

11 Oct 23

Dear Members of the FASAB Board,

I write to you concerning issues which have apparently arisen concerning implementation of the Statement of Federal Financial Accounting Standards 49, entitled Public-Private Partnerships: Disclosure Requirements.

I was one of the original members of the FASAB P3 Task Force, I and have spent considerable time helping to craft the standard, speaking to audiences on the topic, and providing training to federal agencies on its implementation. My perspective on the subject is that of a federal program manager and a doctoral candidate in public administration. Starting in 1995, I was the project manager for the first Air Force military housing privatization project, and from 2000 to 2014, I was the Deputy Director for Housing and Privatization within the Office of the Secretary of Defense. As such I was responsible for providing policy and guidance to the military services on public-private activities. I was also responsible for obtaining OMB approval for over 80 projects generating \$26 billion in initial construction costs. In those days, prior to issuance of SFFAS 49, we were developing and implementing projects and programs “from scratch,” with little insight from other federal P3 experiences. I believe we created considerable public value with the military housing privatization program, but no doubt some mistakes were made.

Public-private partnerships create public value by allowing governments to “steer” rather than “row” in functional areas where they lack either resources or competence. However, they also come with risk and uncertainty. Misalignment of public purpose, public-private governance, and public valuation can lead to program problems requiring costly corrections. In the worst case, they can result in program failure. I have believed from the start that the beauty of SFFAS 49 is that it can provide project and program managers, policy and guidance issuers, decision-makers, and politicians with a centralized collection of data, information, and experience on what works and what does not work in P3 implementation. I believe the quality and quantity of this information is critical to the implementation of successful projects and programs and to public value creation.

Paragraph 24 of SFFAS 49 sets forth the essentials of P3 deal structuring. While every P3 deal is no doubt distinct--and perhaps innovative--in some ways, basic assumptions as to financial and legal structure, funding, expected life, risk, and uncertainty should be available up front and then adjusted over time. If not, why was the P3 project undertaken in the first place? Things no doubt change over time, and some projects have quite long durations. I believe that annual disclosures should reflect updated assumptions for funding from all parties to the deal. It is not clear to me as to why these assumptions would not be available. I think the requirement to provide updated information should always be included in a project’s initial deal terms. Understanding long-term P3 trends and developments can be very valuable information for project managers and academics.

Thanks for the opportunity to provide the Board my thoughts on this subject. My doctoral dissertation, entitled *Public Value in Privatization: The Military Housing Privatization Initiative of 1996*, is published and available on ProQuest.com. It provides an analytical framework for assessing co-produced (P3) infrastructure projects and programs.

Sincerely,  
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