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System Office Financial Reporting
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GASB STATEMENT NO. 96 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Introduction

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability, and provides the capitalization criteria for outlays other than subscription payments, including implementation of a SBITA, and requires note disclosures regarding the SBITA.

Effective Date of the Change

GASB issued Statement No. 96 effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Minnesota State will implement GASB 96 for the 2023 fiscal year end.

Minnesota State will be permitted, but not required, to include the measurement of the subscription capital outlay associated with the initial implantation stage and the operation and additional implementation stage incurred prior to implementation of this Statement.

Scope and Applicability of This Statement

A SBITA is defined as a contract that conveys the control of the right to use another party's information technology, alone or in combination with tangible capital assets as specified in the contract for a period of time in an exchange or exchange-like transaction.

Under this Statement Minnesota State should recognize a right-to-use asset (an intangible asset) and a corresponding liability at the commencement of the subscription term – which is when the asset is placed into service. The liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government’s incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as follows:

- The initial subscription liability amount
- Plus, Payments made to the SBITA vendor before commencement of the subscription term
- Plus, capitalizable implementation costs
- Less, any incentives received from the SBITA vendor at or before the commencement of the subscription term

The subscription asset should be amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset.

Statement No. 96 provides an exception for short-term SBITAs, which have a maximum possible term under the SBITA contract of twelve months or less. Subscription payments for short- term SBITAs should be expensed.

Statement No. 96 excludes internally developed software.

Effect of GASB 97 on Financial Statements

The following table summarizes the effect of GASB 97 on the statement of net position at 6/30/2023:

Right to Use Subscription Asset	\$ 29.2 Million
Subscription Liability	\$ (29.1) Million
Net Increase to Net Position	\$ 0.1 Million