Dear David R. Bean:

I am in support of the Performance Obligation/No Performance Obligation Model. It is a fallacy to believe that any government entity that can tax and oblige users to pay fees is giving a fair exchange to anyone. The government at its discretion raises and lowers fees not based on any true form of an exchange policy, which would need a robust market to facilitate but on the basis of the whims of politics. It would be a fallacy of such great proportion to believe that any government entity has the ability to have a fair exchange with any one person when it comes to the services they provide, that I find it ludicrous that GASB has even put it out there as a possibility to base accounting rules on this fallacy.

So, it is my humble opinion that based on my small knowledge of college economics and the way the robust capital market works, that the only way forward, if there must be a way forward that it would be with the Performance Obligation/ No Performance Obligation Model. If the fee is thrust upon the tax payer based on the government being obligated to perform at least some task, I can see a rational for this model.

The model of Performance Obligation/No Performance Obligation seems to be a better fit for how Government actually provides services. Though the exchange may not be even or fair to either side of the equation, there is at least an actual Performance Obligation that each party knows that they must fulfill. In the case of sewer, though the party using the sewer has little recourse on the cost of using the sewer, they do know they are using the sewer system and they know that they will have to pay for the use of the sewer system. The government is obligated to provide sewer and the resident is obligated to pay for the sewer. This model to me makes the most sense, since the obligation in most cases between Government and User is somewhat contractual in nature. The User knows they need to pay for the services and the Government knows they need to provide the services. If it is the other way around, where the government is paying for services on behalf of a client, the client usually knows the terms and
qualifications that they must abide by in order to receive the services. So all around, I think this is the most appropriate model to base the accounting principles upon.

I do think you may need to shore up your equivalent term definition. You may need to go with a fee for service term instead of an equivalent term definition, to make it a little more user friendly. My understanding of page 15 of your document would be that if you charge a fee for a specific service that is tied to the fee, then it would follow under the Performance Obligation/No Performance Obligation Model. So a fee for sewer and delivering sewer would follow under the Performance Obligation/No Performance Obligation Model. A fee for property tax that delivers many services, some of which the property tax owner does not even use would then fall under the Provisions of Statement 33 as amended, since the government entity would not be able to know which services the property tax owner is using and which services they are not using it would not be considered a strict user fee, or under your current scenario an equivalent term. I personally like the word user fee better, because as I have stated before, there is not an equivalent or fair exchange happening, but there is a user fee transaction.

I also agree that performance obligations should be broad enough to encompass grants from other entities where the beneficiary is someone other than the granting agency. The relationship between the grantor and the grantee is one of performance and should be encompassed as such in the guidelines under the Performance Obligation/No Performance Obligation Model. As per your page 25 example in your Invitation to comment guide I believe that the Grant scenario would be better served using the Performance Obligation/No Performance Obligation Model than the Statement 33.

I also agree with the Distinct Goods or Services paragraph, that goods or services that are distinct and require either a fee to be obtained should follow the guidelines of the Performance Obligation/No Performance Obligation Model.

I also agree the Specific Beneficiary paragraph, that in order to fall under the Performance Obligation/No Performance Obligation Model the beneficiary needs to be a specific person or entity that receives the services.

Again, though I agree with this model in theory, I do object to the use of equivalent terms, since that is much like the use of exchange transactions where the definition is that the party receives and gives up essentially equal values. There is an inherently unbalanced position of the one citizen to the government entity and as such there can be in no way an exchange that is of equal value or equivalent. I would much like the term user fee or fee for service or some other term that does not in any way conjure up the meaning to the reader that either party thinks that they are in a transaction where they are receiving a fair exchange, as if they are making a market transaction in a robust market place. The government is not a robust market place and should not fool either itself or its citizens that it is. Please come up with another nomenclature for equivalent terms.

At the moment I do not think mixing up portions of the exchange/non exchange and the performance model is a good idea. I think one model that is succinct and meets the needs of the making government more transparent and comparable to each other is the best way to proceed. I have not come up with
another model that I think would be suitable. I am inclined to agree that the Performance Obligation/Non Performance Model while ditching the term equivalent in the guidelines is the way to go as an attempt to make government more transparent, comparable and user friendly.

Sincerely,

Susan Maller