



Exposure Draft

February 10, 2026

Comments Due: April 27, 2026

Proposed Implementation Guide
of the Governmental Accounting Standards Board

Financial Reporting Model Improvements— Subsidies

This Exposure Draft of a proposed Implementation Guide is issued by
the GASB for public comment.
Written comments should be addressed to:

Director of Research and Technical Activities
Project No. 3-25

Governmental Accounting Standards Board

Proposed Implementation Guidance on FINANCIAL REPORTING MODEL IMPROVEMENTS—SUBSIDIES

Written Comments

Deadline for submitting written comments: April 27, 2026

Written comments. We invite your comments on the implementation guidance in this proposed Implementation Guide.

Because this proposed Implementation Guide may be modified before it is cleared as a final Implementation Guide, it is important that you comment on any aspects with which you agree as well as any with which you disagree. To facilitate our analysis of comments, it would be helpful if you explain the reasons for your views, including alternatives that you believe the GASB should consider.

Any recommendations to address topics that are not included in this proposed Implementation Guide will not be included in the final Implementation Guide resulting from this project. However, those issues will continue to be monitored and may be considered for inclusion in a future Implementation Guide.

Comments should be addressed to the Director of Research and Technical Activities, Project No. 3-25, and emailed to director@gasb.org. Comments also may be submitted through an [electronic input form](#).

Other Information

Public files. Written comments will become part of the GASB's public file and are posted on the GASB's website.

This Exposure Draft as well as final GASB publications are available to download free of charge on the GASB website, www.gasb.org.

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Proposed Implementation Guide of the Governmental Accounting Standards Board

Financial Reporting Model Improvements—Subsidies

February 10, 2026

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INTRODUCTION

1. The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on the requirements related to subsidies in Statement No. 103, *Financial Reporting Model Improvements*.

IMPLEMENTATION GUIDANCE

Applicability of This Implementation Guide

2. The requirements of this Implementation Guide apply to proprietary fund financial statements of all state and local governments and the financial statements of all state and local government business-type activities (BTAs).

3. This Implementation Guide amends Implementation Guide No. 2025-1, *Implementation Guidance Update—2025*, Question 4.5.

New Questions and Answers

4. Questions and answers in this paragraph are new Category B guidance in the hierarchy of generally accepted accounting principles.

Basic Financial Statements and Management’s Discussion and Analysis

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. In this circumstance, the supplemental payments are not part of any contractual relationship between the patient and the government for healthcare coverage. 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?

A—Yes. In contrast to a circumstance in which there is a contractual relationship between the patient and the government for healthcare coverage, the patient has no contractual relationship for healthcare coverage associated with supplemental payments. Therefore, in this circumstance, the supplemental payments would meet the definition of subsidies because the payments (a) are not related to the goods or services provided by the hospital as part of the contractual relationship with the patient and (b) allow the hospital’s current or future charges to be lower than they would be otherwise. (See also Question 4.7 in Implementation Guide 2025-1 regarding contractual arrangements for covered medical services.)

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?

A—Yes. Those donations for scholarships meet the definition of subsidies because they (a) are received from parties who have not received goods or services from the higher education institution as a result of the donations and (b) keep the higher education institution's current or future tuition or other charges lower than they would be otherwise.

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?

A—No. Regardless of whether published tuition rates change, donations for scholarships either directly or indirectly keep current or future tuition or other charges paid lower than they would be otherwise. Therefore, even if published tuition rates do not change, donations for scholarships meet the definition of subsidies.

4.4. 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?

A—It depends on the substance of the transaction. For example, if the higher education institution receives a research grant that is used to offset operating expenses, such as salaries and laboratory costs, that would exist in the absence of the grant, the grant funds received would allow the higher education institution to keep the tuition or other charges lower compared to what would be charged had the higher education institution not received the grant. Therefore, in this circumstance, the research grant would meet the criterion established in paragraph 14a(2). In contrast, other research grants are not used to offset operating expenses, such as salaries and laboratory costs, that would exist in the absence of the grant. In those circumstances, the grant funds received would not allow the higher education institution to keep the tuition or other charges lower compared to what would be charged had the higher education institution not received the grant. Therefore, those research grants would not meet the criterion established in paragraph 14a(2) because the proceeds would not keep current or future tuition or other charges lower than they would be otherwise.

4.5. Q—Do taxes imposed by a BTA meet the definition of subsidies in paragraph 14a of Statement 103?

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.

- 4.6. 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?

A—Yes. Similar to taxes discussed in Question 4.5, passenger facility charges are fees imposed on passengers that meet the definition of subsidies because they (a) are received from parties who do not directly receive goods or services from the airport as a result of the fee and (b) allow the airport to directly or indirectly keep current or future fees and charges to airlines and concessionaires lower than they would be otherwise.

- 4.7. Q—How should subsidies other than noncapital subsidies be reported?

A—Subsidies other than noncapital subsidies are capital subsidies and should be reported as other nonoperating revenues and expenses. (See also Question 7.73.2 in *Implementation Guide No. 2015-1*, as amended.)

- 4.8. Q—How should subsidies be classified if the provider of the resources limits the use to debt service for capital-related debt?

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.

Amendment to a Previously Issued Question and Answer

5. The question and answer in this paragraph amends a question and answer in a previously issued Implementation Guide.

Basic Financial Statements and Management's Discussion and Analysis

Question 4.5 in Implementation Guide 2025-1

- 5.1. 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?

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.

EFFECTIVE DATE AND TRANSITION

6. The requirements of this Implementation Guide are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged if Statement 103 has been implemented.

7. The requirements of this Implementation Guide should be applied retroactively such that changes, if any, adopted at transition to conform to the provisions of the questions and answers should be reported as a change in accounting principle in accordance with Statement No. 100, *Accounting Changes and Error Corrections*, including the display and related disclosure requirements, as applicable.

The requirements of this Implementation Guide need not be applied to immaterial items.

APPENDIX A: BACKGROUND

A1. Statement 103 was issued in April 2024 with an effective date for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Questions and answers are included in this Implementation Guide to address (a) issues raised by GASB stakeholders through inquiries posed to the GASB and (b) issues identified by the GASB in anticipation of questions that will arise during the implementation and application of Statement 103.

A2. In addition to new questions and answers, this Implementation Guide includes an amendment to a previously issued question and answer to address issues identified by the GASB subsequent to the clearance of that guidance.

APPENDIX B: AMENDMENT TO A PREVIOUSLY ISSUED QUESTION AND ANSWER—MARKED FOR CHANGES

B1. This appendix presents in marked form the substantive amendments that are proposed in paragraph 5 of this Implementation Guide. Text that is proposed to be added is underlined, and text that is proposed to be deleted is ~~struck out~~. Editorial modifications are not marked.

Basic Financial Statements and Management’s Discussion and Analysis

Question 4.5 in Implementation Guide 2025-1

5.1. Q—How should subsidies be classified if the resources are used for the acquisition of capital assets in circumstances in which the ~~provider of a subsidy did not limit the use of the resources~~ is not limited by the provider to the acquisition of capital assets?

~~A—Subsidies are classified as noncapital subsidies if the provider of the subsidy either does not limit the use of the resources or limits the use of the resources to something other than the acquisition of capital assets. Subsidies are only classified as capital subsidies (that is, all subsidies other than noncapital subsidies) if the provider of the subsidy has limited the use of the resources to the acquisition of capital assets. 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. Subsidies other than noncapital subsidies should be reported as other nonoperating revenues and expenses. (See also Question 7.73.2 in Implementation Guide 2015-1, as amended.)~~

APPENDIX C: CODIFICATION INSTRUCTIONS

Codification of Governmental Accounting and Financial Reporting Standards—June 2026 Update

C1. The instructions that follow update the December 31, 2025 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification) for the provisions of this Implementation Guide. Only the question number from this Implementation Guide is listed if the question and answer will be cited in full in the Codification.

* * *

[Update cross-references throughout.]

* * *

Section 2200—Annual Comprehensive Financial Report

Sources: [Add GASBIG 2026-X.]

[Insert new Question .753-2 as follows; renumber subsequent questions.]

.753-2 [GASBIG 2026-X, Q4.7]

.753-3 [Replace current Question .753-2 with GASBIG 2026-X, Q5.1.] [GASBIG 2025-1, Q4.5, as amended by GASBIG 2026-X, Q5.1]

[Insert new Question .753-4 as follows; renumber subsequent questions.]

.753-4 [GASBIG 2026-X, Q4.8]

[Insert new Questions .753-7–.753-12 as follows:]

.753-7–.753-12 [GASBIG 2026-X, Q4.1–Q4.6]

* * *

Section P80—Proprietary Fund Accounting and Financial Reporting

Sources: [Add GASBIG 2026-X.]

[Insert new Question .711-2 as follows; renumber subsequent questions.]

.711-2 [GASBIG 2026-X, Q4.7]

.711-3 [Replace current Question .711-2 with GASBIG 2026-X, Q5.1.] [GASBIG 2025-1, Q4.5, as amended by GASBIG 2026-X, Q5.1]

[Insert new Question .711-4 as follows; renumber subsequent questions.]

.711-4 [GASBIG 2026-X, Q4.8]

[Insert new Questions .711-7–.711-12 as follows:]

.711-7–.711-12 [GASBIG 2026-X, Q4.1–Q4.6]

* * *

Comprehensive Implementation Guide—June 2026 Update

C2. The instructions that follow update the December 31, 2025 *Comprehensive Implementation Guide* for the provisions of this Implementation Guide. Only the question number from this Implementation Guide is listed if the question and answer will be cited in full in the *Comprehensive Implementation Guide*.

* * *

[Update cross-references throughout.]

* * *

[Insert the following new content:]

7.73.14–7.73.21. [GASBIG 2026-X, Q4.1–Q4.8]

* * *

[Revise the following item as indicated:]

7.73.11. [Replace Question 7.73.11 with GASBIG 2026-X, Q5.1.] [GASBIG 2025-1, Q4.5, as amended by GASBIG 2026-X, Q5.1]