



FLORIDA GOVERNMENT FINANCE OFFICERS ASSOCIATION, INC.

Since 1937

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April 23 2026

EMAIL

Project No. 3-25

Alan Skelton

Director of Research and Technical Activities
Governmental Accounting Standards Board

801 Main Avenue

P.O. Box 5116

Norwalk, CT 06856-5116

director@gasb.org

Re: Financial Reporting Model Improvements— Subsidies

Dear Mr. Skelton:

On behalf of the Florida Government Finance Officers Association (FGFOA), we are pleased to respond to the Government Accounting Standard Board's (GASB) Request for Written Comments on Project No. 3-25, Proposed Implementation Guide, *Financial Reporting Model Improvements— Subsidies*. The comments provided in our response were prepared based on a review by members of the FGFOA Technical and Legislative Resources Committee and the Board of Directors.

We respectfully disagree with several of the examples included in the Exposure Draft, as they do not consistently or rigorously apply the definition of subsidies established in paragraph 14(a) of Statement 103. In multiple cases, the examples appear to treat transactions as subsidies even when the resource provider receives something of value in return, when the payments arise directly from the entity's core exchange activities, or when the funding does not actually reduce the amount charged to the end user. We identified the items we believe would benefit from revisions and noted some recommendations for your consideration (see enclosed Exhibit A of our response).

We thank the GASB for its efforts in preparing the Proposed Implementation Guide and for providing an opportunity to respond. Please feel free to contact me at (561) 355-3429 or ngasparri@mypalmbeachclerk.com regarding the comments above.

Sincerely,

Nicole Gasparri, CGFO, PHR
President

Enclosure

Exhibit A: Comments on GASB’s Proposed Implementation Guide on Subsidies (Project No. 3-25)

Ref.	Excerpt from Exposure Draft	Comment
4.1	<p>4.1 Q— A government provides supplemental payments to hospitals in addition to the standard contractual Medicaid base payments made on a fee-for-service or managed-care basis. [...] Do those supplemental payments received by a hospital that reports as a BTA or an enterprise fund meet the definition of subsidies in paragraph 14a of Statement 103?</p> <p>A—Yes. In contrast to a circumstance in which there is a contractual relationship between the patient and the government for healthcare coverage, [...]</p>	<p>Disagree. These supplemental payments are related to the basic transaction of a hospital—the provision of services to patients—and, therefore, do not meet the definition of subsidies per paragraph 14a of Statement 103. Even though these payments are not tied to a specific contractual arrangement between the patient and the government, the hospital would not receive these payments without the delivery of Medicaid-covered care. The payments arise only because services are provided, functioning as an extension of the reimbursement structure rather than as a standalone nonexchange subsidy contemplated by paragraph 14a of Statement 103. These payments should be reported as operating revenue.</p>
4.2	<p>4.2 Q—A higher education institution that reports as a BTA or an enterprise fund receives donations for scholarships from individuals who do not receive goods or services in return. Do those donations meet the definition of subsidies in paragraph 14a of Statement 103?</p> <p>A—Yes. Those donations for scholarships meet the definition of subsidies [...]</p>	<p>Disagree. Donations for scholarships do not meet the definition of subsidies in paragraph 14a because they do not reduce the tuition or fees charged by the institution; instead, they simply reduce the amount a student pays out of pocket. The underlying transaction—the institution charging tuition for educational services—remains unchanged, and the donor’s contribution does not alter the price of that service.</p>
4.3	<p>4.3 Q—Would the answer to Question 4.2 change if published tuition rates do not change based on the donations for scholarships received?</p> <p>A—No. Regardless of whether published tuition rates change [...]</p>	<p>Disagree. Based on the reasoning and conclusion reached in question 4.2</p>
4.4	<p>Q—Do research grants received by a higher education institution that reports as a BTA or an enterprise fund meet the criterion established in paragraph 14a(2) of Statement 103 for purposes of the definition of subsidies?</p> <p>A—It depends on the substance of the transaction. [...]</p>	<p>Mostly disagree. The majority of research grants cannot meet the definition in paragraph 14a(2) because they are operating revenue: The institution typically provides something of value in return—such as intellectual property rights, data, or other deliverables—meaning these grants are exchange transactions rather than subsidies. Rather than offsetting the cost of salaries or other core services, the grants directly support specific research projects, and therefore fall outside the type of broad, nonexchange financial support described in Statement 103. Furthermore, research grants tend to include strict language limiting the ability of the recipient to charge preexisting expenses as allowable costs.</p>

Exhibit A: Comments on GASB’s Proposed Implementation Guide on Subsidies (Project No. 3-25) (Continued)

Ref.	Excerpt from Exposure Draft	Comment
4.5	<p>Q—Do taxes imposed by a BTA meet the definition of subsidies in paragraph 14a of Statement 103?</p> <p>A—Yes. Taxes imposed by a BTA meet the definition of subsidies because they (a) are received from parties who do not directly receive goods or services from the BTA as a result of the tax and (b) directly or indirectly keep the BTA’s current or future fees and charges lower than they would be otherwise.</p>	<p>Disagree. Taxes imposed by a BTA do not meet the definition of subsidies in paragraph 14a(2) because they do not function as external financial support intended to reduce the fees charged by a BTA. The notion that tax revenue subsidizes user charges assumes that taxpayers and customers are distinct resource providers, yet in many BTAs—such as a water utility funded by both property taxes and water-use charges—the same individuals are paying both. The tax would act as another revenue mechanism used under the government’s taxing authority, not a subsidy designed to offset or lower the amount charged to customers.</p>
4.6	<p>Q—Passenger facility charges fund airport projects approved by the Federal Aviation Administration. Do passenger facility charges received by an airport that reports as a BTA or an enterprise fund meet the definition of subsidies in paragraph 14a of Statement 103?</p> <p>A— Yes. Similar to taxes discussed in Question 4.5, passenger facility charges are fees imposed on passengers that meet the definition of subsidies [...]</p>	<p>Disagree. Passenger facility charges (PFCs) are unrelated to the fees that airports charge to concessionaires and airlines. PFC revenue may be used only for FAA-approved projects, most of which are capital-asset related. The airports cannot pass on the cost of those projects to concessionaires or airlines. Therefore, there is no current or future fee or charge that is being reduced.</p>
4.7	<p>Q—How should subsidies other than noncapital subsidies be reported?</p> <p>A—Subsidies other than noncapital subsidies are capital subsidies and should be reported as other nonoperating revenues and expenses. (See Question 7.73.2 in Implementation Guide No. 2015-1, as amended.)</p>	<p>Agree. Although this answer is implicit in paragraphs 11 and 12, it may be helpful to explicitly identify the location.</p>
4.8	<p>Q—How should subsidies be classified if the provider of the resources limits the use to debt service for capital-related debt?</p> <p>A—In this circumstance, subsidies should be classified as capital subsidies because the use of the resources is limited by the provider to debt service for capital-related debt, which is capital in nature.</p>	<p>Agree. The limitation to use the subsidy to repay debt that was issued to finance the acquisition, construction, or improvement of capital assets would make the subsidy capital related.</p>
5.1	<p>Q—How should subsidies be classified if the resources are used for the acquisition of capital assets in circumstances in which the use of the resources is not limited by the provider to the acquisition of capital assets?</p> <p>A—Unless there are other external limitations, such as legislation or regulation, that limit the use of the resources to capital purposes, the subsidies should be classified as noncapital because the use of the resources is not limited. The recipient’s use of all or a portion of a subsidy for capital purposes does not, by itself, result in all or a portion of the subsidy being classified as a capital subsidy.</p>	<p>Agree. Acknowledging circumstances in which there may be limitations on how a subsidy may be used other than those imposed by the provider of the subsidy helps to broaden the applicability and usefulness of the guidance. Additionally, the proposed wording is more concise and understandable than the original question and answer.</p>