



Pennsylvania and GASB Statement No. 77

Source: Scott Klinger, Good Jobs First

scott@goodjobsfirst.org ~ 202-232-1616 x 212

Who in state government is most likely to influence GASB 77 disclosure?

Auditor General: Eugene DePasquale (up for re-election in 2016)

Pennsylvania's Auditor General Eugene DePasquale has [statutory audit authority](#) over school districts (including charter schools) and other local entities receiving state funding. In addition, he has shown a strong interest in disclosure and analysis of economic development subsidies.

DePasquale was previously Director of Economic Development for York, PA. In April 2016 he told the Pennsylvania AFL-CIO conference meeting in Philadelphia that his office was looking carefully at whether economic development subsidies were delivering jobs: "The state has zero knowledge of whether the jobs were being created. If there are taxpayer dollars going to a company, we're going to make sure those jobs are created."

Pennsylvania State Comptroller Anna Maria Kiehl, recently served as one of the comptroller representatives on the board of the National Association of State Auditors, Comptrollers and Treasurers (NASACT) giving her potential influence on GASB 77 among her peers.

Who commented on the Exposure Draft from Pennsylvania?

- [Pennsylvania's Chief Accounting Officer](#) expressing general concern about undue burdens and encouraging the requirement of losses caused by other governments and that names of subsidy recipients not be disclosed, citing privacy reasons. Argues that subsidy disclosures done best with internet links, not CAFR reporting.
- The [Pennsylvania Institute of CPAs](#) offered general support;

- The [Controller of the City of Philadelphia](#) supported a strong GASB 77 saying it would promote greater accountability; and
- AFT-affiliated [Philadelphia Federation of Teachers](#) strongly supported GASB 77 pointing to the harm subsidies do to school funding and calling for disclosures to extend to expected tax losses in future years.
- [Five Pennsylvania public officials](#) signed a joint letter supporting GASB 77: State Senator Daylin Leach; State Representative Mary Jo Daly; Philadelphia City Council member Wilson Goode; Harrisburg City Council member Shamaine Daniels and Conshohocken City Council member Anita Barton.
- University of Pennsylvania [Professor Laura Wolf-Powers](#) joined 48 distinguished academics supporting GASB 77.

How many counties, municipalities and school districts in the state are required to conform with GAAP and therefore GASB Statements?

According to a GASB's [State and Local Government Use of Generally Accepted Accounting Principles for General Purpose External Financial Reporting](#) (published March 2008) all of Pennsylvania's 66 counties and all 516 independent school districts and state colleges and universities are required by state law to use GAAP accounting. The Commonwealth's 2,654 municipalities are not required to employ GAAP accounting. However, the same study indicates that many jurisdictions that are not legally required to follow GAAP do so anyway, presumably to satisfy credit ratings agencies and obtain the lowest possible interest rates on bond borrowings.

With nearly 5,000 taxing authorities in the Commonwealth, Pennsylvania faces a significant challenge of fractured government. One challenge this poses for GASB 77 disclosure is municipal governments, which are not required to conform to GAAP and therefore are not subject to GASB 77 disclosure requirements. However, if these governments have passed economic subsidy programs which reduce the tax revenues available to school districts which are subject to GAAP (most are), the school districts will be required to report on their passive losses resulting from tax abatements by other government.

Which state offices collect CAFRS from counties/cities/school districts?

The Pennsylvania Department of Community and Economic Development collects and [posts CAFRs](#) from county and municipal governments. The DCED uses these reports to monitor municipal [fiscal distress](#) (see fuller description below.)

State public schools are [required](#) to file annual financial reports (data centric) with the Commonwealth's Department of Education. These are compiled into [state wide spreadsheets](#) providing key sources of income. The state also present school financial reports by source of revenue or expenditure – a GASB 77 report would fit well [here](#) as “school revenue lost to tax abatements”.

Does the state government or do academic/NGO institutions provide technical assistance on GAAP, GASB or completing CAFRs?

We have not yet identified state offices that provide technical assistance to county and municipal governments. The [Pennsylvania Municipal League](#) provides a range of technical assistance and training to 92 member governments, though financial reporting does not appear to be a high priority of the League. The University of Pennsylvania's [Fels Institute of Government](#) offers a range of degree and non-degree programs but does not appear to have a clearly defined program to provide technical assistance related to CAFR preparation to local government officials.

Does state government monitor fiscal stress within county/municipality/school district?

Each municipality must by March 15th of each year file a [statement of financial condition](#) with the Department of Community and Economic Development. In 1989, the Commonwealth adopted The Municipalities Financial Recovery Act outlining [measures of municipal distress](#). A list of municipalities placed on the fiscal distress list can be found [here](#).

The Pennsylvania Code also charges the Education Department with overseeing an [“early warning system”](#) to identify school districts experiencing financial stress. The Department of Education has a [webpage](#) listing corrective action plans for districts deemed in distress as well as a “watch list” where school finances are more closely monitored.

Which state office is responsible for completing state's CAFR?

Office of Budget ([statutory responsibility](#))

When was most recent state CAFR filed?

Pennsylvania's fiscal year ends on June 30th. Its FY16 [CAFR](#) was filed December 15, 2016.

Based on what we know about past filing behavior, when will GASB 77 start appearing in Pennsylvania?

- **[State government](#)**: Mid-December 2017
- **Largest cities**:
 - [Philadelphia](#): late February 2018
 - Pittsburgh: [Issued](#) April 28, 2017
 - Allentown: [Issued](#) June 27, 2017
- **Largest counties**:
 - Philadelphia County: files joint CAFR with City of Philadelphia
 - Allegheny County: [Issued](#) May 26, 2017
 - [Montgomery County](#): [Issued](#) August 16, 2017
- **Largest School Districts**
 - [Philadelphia](#): mid-February 2018
 - [Pittsburgh](#): [Issued](#) June 28, 2017 (CAFR says they implemented GASB 77, but they did not report any passive losses due to subsidies)

Are there disputes/debates over subsidies or transparency that will support robust GASB 77 compliance?

As in many states, state aid to Pennsylvania schools has been on a declining trajectory for a quarter of a century. A [2016 school funding reform measure](#) provided a small increase in state aid, but in so doing, [locked in aid formulas](#) that continue to put districts with large numbers of low-income students at a disadvantage and continues PA's record as having the most inequitable school funding in the nation. Robust GASB 77 disclosure will enlighten this important on-going debate over how to pay for restoration of adequate school funding.

For more information on GASB 77, visit: <http://www.goodjobsfirst.org/gasb>

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