.

Thank you for the opportunity to respond. If you have any questions or need additional information regarding this response, please contact Lisa Lam at (206) 787-4334.

Sincerely,

SENT VIA E-MAIL to director@gasb.org

Troy Rector, Chair
Government Accounting and Auditing Committee
Washington Society of Certified Public Accountants