



Alabama and GASB Statement No. 77

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Who in state government is most likely to influence GASB 77 disclosure? Chief Examiner of Public Accounts Rachel Riddle. The Department of Public Accounts was created in 1947 and has the authority under Title 41, Chapter 5 of the Alabama Code, to audit all governmental bodies receiving state or federal funding. The Department reports to the State Legislature. A joint legislative committee appoints a Chief Examiner to seven-year terms. Local government audit documents are searchable on the department's [website](#). The Alabama Department of Education compiles an annual [Report Card](#) of cumulative data from the state's school districts. The Report Card includes information on test scores; student attendance; behavior and graduation rates; and key financial data both aggregated and by district. GASB 77 data would fit well into this annual report.

Who commented on the Exposure Draft from Alabama? Four entities in Alabama submitted comments on the Exposure Draft: [Alabama Education Association](#) (an NEA affiliate) called for inclusion of personal income tax, sales tax diversions and film tax credits, and asked that the future liabilities associated with tax abatements also be disclosed. [School Superintendents of Alabama](#) called for inclusion of income tax and sales tax diversions, and also asked for full-cost accounting of tax abatements. [Arise Citizens Policy Project](#), in a letter co-signed with the Mississippi Economic Policy Center, called for disclosure of sales tax diversions and the disclosure of long-term liabilities associated with abatements. Two [AFT affiliates](#), Jefferson County and Birmingham, echoed the concerns of above groups with regard to income/sales tax diversion and disclosure of long-term liabilities associated with abatements.

Does the state's most recent CAFR include GASB 77 disclosure? Yes.

How many counties, municipalities and school districts in the state are required to conform with GAAP and therefore GASB Statements? According to GASB's [research brief](#) titled "State and Local Government Use of Generally Accepted Accounting Principles for General Purpose External Financial Reporting" (2008), none of Alabama's 67 counties, 451 municipalities or 128 school districts is required by state law to use GAAP accounting.

Alabama's public universities are required by state law to be GAAP-compliant. However, as in many other states, GAAP compliance is more common than is required by law. Government bodies that are not legally required to follow GAAP may do so anyway, presumably to satisfy credit ratings agencies and obtain the lowest possible interest rates on bond borrowings, or as a condition of receiving federal funding.

How many counties, municipalities and school districts reported on GASB 77 disclosures in 2018? 15 of 23 sampled counties/municipalities and 0 of 95 sampled school districts.

Is there a state office that collects CAFRS from counties/cities/school districts? The Examiner of Public Accounts gathers CAFRs from counties, cities and school districts, though that office does not publicly post CAFRs online. The State Department of Education also collects CAFRs from school districts and publishes both aggregate and summary financial information by district in its annual Report Card on state schools, but does not post individual school districts CAFRs or audits.

Does the state government or do academic/NGO institutions provide technical assistance on GAAP, GASB or completing CAFRs? The Examiner of Public Accounts does provide some educational resources to local governments, but none advising on how to complete a CAFR or on compliance with new GASB initiatives. In May, 2016, the Association of County Commissions of Alabama presented an update on [various new GASB requirements](#) that included six slides on GASB 77.

Does state government monitor fiscal stress within county/municipality/school district? Alabama has no formal stress testing in the state; the Examiner of Public Accounts informally fulfills this role through the normal audit process.

Which state office is responsible for completing state's CAFR? Alabama Department of Finance, Office of the State Comptroller.

What early compliance news do we have from Alabama? (as of May 5, 2017) Birmingham voluntarily made its GASB 77 disclosures a year before it was required to. Its 2016 CAFR includes six pages (pp. 73-78) of tax abatement data. The city reported \$5.9 million in tax rebates in 2016. In addition, under the passive loss reporting requirements of GASB 77, it reported \$4.6 million in tax revenue lost as a result of abatement programs operated by other governmental bodies. In addition to reporting a year early, Birmingham went beyond GASB's minimum standards by also naming all of the companies with abatement agreements valued at more than \$1 million, and by reporting expected future liabilities for its abatement programs.

Are there special issues or concerns affecting GASB 77 implementation within Alabama?

The state constitution prohibits the abatement of educational property taxes and educational county and city sales and use taxes for economic development purposes. In 1947, with leadership from the Alabama Education Association, Alabama voters adopted a constitutional amendment to establish the Education Trust Fund, to be funded with income tax revenue, for the express purpose of paying teachers' salaries. Roughly 80 percent of local school funding comes from the state. In 2002, an additional amendment was passed moving the Education Trust Fund into the largest Alabama Trust Fund, which draws the bulk of its revenue from royalties on offshore energy production. The Education Trust Fund was renamed the Education Rainy Day Fund. This unique funding structure has not been without political controversy. In the 1970s, then-Gov. George Wallace tried to shift 12 percent of the education fund's assets to the general fund, but public pressure blocked Wallace's plan. More recently, personal income tax diversions allowed under the state's economic development laws have threatened this formerly stable base of school funding. Inclusion of personal income tax diversions will thus be an important issue in Alabama's GASB 77 reporting. GASB's 2017 Implementation Guide, at Question 4.40, makes it clear such diversions are reportable abatements.

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

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