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Governmental Accounting Standards Series

Implementation Guide No. 2026-1, *Financial Reporting Model Improvements—Subsidies*

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

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Implementation Guide of the Governmental Accounting Standards Board

Implementation Guide No. 2026-1, *Financial Reporting Model Improvements—Subsidies*

September 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 the 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 higher education institution that reports as a BTA or an enterprise fund receives donations that it will use to award scholarships to its students. The donations are from parties 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 received by the higher education institution are (a) received from parties who have not received goods or services from the higher education institution as a result of the donations and (b) used to award scholarships, which directly lower the resources received from students for tuition, and, therefore, the donations keep the higher education institution's current or future tuition or other charges lower than they would be otherwise. As a result, those donations meet the definition of subsidies because both criteria in paragraph 14a are met. (See also Question 4.2.)

4.2. Q—Would the answer to Question 4.1 be different if published tuition rates do not change based on the donations received by the higher education institution that it will use to award scholarships to its students?

A—No. Regardless of whether published tuition rates change, donations that the higher education institution will use to award scholarships to its students directly lower the resources it receives from students for tuition, and, therefore, those donations keep current or future tuition or other charges lower than they would be otherwise. As a result, even if published tuition rates do not change, those donations meet the definition of subsidies in paragraph 14a of Statement 103.

4.3. Q—Do research grants received by a higher education institution that reports as a BTA or an enterprise fund meet the definition of subsidies in paragraph 14a of Statement 103?

A—It depends on the facts and circumstances of the transaction. In many cases, research grants would not meet the definition of subsidies because the grantor is receiving a good or service from the higher education institution as a result of the research grant, and, therefore, the criterion in paragraph 14a(1) would not be met. However, if goods or services are not provided to the grantor as a result of the research grant, the grant may meet the definition of subsidies if the grant proceeds received would allow the higher education institution to directly or indirectly keep the tuition or other charges lower than they would be otherwise. Professional judgment should be applied to determine whether the grant proceeds directly or indirectly keep current or future tuition or other charges lower than they would be otherwise.

4.4. Q—Do taxes reported by a BTA that are derived tax revenues or imposed nonexchange revenues in accordance with paragraphs 7a and 7b of Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* meet the definition of subsidies in paragraph 14a of Statement 103?

A—Yes. Those taxes 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.

4.5. Q—Passenger Facility Charges regulated by the Federal Aviation Administration (FAA) fund airport projects approved by the FAA. 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 Question 4.4, Passenger Facility Charges are imposed on passengers. They meet the definition of subsidies because they (a) are received from passengers (through their airline ticket) who do not directly receive goods or services from the airport as a result of the Passenger Facility Charges and (b) allow the airport to directly or indirectly keep current or future fees and charges to airlines lower than they would be otherwise.

4.6. Q—Paragraphs 11 and 12 of Statement 103 discuss and describe how noncapital subsidies should be presented in the proprietary fund statement of revenues, expenses, and changes in fund net position. How should subsidies other than noncapital subsidies be presented?

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

4.7. Q—How should a proprietary fund or BTA classify subsidies it receives if the provider of the resources limits the use to debt service for capital-related debt?

A—In this circumstance, subsidies should be classified by the recipient as capital subsidies because the use of the resources is limited by the provider to debt service for capital-related debt.

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, on 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 Governmental Accounting Standards Board has authorized its staff to prepare Implementation Guides that provide timely guidance on issues encountered during the implementation and application of GASB pronouncements. The Board has reviewed this Implementation Guide and does not object to its issuance.

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 issues related to subsidies as described in paragraph 14 of Statement 103 that have been (a) raised by GASB stakeholders through inquiries posed to the GASB or (b) 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.

A3. The Exposure Draft of this Implementation Guide was issued for public comment in February 2026. Ninety-four comment letters were received in response to the proposal. After consideration of the feedback to the Exposure Draft, certain questions and answers that were proposed in the Exposure Draft were either clarified or not included in this Implementation Guide. Some respondents also suggested additional topics for consideration. Those issues are not addressed in this Implementation Guide but will continue to be monitored.

APPENDIX B: DESCRIPTION OF NEW QUESTIONS AND ANSWERS AND AMENDMENTS TO A PREVIOUSLY ISSUED QUESTION AND ANSWER

B1. This appendix describes the issues addressed in new questions and answers presented in paragraph 4 of this Implementation Guide and the reasons for amendments to a previously issued question and answer presented in paragraph 5 of this Guide.

Primary Reference(s)	Description
Q4.1–Q4.2	New questions and answers to clarify the application of the definition of subsidies to donations received by a higher education institution that will be used to award scholarships to its students.
Q4.3	New question and answer to clarify the application of the definition of subsidies to research grants received by a higher education institution.
Q4.4	New question and answer to clarify the application of the definition of subsidies to derived tax and imposed nonexchange revenues.
Q4.5	New question and answer to clarify the application of the definition of subsidies to Passenger Facility Charges received by an airport.
Q4.6	New question and answer to clarify how subsidies other than noncapital subsidies should be presented.
Q4.7	New question and answer to clarify the classification of subsidies as capital or noncapital in circumstances in which the provider limits the use of the resources.
Q5.1	Amends Question 4.5 in Implementation Guide 2025-1 to narrow the answer to circumstances in which the use of the resources is not limited by the provider to the acquisition of capital assets.

APPENDIX C: CODIFICATION INSTRUCTIONS

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

C1. The instructions that follow update the June 30, 2026 *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 2026-1.]

[Replace the questions and answers under heading .751 with the following:]

.751-1–.751-5 [Insert current Questions .751-1–.751-3, .751-5, and .751-6.]

.751-6 [GASBIG 2026-1, Q4.6]

.751-7 [Insert current Question .753-1. In the answer, replace *Question .753-2* with *Question .751-9*.]

.751-8 [GASBIG 2026-1, Q4.7]

.751-9 [GASBIG 2026-1, Q5.1] [GASBIG 2025-1, Q4.5, as amended by GASBIG 2026-1, Q5.1]

.751-10 [Insert current Question .751-4.]

.753 [Under the heading, add the following text:] *See also Questions .751-6–.751-10 for considerations addressing the classification of subsidies as noncapital or capital.*

[Delete current Questions .753-1 and .753-2; renumber subsequent questions.]

[Insert new Questions .753-3–.753-7 as follows:]

.753-3–.753-7 [GASBIG 2026-1, Q4.1–Q4.5]

* * *

Section P80—Proprietary Fund Accounting and Financial Reporting

Sources: [Add GASBIG 2026-1.]

[Insert new Questions .709-4–.709-7 as follows; renumber subsequent question.]

.709-4 [GASBIG 2026-1, Q4.6]

.709-5 [Insert current Question .711-1. In the answer, replace *Question .711-2* with *Question .709-7*.]

.709-6 [GASBIG 2026-1, Q4.7]

.709-7 [GASBIG 2026-1, Q5.1] [GASBIG 2025-1, Q4.5, as amended by GASBIG 2026-1, Q5.1]

.711 [Under the heading, add the following text:] *See also Questions .709-4–.709-8 for considerations addressing the classification of subsidies as noncapital or capital.*

[Delete current Questions .711-1 and .711-2; renumber subsequent questions.]

[Insert new Questions .711-3–.711-7 as follows:]

.711-3–.711-7 [GASBIG 2026-1, Q4.1–Q4.5]

* * *

Comprehensive Implementation Guide—December 2026 Update

C2. The instructions that follow update the June 30, 2026 *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.–7.73.20. [GASBIG 2026-1, Q4.1–Q4.7]

* * *

[Revise the following item as indicated:]

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