

Memorandum

P3s – Phase 2

September 21, 2026

To: Members of the Board
From: Domenic N. Savini, Assistant Director
Thru: Monica R. Valentine, Executive Director
Subject: **Public-Private Partnerships (P3s)**
Phase 2 – Measurement and Recognition (Topic F)

OBJECTIVE

The objective of the meeting is for the Board to review input from the P3 task force and P3 working group regarding the measurement and recognition of P3s so that the Board can consider options on the next steps for phase 2 of the project. Consistent with the P3 task force and working group input, staff recommends the Board consider refining the phase 2 project scope by: (1) issuing a technical bulletin to address measurement and recognition issues and (2) amending SFFAS 49 paragraph 24 disclosure requirements to focus on risk reporting.

REQUEST FOR FEEDBACK BY October 5, 2026

Prior to the meeting, please review the attached staff analysis and respond to the ensuing questions by **October 5, 2026**.

NEXT STEPS

Pending Board member feedback, staff will continue working with the task force and working group to research, develop and recommend guidance to clarify and explain how to use existing FASAB GAAP to measure and recognize P3 activities and develop potential amendments to SFFAS 49.

ATTACHMENTS

1. Staff Analysis
2. Project Timeline

APPENDIX A - Public-Private Partnerships: Project History

APPENDIX B – Summary of Non-Federal Investments Project Plan dated August 5, 2011

Staff Analysis

P3s – Phase 2

September 21, 2026

INTRODUCTION

Project Purpose - *Making the full costs of Public-Private Partnerships transparent.*

The project covering Public-Private Partnerships (P3s) was added to the Board's agenda in 2012 because federal agencies have increasingly turned to these risk sharing arrangements or transactions to accomplish their goals. Given that budget pressures are likely to further increase the use of P3s, the Board agreed that the overall objective of the project would be making the full costs of such partnerships transparent.

Project discussions began in April 2012 and resulted in the Board approving a dual phased approach. The first phase would consist of establishing disclosure requirements, followed by measurement and recognition guidance in the second phase.

Active work on this project's first phase began in 2013 and culminated with the issuance of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, on April 27, 2016 effective for periods beginning after September 30, 2018. Attachment 2 includes the project timeline for a chronological summary of the P3 phase 2 project.

Background

Phase 1 – *Issuance of SFFAS 49 as a “safety net”¹.*

The P3 project was formally added to the FASAB agenda in April 2012 in response to growing federal reliance on P3 arrangements amid tightening agency budget constraints. Concurrently with its inaugural task force meeting in early 2013, the Board prioritized identifying fiscal exposures and developing risk-based disclosures (phase 1) over immediate asset and liability recognition (phase 2). To establish a comprehensive safety net, FASAB adopted a broad definition paired with conclusive and suggestive risk-based characteristics, ensuring complex transactions were evaluated while creating targeted exclusions for standard acquisitions, foreign arrangements/transactions, and short-term arrangements (five years or less). This phase culminated in the approval of Statement of Federal Financial Accounting Standards (SFFAS) 49, *Public-Private Partnerships: Disclosure Requirements*, in December 2015 to illuminate long-term commitments and remote risks.

¹ The Board intended SFFAS 49 to function as a "safety net" - a backstop designed to complement pre-existing standards for long-term arrangements, such as SFFAS 2 (Direct Loans and Loan Guarantees), SFFAS 47 (Reporting Entity), and SFFAS 54 (Leases). In this context, SFFAS 49 complements established guidance by closing risk-disclosure gaps, ensuring users receive comprehensive information regarding Public-Private partnership (P3) risk allocation, commitments, and long-term fiscal exposures that might otherwise remain off-balance-sheet.

Phase 2 – With SFFAS 63² and TR 24 resolving key implementation hurdles, the task force turned its attention to a fundamental question: Should P3 assets and liabilities be separately measured and reported on the balance sheet?

Following the issuance of SFFAS 49, the Board strategically deferred phase 2—which addresses **measurement and recognition** on the balance sheet—to analyze initial disclosure practices, conduct broad agency training and outreach, and align with emerging standards on reporting entities (SFFAS 47) and leases (SFFAS 54).

Extensive training, outreach and analysis of agency disclosures revealed key implementation challenges, prompting the formation of a working group in 2022 to address risk evaluations, materiality, and guidance harmonization specifically with SFFAS 47 and SFFAS 54. These efforts led to (1) a targeted standard update eliminating the "where available" disclosure exception via an omnibus (SFFAS 63) amendment, and (2) the issuance of Technical Release (TR) 24: *Implementation Guidance for SFFAS 49, Public-Private Partnerships*, to assist preparers in coordinating SFFAS 49 requirements with existing guidance and address key implementation challenges.

Phase 2 began with the objective of first determining whether P3s should be separately classified on the balance sheet comprehensively, displaying assets and related liabilities.

Summary of Analysis and Recommendations

Based on input from the P3 task force and working group, as well as other research, staff recommends the Board consider refining the phase 2 project scope by: (1) issuing a level B technical bulletin to address measurement and recognition issues and (2) developing potential level A amendments to SFFAS 49 paragraph 24 disclosure requirements to focus on risk reporting.

The following staff analysis examines input from the P3 task force's review (to include the P3 working group recommendations) of the phase 2 measurement and recognition approaches available for use by practitioners. The task force held its phase 2 inaugural meeting on March 9th, 2026, to review the results of a straw poll conducted among users, preparers, and auditors. The polling results highlight a natural and expected tension between preparers and users. Furthermore, while some auditors slightly prefer a separate P3 asset class on the balance sheet (with corresponding P3 liabilities), they expressed doubt regarding whether the completeness assertion can be satisfactorily met under that model.

² SFFAS 63: *Omnibus Amendments 2024-1: Amending Statements of Federal Financial Accounting Standards 38, 49, and Technical Bulletin 2011-1*, this omnibus SFFAS removed the "where available" exception when describing federal and non-federal funding and provides flexibility for developing estimates in accordance with paragraph 24.b. of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*.

It is important to note that fundamental differences between the P3 task force and the working group stem from their distinct composition and operational priorities. The task force is predominantly preparer-dominated, leading them to emphasize cost-benefit constraints, implementation feasibility, and the operational burden of direct balance sheet recognition. In contrast, the working group brings a multi-faceted analytical perspective comprising current and former agency policy experts across accounting and operations, a government auditor, and two citizen-users. While the working group initially favored a balance sheet recognition model to maximize transparency, their diverse operational and user-oriented composition allowed them to appreciate the task force's practical concerns regarding valuation complexities and implementation hurdles. Consequently, the working group agreed to leverage its broad policy, audit, and user expertise toward refining and enhancing existing SFFAS 49 disclosures rather than imposing complex balance sheet recognition mandates.

Stakeholder Perspectives:

- **Preparers - "Keep it simple, don't overload us."** Concerned about an increased reporting burden, preparers prefer to maintain existing disclosures under SFFAS 49. Preparers indicate that compiling required information for separate balance sheet recognition imposes preparer burden and increased audit costs.
- **Auditors - "You can't balance-sheet what you can't aggregate."** Concerned about management challenges regarding assertions over a separate P3 asset class and whether users would be satisfied with such a display absent more effective disclosures on risk.
- **Users - "How much are we on the hook for?"** Conversely, users are advocating for greater transparency. They favor establishing a separate P3 asset/liability class on the balance sheet, complemented by robust and understandable SFFAS 49 narrative disclosures regarding risk.

Additionally, the P3 working group met during the year to identify and evaluate classification methods for P3 arrangements/transactions. The working group believes that existing level A guidance sufficiently supports the following identified measurement and recognition methods:

- Capital assets
- Investment assets
- Reporting entities
- Subsidy classifications
- Appraised value methods (typically reserved for specific cases like divestitures or privatization)³

³ For example, the *Federal Land Policy and Management Act of 1976 (FLPMA)* (43 U.S.C. § 1713). This requirement governs public land sales managed by the Interior Department. Section 203 explicitly stipulates that public lands cannot be sold for less than their fair market value as established through an appraisal. Source: <https://www.law.cornell.edu/cfr/text/43/2710.0-6>

Refined Phase 2 Measurement and Recognition Suggested Approach

The phase 2 scope is broad in coverage initially designed to address the following major measurement and recognition issues:

- Balance sheet presentation and valuation
- Interest in a special purpose entity or vehicle
- Single or unitary payments
- Asset capitalization
- Reversionary or residual interests
- Non-monetary exchanges
- In-kind consideration (donated assets)
- Unearned revenue

Feedback from task force members, agency preparers, and auditors indicates that existing FASAB standards sufficiently cover most P3 issues. In exceptional cases where guidance is lacking or incomplete, practitioners can rely on SFFAS 34 GAAP hierarchy principles or utilize technical inquiries for assistance.

- **Recommendation 1 - Refine phase 2 measurement and recognition approach**

Recognizing that current FASAB standards already govern core asset, liability, revenue, and expense accounting, staff and task force members recommend the Board pivot phase 2 toward drafting a technical bulletin to help guide practitioners in applying GAAP to P3 arrangements/transactions and if applicable, updating SFFAS 49 disclosure requirements to better focus on risk reporting. Refer to recommendations 2 and 3 below. Simply put, phase 2 would not pursue separately measuring and reporting P3 assets and liabilities as single elements on the balance sheet.

- **Recommendation 2 – Consider issuing level B guidance in a technical bulletin to address measurement and recognition issues**

Technical bulletins provide guidance for applying FASAB Statements and Interpretations and resolving accounting issues not directly addressed by either the Statements or Interpretations. This approach allows preparers to maintain their current measurement and recognition practices while avoiding unnecessary complexities that would result by requiring the development of separate P3 asset and liability classes. As stated above, staff and task force members recommend the Board to pivot phase 2 toward drafting a technical bulletin.

Additionally, Statement of Federal Financial Accounting Concepts 7: *Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording*; paragraph 7b states, “For example, **if the measurement approach for a particular asset is to report a remeasured amount and the measurement attribute selected is fair value**, possible measurement methods could be to research quoted market prices, if available, **or to obtain a professional appraisal**. Different measurement attributes and methods may be used for different assets and liabilities, and the selections made can affect the usefulness of reported information for decision making.”

Cf. SFFAC 7, ¶37.

Cf. SFFAS 6, ¶20A, FN 24.1; SFFAS 29, ¶36A, FN 17.1; SFFAS 44, Illustration 7A

- **Recommendation 3 – Consider amending SFFAS 49 (level A) paragraph 24 disclosure requirements to focus on risk reporting**

In connection with the issuance of a technical bulletin, expanding and emphasizing risk disclosures via targeted amendments to SFFAS 49, paragraph 24 disclosure requirements is seen as a scalable and practical solution to help meet the goal of making the full costs of P3s transparent. Simply put, by refining disclosure requirements and coordinating them, the disclosures can act as a 'traffic cop' to guide users toward related P3 information, disclosing or discussing P3 risk across the entity's financial statements. As also stated above, staff and task force members recommend the Board pivot phase 2 to assess whether targeted amendments to SFFAS 49 would increase transparency concerning P3 risk.

Staff proposes this refined phase 2 strategy to the Board as a practical balance between user information needs and preparer capabilities. Staff requests Board feedback on the above three recommendations; details concerning each follow.

ANALYSIS AND RECOMMENDATIONS

1. Recommendation 1 - Refine phase 2 scope and pivot to consider a level B technical bulletin to address measurement and recognition issues

Given that sufficient guidance exists (both within the FASAB pronouncements, including SFFAS 34 GAAP hierarchy application) regarding the recognition and measurement of assets/liabilities and revenues/expenses, technical bulletins can be effectively used for the measurement and recognition of P3 arrangements/transactions. Accordingly, assisting the preparer community with timely guidance to apply current FASAB guidance (to include SFFAS 34 application where appropriate) to P3s will help achieve the project goal of making the full costs of P3s transparent.

Historical Board Precedent

Utilizing existing FASAB standards and SFFAS 34 GAAP hierarchy principles directly aligns with the Board's historical approach for complex, non-traditional investments. As detailed in Appendix B (Summary of Non-Federal Investments Project Plan), when faced with evaluating non-federal interventions and complex financial stakes, the Board established clear consensus not to "re-invent the wheel" or construct novel accounting models when existing frameworks and established valuation workflows could be effectively applied.

Issuance of a Technical Bulletin Level B GAAP⁴

Because robust FASAB guidance exists regarding the measurement and recognition of assets/liabilities and revenues/expenses, staff recommends the Board consider issuing a technical bulletin. Such bulletins provide guidance for applying FASAB Statements and Interpretations and resolving accounting issues not directly addressed by either the Statements or Interpretations.

The following kinds of guidance may be provided in the technical bulletin:

- a. Guidance to clarify, explain, or elaborate on an underlying Statement or Interpretation, and
- b. Guidance to address areas not directly covered by existing Statements or Interpretations.

Technical bulletin procedures provide timely guidance following both due process (more limited in scope and within a tighter minimum time frame than provided for Statements and Interpretations) and review by FASAB members.

Generally, a technical bulletin can provide guidance if the problem can be resolved within the following guidelines:

- a. The guidance is not expected to cause a major change in accounting practice.

⁴ Per FASAB's Rules of Procedure (updated April 2026), technical bulletins may also be used to provide new standards. However, staff proposes using a technical bulletin primarily for implementation guidance. The primary difference between a technical bulletin and statements and interpretation is the due process requirements which are more limited in scope and within a tighter minimum time frame than provided for statements and interpretations. A technical bulletin will not be issued if a majority of the FASAB members object either to the guidance in it or to communicating that guidance in a technical bulletin.

- b. The administrative cost involved in implementing the guidance is not expected to be significant to most affected entities.
- c. The guidance does not conflict with a broad fundamental principle or create a novel accounting practice.

P3 Measurement and Recognition Framework

As illustrated by Figure 1, the working group's assessment is that there are four distinct classifications or lenses that P3s are or can be measured and recognized. They include: (1) capital asset classification; (2) investment asset classification; (3) reporting entity classification; and (4) subsidy asset classification. Taken as a whole, this framework provides the following benefits:

- Avoids introducing additional complexity and practitioner learning curves,
- Leverages existing entity-specific valuation workflows,
- Standardizes asset recognition, and
- Complies with the spirit and intent of SFFAS 49.

An illustration of the above is shown below in Figure 1, *House of GAAP Applicable to P3s*.

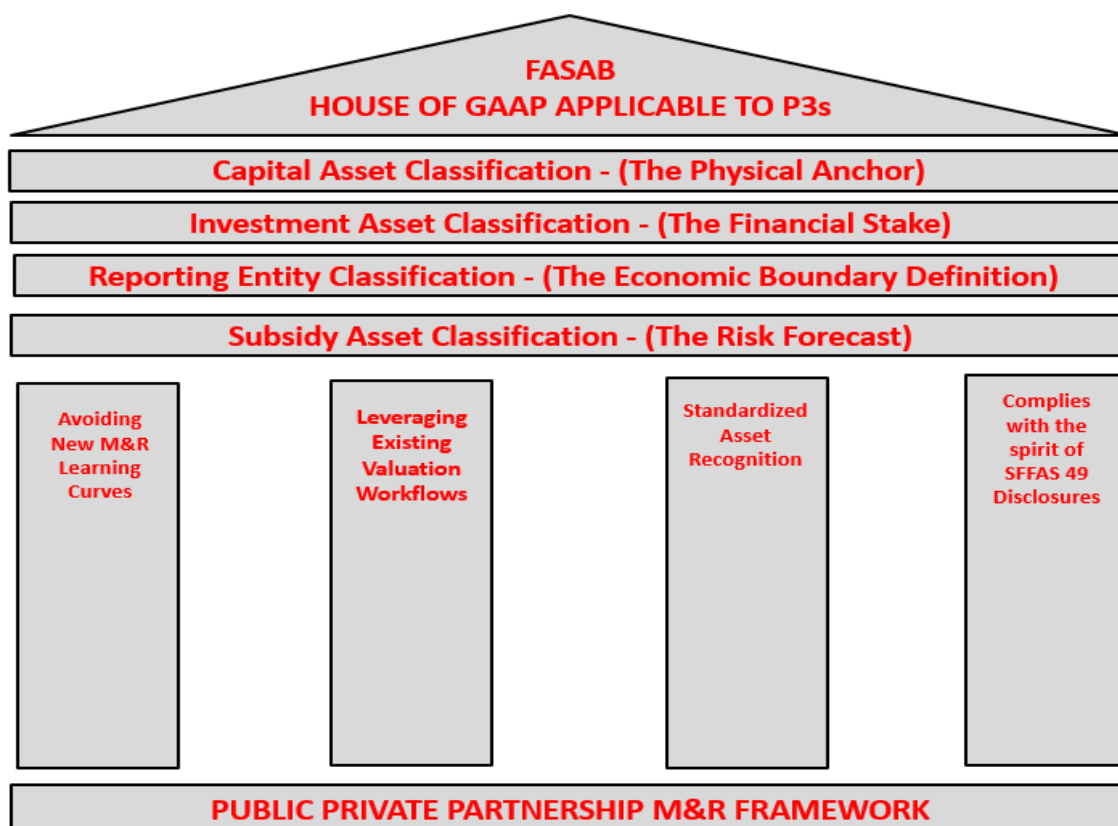


Figure 1

The following is a detailed analysis of applicable P3 measurement and recognition GAAP principles:

Capital Asset Classification – This classification has three distinct measurement and recognition approaches that can be used to account for P3s when recognizing capital assets. They are fee simple acquisition (i.e., direct property, plant, and equipment (PP&E) purchase acquisition); PP&E via exchange and right of use (leased) acquisition. The key standards that apply to each respectively include SFFAS 6, *Accounting for Property, Plant, and Equipment*; SFFAS 7, *Accounting for Revenue and Other Financing Sources*; and SFFAS 54, *Leases*.

- **The first approach, fee simple acquisition**, provides a clear, unambiguous ownership model that is governed by SFFAS 6 as a direct PP&E purchase acquisition. Additionally, SFFAS 49 (P3 disclosures) requires explicit disclosure of long-term risks, underlying guarantees, and contractual commitments associated with the purchased asset.
- **The second approach, PP&E via exchange**, treats the asset acquisition as a reciprocal exchange of value that is governed by SFFAS 6 and SFFAS 7. In general, disclosures detail the specific exchange terms and reciprocal value transfers,
- **The third approach, leased asset acquisition**, accounts for the asset as a right-to-use leased asset that is governed by SFFAS 54. Please note that while balance sheet recognition follows leases, a lease may only represent one component of a larger, multifaceted P3 agreement. Refer to [TR 24](#) for lease related implementation guidance.

Investment Asset Classification - This classification also has three distinct measurement and recognition approaches used to evaluate a federal agency's involvement in a P3 through its financial stake, ownership interest, or financial return rights. They are the cost method, fair value method, and equity method. Applying SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards*, the key standards that apply to each respectively include FASB Guidance: ASC 321 (Investments – Equity Securities), ASC 820 (Fair Value Measurement) & ASC 321 (Investments – Equity Securities), and ASC 323 (Investments – Equity Method and Joint Ventures).

- **Cost method** - for equity investments without a readily determinable fair value (and where the investor does not exercise significant influence), FASB allows the investment to be measured at cost minus impairment, plus or minus observable price changes for identical or similar investments of the same issuer. Refer to ASC 321 (Investments – Equity Securities) and ASC 326 (Financial Instruments – Credit Losses).

- The cost method is used when: no significant influence exists; the investment isn't publicly traded; fair value isn't adopted or readily determinable.
- **Fair value method** – for readily determinable fair values ASC 321 requires equity investments to be measured at fair value on the balance sheet, with changes in fair value recognized in net income. ASC 820 (Fair Value Measurement) defines fair value and establishes the framework for measuring fair value (level 1, level 2, and level 3 hierarchy) and governs the extensive valuation disclosures required in financial statement footnotes; ASC 320 (Investments - Debt Securities) for available-for-sale or trading debt securities, and ASC 321 (Investments – Equity Securities).
 - The fair value method is primarily used when: there is little to no influence (e.g., 0.0% to 19.0%) via voting stock. For ownership interests between 20.0% and 50.0%, the equity method under ASC 323-10 is presumed required unless the reporting entity formally elects the Fair Value Option pursuant to ASC 825-10 (Financial Instruments). Please note that more than 50.0% ownership in the voting stock requires consolidation.
- **Equity Method** – when a reporting entity has the ability to exercise significant influence over a P3s operating and financial policies but does not hold controlling financial interest, ASC 323 applies. Refer to ASC 320 (Investments – Debt Securities), ASC 321 (Investments – Equity Securities), and ASC 820 (Fair Value Measurement).
 - The equity method is used when: when influence (via voting stock) is between 20%-50% and the fair value method is not elected.

Reporting Entity Classification - This classification evaluates P3s through the lens of governance, accountability, and organizational boundary parameters as established at SFFAS 47, *Reporting Entity*. This approach focuses on whether a P3 arrangement or structure such as a special purpose vehicle (SPV), limited liability partnership, private partner entity, etc., meets the criteria to be included within a reporting entity's financial report. For inclusion, an organization must first meet at least one of the following three core inclusion criteria established in SFFAS 47: (1) in the Budget; (2) majority ownership interest; or (3) control with risk or reward. Lastly, if an entity would be misleading to exclude, it would be a candidate for inclusion even though it does not meet one of the three inclusion principles.

Under SFFAS 47, a federal reporting entity classifies and presents organizations in its General Purpose Federal Financial Reports (GPFFRs) using three primary presentation categories: consolidated, disclosure, or related party.

The key standard that applies is **SFFAS 47**. Refer to **TR 24** for reporting entity related implementation guidance.

- **Consolidated** – an entity is consolidated if it meets certain operational characteristics not all of which are required to be met or to be met to the same degree. They are: (1) financed primarily by non-exchange revenues, (2) governed by Congress and/or the President; (3) imposes or may impose risks and rewards to the federal government; and (4) provides goods and services on a non-market basis.
- **Disclosed** – in general, these are entities that meet the inclusion criteria but have greater autonomy and relative financial independence, and include separate legal identities, or temporary control (such as receiverships, conservatorships, or quasi-governmental entities).
- **Related Party** – in general, entities are considered related parties if the existing relationship leads to one party to the existing relationship having the ability to exercise significant influence over the other party's policy decisions. Significant influence (for the purpose of this Statement) is the power to participate in the policy decisions of an entity but not control those policies.

Subsidy Asset Classification - This classification evaluates P3s through the frame of long-term fiscal exposure, guarantees, and credit-like risk allocations by focusing on measuring and accounting for the net present value of contingent liabilities, credit subsidies, and long-term federal cash flow commitments. The key standard that applies is [*SFFAS 2, Accounting for Direct Loans and Loan Guarantees*](#).

When a P3 either involves or leverages federal credit programs, loan guarantees, or contractual payment streams contingent on future performance, the net present value of expected cash inflows and outflows is a well-established approach to capturing the subsidy cost or liability when asset outflows exceed asset inflows.

Recommendation 1 - Refine phase 2 scope and pivot to consider a level B technical bulletin to address measurement and recognition issues

The phase 2 scope was initially designed to address the following major measurement and recognition issues:

- Balance sheet presentation and valuation
- Interest in a special purpose entity or vehicle
- Single or unitary payments
- Asset capitalization
- Reversionary or residual interests
- Non-monetary exchanges
- In-kind consideration (donated assets)
- Unearned revenue

The P3 working group believes (1) that there is no single measurement and recognition accounting method that captures all dimensions of every federal P3 and by extension, their full economic substance to comply with SFFAS 49 reporting requirements and (2) requirements to compile such information would be cost-prohibitive. The basis for this conclusion is that a complete P3 evaluation would require integrating:

- Contract award/procurement criteria and cost-benefit information
- Asset recognition and investment measurement information
- Entity control and performance information
- Long term fiscal exposure
- SFFAS 49 risk disclosures, and
- OMB A-11 scorekeeping information

Furthermore, feedback from task force members, agency preparers, and auditors indicate that existing FASAB standards sufficiently cover most of the above P3 measurement and recognition issues. In exceptional cases where guidance is lacking or incomplete, practitioners can rely on SFFAS 34 GAAP hierarchy principles or utilize technical inquiries for assistance.

Question for the Board:

1. **Recommendation 1** - Does the Board agree with the staff analysis and recommendation to refine the phase 2 measurement & recognition approach? If not, explain your rationale.

Recommendation 2 – Consider issuing a technical bulletin to address measurement and recognition issues

Staff recommends the Board consider the issuance of a technical bulletin to provide practitioners with targeted guidance on navigating the FASAB GAAP hierarchy for P3s. Specifically, this research would focus on how agencies can effectively apply SFFAS 34 when assessing complex P3 arrangements/transactions.

By illustrating how to apply FASAB GAAP and leverage SFFAS 34 (drawing upon non-governmental accounting frameworks such as relevant FASB ASC topics), a technical bulletin could offer a clear, structured roadmap for resolving novel measurement, recognition, and disclosure challenges without creating new standards thus avoiding learning curves and practitioner burden. Furthermore, such an approach leverages existing entity valuation workflow processes, helps standardize asset recognition and complies with the spirit of SFFAS 49 which is making the full costs of P3s transparent.

It is important to note that technical bulletin guidance is designed to clarify, explain, or elaborate on existing Statements and Interpretations, particularly where specific provisions are not directly addressed. By leveraging current standards and established entity valuation workflows, this approach avoids disrupting accounting practice, minimizing administrative costs without conflicting with fundamental principles or introducing novel accounting treatments.

Question for the Board:

- 2. Recommendation 2** - Does the Board agree with the staff analysis and recommendation to explore the issuance of a technical bulletin to address measurement and recognition issues? If not, explain your rationale.

Recommendation 3 – Consider amending SFFAS 49 paragraph 24 disclosure requirements to focus on risk reporting

Staff recommends the Board consider issuing potential amendments to SFFAS 49 to achieve more targeted risk reporting.

The “tug-of-war” between preparers who are concerned about an increased reporting burden and users who are advocating for greater transparency is not an intractable issue.

Preparers and auditors on the task force have offered a path ahead by suggesting that SFFAS 49 be sharpened or better focused on risk reporting. They suggest amending/clarifying certain disclosures in exchange for enhancing or adding other disclosures that help answer the user’s basic question of ***“How much are we on the hook for?”***

Users on the task force are advocating for greater transparency and although they reserve judgment at this time, they would be encouraged with the possibility of more informative risk disclosures. That is, enhanced risk disclosures may satisfy much of their information needs that originally motivated them for separate balance sheet recognition.

In FASAB’s premier course, *Accounting Concepts and Standards*, the qualitative characteristics of financial reporting set forth in SFFAC 1 (Objectives of Federal Financial Reporting) are reviewed using a helpful rhetorical memory aid:

Are you ready to communicate clearly?

SFFAC 1 Qualitative Characteristics of Information in Financial Reports

Relevance - To be relevant, a logical relationship must exist between the information provided and the purpose for which it is needed. Information is relevant if it is capable of making a difference in a user’s assessment of a problem, condition, or event. ¶161

Understandability - Information in general purpose financial reports should be expressed as simply as possible because users, including internal users, tend to have different levels of knowledge and sophistication about government operations, accounting, and finance. ¶157

Reliability - Financial reporting should be reliable; that is, the information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. ¶160

Timeliness - Timeliness alone does not make information useful, but the passage of time usually diminishes the usefulness that the information otherwise would have had. In some instances, timeliness may be so essential that it requires sacrificing a certain amount of precision or detail. ¶162

Consistency - Financial reports should be consistent over time; that is, once an accounting principle or reporting method is adopted, it should be used for all similar transactions and events unless there is good cause to change. ¶163

Comparability - Comparability implies that differences among financial reports should be caused by substantive differences in the underlying transactions or

organizations rather than by the mere selection of different alternatives in accounting procedures or practices. ¶164

Preliminary Working Group Proposal (balance sheet focused approach)

Although the working group initially prioritized formal recognition directly on the face of the balance sheet to drive accountability, challenges to this approach became evident after consulting with the task force at large. As a result, the working group used the above qualitative characteristics for financial reporting to evaluate the existing disclosures. Their preliminary thoughts on the SFFAS 49 risk reporting disclosures include:

Item	Working Group Proposal	Explanation
1	Define contractual risks of loss as strictly contractual.	Bound by the four corners of the P3 agreement or transaction, making them readily identifiable.
2	Utilize OMB scoring reports as potential information repositories.	Reports like OMB Exhibits 53/300, OMB A-11, and Schedule C help evaluate risk, alignment, and lifecycle costs ⁵ .
3	Clarify SFFAS 49 paragraph 24 c (ii) to allow cash flow disclosures over contractual life.	Applies when expected-life cash flows are not reasonably available. <i>Current rule:</i> Requires estimated aggregate receipts/payments over expected life.
4	Clarify SFFAS 49 paragraph 24 d to focus exclusively on the reporting entity's risk of loss.	Shifts focus away from private partner risks. <i>Current rule:</i> Requires identification of risks undertaken by all P3 partners.

⁵ Office of Management and Budget (OMB) Circular A-11 establishes policy for agency budget requests and capital programming (Part 7). OMB Exhibit 53 provides an aggregate agency-wide IT investment portfolio view, while Exhibit 300 serves as the project-level business case evaluating risk, performance baselines, and lifecycle costs for major capital assets. Schedule C reports budget resource allocations by character classification (e.g., physical assets, research and development) under Section 84, as well as multi-year project funding profiles within capital planning submissions. Source: <https://www.whitehouse.gov/wp-content/uploads/2025/08/a11.pdf>

Preliminary Task Force Thoughts (disclosure focused approach)

SFFAS 49 Disclosures Inadequate	SFFAS 49 Disclosures Adequate
• Disclosures are used to avoid proper balance sheet asset and liability recognition. • Narrative notes mask long-term financial risks and potential taxpayer liabilities. • Reporting lacks direct line-item cross-references, risk-sharing terms, and measurement limitations. • Footnotes confuse non-expert readers and should be replaced with a clear balance sheet asset category	• Existing requirements for tracking receipts, payments, and liabilities are simple and effective. • Current requirements meet user needs without adding workload.

The task force recommended an approach focused on enhanced note disclosure rather than formal balance sheet recognition primarily over cost-benefit considerations and implementation and audit concerns. Understanding these concerns, the working group decided that the most effective path forward was to focus on enhancing existing SFFAS 49 disclosures rather than introducing broad recognition requirements.

Although the working group and task force approached SFFAS 49 differently, both favor enhancing P3 risk disclosures while minimizing preparer burden. Both agree disclosures should focus strictly on the entity's financial exposures, not the private partner. The working group advises using flexible tools like OMB scoring reports or balance sheet cross-referencing and the task force notes that key refinements could include: adding structure by explicitly naming material P3 arrangements, cross-referencing related financial statement line items, detailing commitments and risk-sharing terms, and transparently noting measurement limitations.

Question for the Board:

- 3. Recommendation 3** - Does the Board agree with the staff proposal to consider amending SFFAS 49 paragraph 24 disclosure requirements to focus on risk reporting? If not, explain your rationale.

NEXT STEPS

Pending Board feedback, staff will continue to research and recommend additional guidance as well as training and outreach efforts for Phase 2. Specifically, staff will continue working with the task force and working group to develop additional options for the Board's consideration.

Project Timeline and Key Decisions				
PROJECT NAME: P3s: PHASE 2 – MEASUREMENT AND RECOGNITION				
Phase	Approved Dates (Updated Dates)	Description	Key Decisions by Board Meeting (including major changes that impact timeline)	Date Phase Completed/Expected to be Completed
P3 Phase 2 Pivot Strategy	October 2026	Refinements to the Phase 2 project scope to address P3 measurement and recognition without introducing a separate P3 balance sheet asset/liability class.	Board reviewing staff recommendation to pivot Phase 2 toward: (1) explore issuing a technical bulletin to guide practitioners in applying FASAB GAAP (including SFFAS 34 and non-governmental frameworks like FASB ASC topics), and (2) consider amending certain SFFAS 49 disclosure requirements to streamline and expand risk reporting. Decision resolves stakeholder tension between preparer burden, user transparency demands, and auditor completeness concerns.	TBD (Pending Board feedback on October 2026 memorandum options)

APPENDIX A - Public-Private Partnerships: Project History

Date	Meeting / Event	Key Discussions & Decisions
April 26, 2012	Agenda Setting	1. P3 project formally added to FASAB's agenda due to growing federal reliance on P3s. Staff proposed deferral pending progress on Leases and Entity projects; Board requested illustrative practice issues.
August 30, 2012	Board Meeting	2. Agreed not to defer the project, directing staff to proceed while coordinating with Leases and Reporting Entity projects. Reserved judgment on issuing a Technical Bulletin vs. a full Standard.
December 19, 2012	Board Meeting	3. Brief discussion on project scope. Members agreed to consider a scope broader than GASB/IPSASB Service Concession Arrangements, emphasizing principles-based guidance to cover accounting gaps.
February 27–28, 2013	Task Force Launch	4. Reported on the inaugural P3 Task Force meeting (Feb 13). Stakeholders discussed budget drivers, off-balance-sheet stigmas, government risk assumption, and the need for a federal definition.
April 24–25, 2013	Board Status	5. Project was not discussed at the meeting; staff and task force continued research and agency/industry fact-finding meetings.
June 19, 2013	Board Meeting	6. Focused on project scope and approach. Staff recommended evaluating P3 underlying business models (which became Phase 1) and fiscal exposures prior to asset/liability recognition (Phase 2). Reviewed preliminary life-cycle reporting criteria.

Date	Meeting / Event	Key Discussions & Decisions
August 28–29, 2013	Board Meeting	7. Reviewed suggested P3 definition, conclusive vs. suggestive reporting characteristics, and potential fiscal exposure disclosures. Addressed concerns over vague terminology and potential disclosure overload.
October 23–24, 2013	Board Meeting	8. Staff was joined by task force members to review a revised definition and flowchart. Board reaffirmed using a broad definition paired with risk-based characteristics to filter reportable arrangements.
December 18–19, 2013	Board Meeting	9. Reviewed updated P3 definition, introductory scope text, and risk disclosure framework alignment. Agreed to proceed with a broad P3 definition.
March 5–6, 2014	Board Meeting	10. Reviewed draft Disclosure ED. Addressed concerns over an overly broad definition, application of conclusive/suggestive characteristics, remote risks, and termination costs.
April 23–24, 2014	Board Meeting	11. Revised draft ED to clarify government shared financing, align with SFFAS 5 (contingencies), remove pre-screening conditions/filters, and operationalize materiality coupling it with the use of "significant".
June 25–26, 2014	Board Meeting	12. Resolved remaining technical ED issues. Agreed to require disclosures for recognized financial statement amounts, contingent losses, and 5-year future payments.

Date	Meeting / Event	Key Discussions & Decisions
August 27–28, 2014	Board Meeting	13. Approved final edits for the Disclosure ED. Evaluated Phase 2 options (proceed vs. defer) to allow further research on implementation.
October 22–23, 2014	Board Meeting	14. Phase 1: Issued ED for public comment (including an alternative view). 15. Phase 2: Board voted to defer Phase 2 in the 3-year plan to observe Phase 1 disclosure results and progress on lease/entity standards.
December 17–18, 2014	Board Update	16. Processed public comment letters received for the Disclosure Exposure Draft.
February 25–26, 2015	Board Meeting	17. Reviewed ED comments. Added carve-outs for basic PP&E and non-risk-sharing arrangements to narrow the broad scope. Debated Mr. Dacey's alternative view on remote risks.
April 29–30, 2015	Board Meeting	18. Reviewed respondent working group feedback. Accepted exempting arrangements of 5 years or less, adding exclusions for grants and foreign governments, and adding an OMB grant risk characteristic.
June 24–25, 2015	Board Meeting	19. Reviewed revised drafts and a flowchart. Edits included requiring arrangements to exceed 5 years, moving definition features to risk characteristics, and removing explicit materiality text. Members generally agreed that through these modifications to the

Date	Meeting / Event	Key Discussions & Decisions
		standards that the issues in the Exposure Draft's alternative view as well as respondent comments to the Exposure Draft had been satisfactorily addressed.
August 26–27, 2015	Board Meeting	20. Considered a revised draft Statement. Major edits included deleting "contractual" from the P3 definition to avoid 5-year contract loopholes, substituting "long-term," and clarifying remote risk disclosures.
October 21–22, 2015	Board Meeting	21. Reviewed a ballot draft of SFFAS 49. Agreed to add clarifying footnote language regarding expected life concepts via email re-balloting.
December 16–17, 2015	Board Meeting	22. The Board re-balloted SFFAS 49 after adding conditions for assessing a P3's expected life. Passed 8–1 for issuance following the 90-day review period.
June 22–23, 2021	Board Educational Session	23. Held an educational session on Phase 2 (measurement and recognition), covering P3 definition variability, risk/financing challenges, and asset capitalization. Major measurement and recognition issues that were deemed eligible for Phase 2 included: a. Balance sheet presentation and valuation b. Interest in a special purpose entity or vehicle c. Single or unitary payments d. Asset capitalization e. Reversionary or residual interests f. Non-monetary exchanges

Date	Meeting / Event	Key Discussions & Decisions
		g. In-kind consideration (donated assets) h. Unearned revenue
August 24–25, 2021	Board Meeting (Briefing Materials – Topic C)	24. Staff presented an analysis of FY 2020 SFFAS 49 note disclosures across CFO Act agencies. The Board paused Phase 2 pending deeper insight into current disclosures.
October 2021	Research Phase	25. Staff began researching entity usage of P3 definitions, exclusions, risk characteristics, and omitted cash flow disclosures.
December 2021	Research Phase	26. Staff began researching implementation issues, scheduling agency training, and identifying five balance sheet measurement/recognition alternatives: 1. Capital asset classification has three approaches: a. Treat as a fee-simple acquisition, b. Treat as PP&E acquired through an Exchange, c. Treat as a leased asset acquisition. 2. Investment asset classification has three approaches: a. Cost approach – initial plus future investments, b. Fair value approach – percentage of the partnership net assets, c. Equity approach – adjust investment yearly for P&L, dividends, etc. 3. Reporting entity classification has one approach: consolidation. 4. Subsidy classification has one approach: net present value of cash flows.

Date	Meeting / Event	Key Discussions & Decisions
		5. Intangible asset classification: leased asset approach. <i>Note: This method has been subsumed within SFFAS 54, Accounting for Leases.</i>
February 23–24, 2022	Board Meeting (Briefing Materials – Topic D)	27. Contextualized SFFAS 49 as supplemental guidance. The Board agreed to focus on outreach before starting Phase 2 (measurement and recognition).
May–September 2022	Training & Outreach	28. Staff conducted training for ~500 agency personnel across 28 agencies and compiled an issues log of implementation hurdles and reporting options.
October 25–26, 2022	Board Meeting (Briefing Materials – Topic C)	29. The Board approved forming an implementation working group to prioritize challenges and coordinate guidance with the CFO Council.
December 2022	Working Group Inaugural	30. The working group held its first official meeting on December 2 to evaluate and rank 15 identified implementation challenges.
February 2023	Working Group Prioritization	31. The implementation working group prioritized key challenges, including assessing remote risks, materiality, and SFFAS 47/54 harmonization.
July 2023	Working Teams Update	32. Three task force teams finalized draft guidance showing how SFFAS 49 acts as a

Date	Meeting / Event	Key Discussions & Decisions
		"safety net" to SFFAS 47 and SFFAS 54, alongside five sample case studies.
August 22, 2023	Public Exposure	33. FASAB issued an ED titled <i>Omnibus Amendments: Amending Statements of Federal Financial Accounting Standards 38, 49, and Technical Bulletin 2011-1</i> to eliminate the "where available" exception.
October 17–18, 2023	Board Meeting (Briefing Materials – Topic B)	34. The Board supported eliminating the "where available" exception in SFFAS 49 to increase comparability and backed developing implementation guidance as a TR.
November 2023–January 2024	ASIC (AAPC) & Outreach	35. Staff presented preliminary outputs (flowcharts, Q&As, case studies) to the ASIC (formerly AAPC). ASIC emphasized cost-benefit, qualitative materiality, and authoritative vs. non-authoritative guidance. Staff also assisted the DoD and DoD IG in the use of FASB equity method accounting.
February–March 2024	Task Force Deliberations (Briefing Materials – Topic E)	36. The task force evaluated internal staff comments on draft Q&As designed to integrate SFFAS 49 with SFFAS 47 and SFFAS 54.
April 12, 2024	Board	37. Issued Statement of Federal Financial Accounting Standards 63: <i>Omnibus Amendments 2024-1, Amending SFFAS 38, 49, and Technical Bulletin 2011-1</i> , eliminating the "where available" exception.
April 16–17, 2024	Board Meeting	38. The Board agreed to expose a TR containing sample Q&As and a decision flowchart to

Date	Meeting / Event	Key Discussions & Decisions
		harmonize SFFAS 49 disclosures with SFFAS 47 (<i>Reporting Entity</i>) and SFFAS 54 (<i>Leases</i>).
June 2024	FSAN Presentation	39. Staff presented <i>Properly Applying SFFAS 49, Public-Private Partnerships: Disclosure Requirements</i> to the Financial Statement Audit Network.
August 2024	ASIC Meeting	40. Staff presented the draft proposed TR to the ASIC for a second time, receiving feedback on improving the decision flowchart and disclosure alignment.
February 2025	ASIC Meeting (Briefing Materials – Topic E)	41. ASIC approved a ballot version of the pre-ballot draft TR ED covering five core technical areas (general principles, risk characteristics, SFFAS 47, SFFAS 54, and disclosures) for Board review.
April 22, 2025	Board Approval	42. The Board authorized ASIC to release the proposed TR ED for public comment following non-substantive edits.
May 16, 2025	Public Exposure	43. ASIC released the proposed TR Exposure Draft (ED), <i>Implementation Guidance for SFFAS 49, Public-Private Partnerships</i> , for public comment through June 30, 2025.
December 16–17, 2025	Board Meeting (Briefing Materials – Topic C)	44. Reaffirmed that consolidation under SFFAS 47 does not eliminate risk-sharing relationships under SFFAS 49. Confirmed SFFAS 47 and SFFAS 49 must be applied in

Date	Meeting / Event	Key Discussions & Decisions
		a coordinated manner without exempting consolidated entities.
April 29–30, 2026	Board Meeting (Briefing Materials – Topic D)	45. Addressed a dissent from GAO member Joe O'Neill regarding P3 risks in consolidated entities. Staff clarified that consolidated entities must still evaluate SFFAS 49 requirements if a P3 arrangement exists. The Board (with Mr. Dacey abstaining) approved edits to re-engage ASIC who subsequently agreed with the Board edits.
June 16, 2026	Board Meeting	46. The majority of the Board did not object to the proposed Technical Release (TR), <i>Implementation Guidance for SFFAS 49, Public-Private Partnerships</i> . The TR was submitted to Treasury and GAO FASAB members for a 45-day review period to finalize.
August 4, 2026	Board / ASIC	47. FASAB Issues Technical Release 24: <i>Implementation Guidance for SFFAS 49, Public-Private Partnerships</i>

APPENDIX B – Summary of Non-Federal Investments Project Plan dated August 5, 2011

Non-Federal Investments Project Plan (Memorandum dated August 5, 2011)

On August 24th, 2011, FASAB staff member (Eileen W. Parlow) addressed how the U.S. government could account for, measure, and disclose non-federal investments. See archived FASAB project page at [Investments and Other Equity Interests in Non-Federal Entities](#) for more information.

Then-Background and Need: As now, the then-existing FASAB standards were silent on non-federal investments (other than U.S. Treasury securities⁶). Staff noted that federal entities apply principles by analogy or rely on private-sector standards such as the Financial Accounting Standards Board (FASB).

Given that reporting objectives differ, private-sector standards assume investments are held to maximize profit. In contrast, federal policies often encourage the acquisition of non-federal investments (e.g., during “bailouts” or economic interventions) to benefit the national economy, promote liquidity, or preserve key industries.

Then-Project Plan Objectives: The project aimed to establish definitions and categories for non-federal investments, guidance for recognition and measurement (including remeasurement), and required disclosures. Staff noted that the intent was to help users evaluate the operating performance and stewardship reporting objectives.

Then-Project Scope and Task Force: Staff planned a three-year project (August 2011 to December 2014) involving a task force with representatives from the GAO, OMB, Treasury Office of Financial Stability, CBO, Railroad Retirement Board/NRRIT, and other public/private experts.

Then-Proposed Approach: The project entailed researching existing guidance and concepts such as FASAB definitions (SFFAC 2 and 5⁷), other standard setters (FASB, IASB, GASB, IPSASB), OMB Circular A-136, and relevant legislation (e.g., Emergency Economic Stabilization Act of 2008) to establish standards tailored to public policy objectives.

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Ensuing Board Discussion on Scope and Purpose: Board members noted that federal investments often serve unique public policy functions (such as “interventions” or “economic stability outlays”) rather than traditional profit generation.

Some members observed that the then-current volume of major investments primarily related to temporary bailout interventions (e.g., TARP, Fannie Mae, Freddie Mac), which were already being reported at fair value or under credit reform models.

⁶ Refer to: Statement of Federal Financial Accounting Standards 1: *Accounting for Selected Assets and Liabilities*, paragraphs 62-73.

⁷ SFFAC 2: *Entity and Display* and SFFAC 5: *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*.

Concern was raised that conducting extensive research across complex private-sector standard setters would take years, potentially completing after many intervention assets were already off the books.

Board Consensus and Strategic Direction: The Board agreed not to "re-invent the wheel" or pursue in-depth research into other standard setters. Instead, the Board decided to narrow the project's scope to focus primarily on codifying and standardizing the valuation of the federal government's bailout and intervention activities. The Board directed staff to shorten the project timeline and limit the task force to a group composed of key subject-matter experts from Treasury, GAO, and OMB's credit reform team.