FASAB
THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

IMPLEMENTATION GUIDANCE FOR PUBLIC-PRIVATE PARTNERSHIPS

Federal Financial Accounting Technical Release

Exposure Draft

Written comments are requested by **June 30, 2025**

May 16, 2025

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- Mission statement
- Documents for comment
- Statements of Federal Financial Accounting Standards and Concepts
- Bimonthly newsletters

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The Accounting Standards Implementation Committee

The Accounting Standards Implementation Committee (ASIC), formerly known as the Accounting and Auditing Policy Committee (AAPC), was organized in May 1997 by the Department of the Treasury, the Office of Management and Budget, the Government Accountability Office, the Chief Financial Officers Council, and the Council of the Inspectors General on Integrity and Efficiency as a body to research accounting issues requiring guidance.

The ASIC serves as a permanent committee established by FASAB. The mission of the ASIC is to assist the federal government in improving financial reporting by identifying, developing, and recommending timely solutions to address accounting issues within the framework of existing generally accepted accounting principles.

The ASIC recommends guidance for applying existing Statements of Federal Financial Accounting Standards, Interpretations of Federal Financial Accounting Standards, and Technical Bulletins. Guidance in the form of recommended Technical Releases is developed by ASIC and must be reviewed by FASAB before being issued.

Additional background information on the ASIC is available from FASAB's website.

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May 16, 2025

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

The Accounting Standards Implementation Committee (ASIC or "the Committee") requests your comments on the exposure draft of a proposed Federal Financial Accounting Technical Release titled *Implementation Guidance for SFFAS 49, Public-Private Partnerships.* Specific questions for your consideration appear on pages 9-10, but you are welcome to comment on any aspect of this proposal. If you do not agree with specific matters or proposals, your response will be most helpful to the Committee if you explain the reasons for your positions and any alternatives you propose.

Responses are requested by June 30, 2025.

All comments received by the ASIC are considered public information. Those comments will be posted to the FASAB website and will be included in the project's public record.

Please provide your comments by email to P3s@fasab.gov. We will confirm receipt of your comments. If you do not get a confirmation, please contact our office at 202-512-7350 or P3s@fasab.gov to determine if your comments were received. If you are unable to email your responses, please call (202) 512-7350 to make alternative arrangements.

We may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft.

Notice of the date and location of any public hearing on this document will be published in the Federal Register and in FASAB's newsletter.

Sincerely,

Monica R. Valentine

FASAB Executive Director & ASIC Chair

EXECUTIVE SUMMARY

This proposed Federal Financial Accounting Technical Release (TR) would assist reporting entities in implementing Statement of Federal Financial Accounting Standards (SFFAS) 49, *Public-Private Partnerships: Disclosure Requirements.* SFFAS 49 complements[1] existing guidance to ensure adequate disclosure of those arrangements/transactions that either form the basis of or are part of a public-private partnership (P3). Since its issuance on April 27, 2016, practitioners have questioned how SFFAS 49 ensures adequate disclosure of those arrangements or transactions that either form the basis of or are part of a P3. They have identified implementation challenges when applying the SFFAS 49 guidance when considering other existing accounting standards.

As a result, this TR would provide implementation guidance regarding application of SFFAS 49:

- P3-related risk in an entity's arrangements or transactions
- P3-related entities that require disclosure pursuant to SFFAS 47, *Reporting Entity*
- P3-related leases pursuant to SFFAS 54, *Leases*
- P3-related standards requiring coordination with the SFFAS 49 disclosures

The proposed guidance would assist in explaining the interrelationships between SFFAS 49 and the standards that govern certain types of long-term arrangements/transactions. This would ensure that integrated information is provided through concise, meaningful, and transparent disclosures, disclosures are not duplicative, and financial reporting objectives are met while mitigating preparer burden.

Additionally, this proposed TR may serve as an acceptable analogy for other Statements in addition to SFFAS 47 or SFFAS 54. Therefore, while this implementation guidance would not specifically address other types of federal activities, such as direct loans or loan guarantees, the Committee believes that reporting entities could consider this proposed TR when applying SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, to other types of P3 arrangements or transactions.

[1] Complementing in this context refers to coordinated efforts and additional actions needed to support, enhance, or complete adequate disclosures for all related disclosure requirements which may be contained in other standards.

MATERIALITY

The provisions of this TR need not to be applied to information if the effect of applying the provision(s) is immaterial.[2] A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances, it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

While a significant consideration in determining the materiality of a P3 is the contractual risks of loss to the reporting entity (see SFFAS 49, par. 24.d), other quantitative and qualitative considerations may also be relevant. If the reporting entity determines that the P3 is material, the P3 disclosures should clearly indicate the contractual risks of loss to the reporting entity in accordance with paragraph 24.d and may include a discussion of the nature, likelihood, and magnitude of the risks of loss. This would assist the user in understanding such risks of loss. Disclosure of remote risks of loss should be limited to those included in the terms of the contractual P3 arrangements or transactions. If remote risks of loss are disclosed, an explanation should be included that avoids the misleading inference that there is more than a remote chance of a loss.

[2] Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

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QUESTIONS FOR RESPONDENTS

The Accounting Standards Implementation Committee (ASIC or "the Committee") encourages you to become familiar with the proposed guidance in the Federal Financial Accounting Technical Release (TR) before responding to the questions in this section.

In addition to the questions below, the Committee also welcomes your comments on other aspects of the proposed TR. Because the proposed guidance may be further modified before a final TR is issued, it is important that you comment on aspects that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated.

The Committee believes that this TR would improve federal financial reporting and contribute to meeting the federal financial reporting objectives. In responding, please consider the expected benefits and challenges and communicate any concerns that you may have regarding this proposed implementation guidance.

To facilitate our analysis of comment letters, it would be helpful if you explain the reasons for your views, including alternatives that you believe the Board and/or the Committee should consider. Please include references to the related paragraph numbers in your responses.

The questions in this section are available in a Microsoft Word file for your use at https://www.fasab.gov/documents-for-comment/. Your responses should be sent to P3s@fasab.gov. If you are unable to email your responses, please call (202) 512-7350 to make alternative arrangements.

All responses are requested by June 30, 2025.

Q1. Do you generally support the proposed additional guidance, including the proposed general principles contained in this TR? Please also explain any alternatives or additional implementation challenges that you suggest the Committee address and the reasons for your position. Refer to paragraphs 1-9 that discuss this TR's proposed purpose and scope and paragraphs A10-A12 in the basis for conclusions.

Q2. Do you generally support the proposed guidance related to applying the risk-based characteristics in Statement of Federal Financial Accounting Standards (SFFAS) 49, *Public-Private Partnerships: Disclosure Requirements*? Please also explain any alternative solutions to the proposed answers or additional questions that you suggest the Committee address and the reasons for your position. Refer to paragraphs 10-13, the proposed questions and answers, and paragraph A10 in the basis for conclusions.

Q3. Do you generally support the proposed guidance that clarifies the interrelationship between SFFAS 49 and SFFAS 47, *Reporting Entity*? Please also explain any alternative solutions to the proposed answers or additional questions that you suggest the Committee address and the reasons for your position. Refer to paragraphs 14-20, the proposed questions and answers, paragraphs A10-A14 in the basis for conclusions, and appendix B.

Q4. Do you generally support the proposed guidance that clarifies the interrelationship between SFFAS 49 and SFFAS 54, *Leases*? Please also explain any alternative solutions to the proposed answers or additional questions that you suggest the Committee address and the reasons for your position. Refer to paragraphs 21-31, the proposed questions and answers, paragraphs A10-A14 in the basis for conclusions, and appendix B.

Q5. Do you generally support the proposed guidance that coordinates the disclosures when other standards covering long-standing arrangements/transactions also apply? Refer to paragraphs 32-36, the proposed questions and answers, paragraphs A11-A12 in the basis for conclusions, and appendix B.

Q6. Do you generally support including (1) the proposed process flowchart that illustrates the applicability of SFFAS 49 to SFFAS 47 and SFFAS 54 and (2) the summary of disclosure requirements? If not, please explain any alternative solutions to the proposed material that you suggest the Committee address and the reasons for your position. Refer to appendix B.

Q7. Do you have any comments or suggestions on other aspects of the proposed TR that are not addressed in the above questions? Please note that these proposals may be further modified before a final TR is issued. As such, it is important that you comment on aspects that you favor as well as any that you do not favor.

INTRODUCTION

PURPOSE

1. This Federal Financial Accounting Technical Release (TR) proposes additional guidance to assist federal agencies and their auditors with implementing Statement of Federal Financial Accounting Standards (SFFAS) 49, *Public-Private Partnerships: Disclosure Requirements*, when considering implementation challenges brought to the attention of the Federal Accounting Standards Advisory Board (FASAB or "the Board"). The implementation challenges that would be addressed by this guidance include the following:

    a. Guidance applying the SFFAS 49 risk-based characteristics – This TR clarifies that reporting entities would be expected to complete an evaluation of the structure of public-private partnership (P3) arrangements/transactions and consider the composition of their reward and risk.

    b. Guidance applying SFFAS 49 within the context of SFFAS 47, *Reporting Entity*, and SFFAS 54, *Leases* – This TR clarifies the interrelationships between SFFAS 49, SFFAS 47, and SFFAS 54. SFFAS 47 interrelationships include disclosure entities and related parties, while SFFAS 54 interrelationships include "embedded leases." "Embedded leases" is a common industry term, which generally describes contracts or agreements that contain lease component(s) and nonlease component(s), such as service components, and serve a primary purpose attributable to the nonlease component(s).

    c. Guidance coordinating disclosures – This TR clarifies that the P3 disclosures required by SFFAS 49 do not affect existing disclosures required by other standards.

PROPOSED TECHNICAL GUIDANCE

SCOPE

2. Readers of this Federal Financial Accounting Technical Release (TR) should first refer to the hierarchy of accounting standards in Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles*, *Including the Application of Standards Issued by the Financial Accounting Standards Board*. This TR complements the relevant accounting standards but is not a substitute for and does not take precedence over the standards.

3. Public-private partnership (P3) risk reporting has been raised as a specific implementation challenge. This TR emphasizes that the conclusive and suggestive risk-based characteristics in SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, are designed to assist preparers in identifying *entity* risks of loss. To that end, entity processes may include identification and consideration of all forms of contractual risks that might supersede or give rise to either conclusive or suggestive risk-based characteristics.

4. This TR addresses agencies' current implementation challenges. This guidance is a first step in the Federal Accounting Standard Advisory Board's (FASAB or "the Board") attempt to clarify the application of SFFAS 49.

PROPOSED GENERAL PRINCIPLES FOR DISCLOSURE REQUIREMENTS

5. This TR proposes general principles for coordinating the disclosure requirements in SFFAS 49. Paragraph 23 of SFFAS 49 requires that disclosures "be integrated so that concise, meaningful, and transparent information is provided and information is not repetitive." The coordination of SFFAS 49 and other disclosures requires professional judgment in determining where P3 disclosures are included in the notes. For example, some or all P3 disclosures may be in a separate P3 note, while some P3 disclosures may be incorporated into other notes. Because P3s may affect several notes, there will typically be a separate P3 note with appropriate cross-references to other notes.

6. In preparing SFFAS 49 disclosures, reporting entities should analyze related standards that may have disclosure requirements that overlap or interact with SFFAS 49 disclosures.

   Examples of such related disclosure requirements could include the following:

   a. Private party entities with which the reporting entity has a P3 arrangement or transaction, including special purpose vehicles (SPVs) or other separate entities, that may meet the definitions of disclosure entities or related parties under SFFAS 47, *Reporting Entity*.[3]

[3] This TR proposes that, in accordance with generally recognized consolidation principles, if a private partner or SPV in a P3 arrangement or transaction is a consolidation entity (for example, a component entity of the reporting entity), the risks of loss and any balances or transactions with the consolidated

b. P3 arrangements or transactions may result in recognizing balances or transactions (for example, assets, liabilities, revenues, and/or costs) in the reporting entity's financial statements, as well as disclosing information about them. P3 arrangements or transactions may also result in disclosing other information (for example, commitments and unrecognized contingencies) based on other standards, such as SFFAS 54, *Leases;* SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*; or SFFAS 5, *Accounting for Liabilities of the Federal Goverment*.

7. Based on an understanding of the P3 arrangement or transaction and other related standards, reporting entities should consider how to integrate disclosures to provide concise, meaningful, and transparent information that is not repetitive.

8. Possible considerations could include whether the disclosures of the other related standards provide disaggregated information that specifically identifies individual components (for example, balances or transactions). For example, the disclosures of the related standards may be aggregated such that individual components of specific P3-related amounts are not specifically identifiable. In such instances, a P3 note may complement other notes by indicating the line item where the asset, liability, revenue, or expense is recognized, disclosing the amounts related to the P3, and refering to the note where the aggregated data or other information is disclosed.

9. Moreover, where information in a related note is disaggregated, a P3-related asset, liability, revenue, expense, or other information may be specifically reported or disclosed as part of another note. For example, a note related to disclosure entities or related parties under SFFAS 47 may include information related to the nature of the P3 relationship and the entity's exposure to risks of loss.[4] In such instances, a P3 note may refer to the related note for more detailed information and not include details in the P3 note.

GUIDANCE ON APPLYING SFFAS 49 RISK-BASED CHARACTERISTICS

10. Paragraph 20 of SFFAS 49 describes certain risk-based characteristics that serve as conclusive evidence that a P3 possesses risk of loss, indicating that disclosures should be provided. If any of the conclusive risk-based characteristics are met, the P3 arrangement or transaction should be disclosed. Paragraph 21 describes certain suggestive risk-based characteristics considered in the aggregate that serve as evidence that P3s may possess risk of loss, and, if so, require disclosure. Each suggestive risk-based characteristic requires entity judgment, as each characteristic is analyzed in connection with the other suggestive risk characteristics.

11. **A reporting entity's analysis for P3s would be expected to include a review of contractual agreements, guarantees, insurance, indemnification strategies, and**

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private partner or SPV is intra-entity. Consistent with consolidation accounting, any financial transactions and balances between the private partner or SPV and the reporting entity would be eliminated. In such cases, there would not be a P3 from a consolidated perspective and, accordingly, SFFAS 49 would not apply to that relationship.

[4] Conversely, a P3 note could include the disclosure entity or related party disclosures required by SFFAS 47.

private partner debt and equity. What specific risks within these agreements might give rise to conclusive and suggestive risk characteristics described in paragraphs 20-21 in SFFAS 49 when considering the need for disclosures?

12. By nature, P3s are a form of investment that may also contain debt and equity funding and transfer or share various forms of risk among the P3 partners. Reporting entity management would be expected to evaluate the structure of each arrangement or transaction, along with the risk/reward composition from each P3 relationship. The various forms of inherent risks identified by entity management could give rise to conclusive and/or suggestive risk characteristics requiring disclosure. Those inherent risks entities might evaluate include the following:

    a. Risks the entity or federal government as a whole may have to absorb as part or all of the project's private debt.
    b. Risks the entity will not achieve expected returns on its investments in limited partnerships.
    c. Risks from the transfer of government assets (including intellectual property) into private hands for extended periods of time.
    d. Risks that the financial costs of the public purpose or public value will not be fulfilled or achieved.
    e. Risks that accompany the benefits of a P3.
    f. Risks that may not be distributed equitably across generations.

13. Accordingly, entities would be expected to evaluate the inherent risks in their P3 arrangements or transactions and their risk/reward composition when ascertaining contractual risks of loss.

GUIDANCE ON APPLYING SFFAS 49 TO SFFAS 47, *REPORTING ENTITY*

14. A component reporting entity may identify a P3 structural or transactional arrangement that meets both the definition and disclosure requirements of SFFAS 49 and involves entities meeting the reporting principles of SFFAS 47. This TR proposes disclosure guidance for P3 arrangements that may involve organizations outlined in SFFAS 47.

15. For example, paragraph 80 in SFFAS 47 acknowledges that federal entities can have related party relationships with organizations that should be disclosed, especially if those relationships are of such significance that it would be misleading to exclude. Where an entity involved in a P3 arrangement or transaction is determined to be a disclosure entity or a related party under SFFAS 47, the respective disclosure requirements of both SFFAS 47 and SFFAS 49 should be coordinated.[5]

16. Typical steps in coordinating P3 disclosures with disclosures required by SFFAS 47 include identifying the entities involved in the P3 arrangement or transaction (for example, private

[5] Coordination in this context refers to efforts and additional actions needed to support, enhance, or complete adequate disclosures for all related disclosure requirements.

partners or SPVs) and determining for each identified entity in the P3 whether it is a consolidation entity, disclosure entity, or related party under SFFAS 47. For related parties, disclosures are required only where related party relationships are of such significance to the reporting entity that it would be misleading to exclude information about such relationships. For any disclosure entities or related parties, related disclosures should be coordinated with P3 disclosures.

17. **If a private entity is consolidated and thus treated as being part of the overall reporting entity's general purpose federal financial reports, does SFFAS 49 apply?**

18. No. The disclosure requirements of SFFAS 49 would not apply to P3 entities that are consolidated. Consolidation of a P3 entity aggregates its discrete financial amounts and presentation of information with the individual financial amounts and information of all the organizations that constitute a single economic reporting entity. Consolidation entities are considered federal reporting entities and should apply generally accepted accounting principles as defined in SFFAS 34. Refer to paragraphs 66-68 in SFFAS 47 for applicable guidance.

19. **If you have a P3 arrangement or transaction that involves organizations that meet the SFFAS 47 reporting requirements as either a disclosure entity or related party, how might SFFAS 49 and SFFAS 47 disclosures be coordinated?**

20. Professional judgment is required to determine how to coordinate SFFAS 49 and SFFAS 47 disclosures. These standards have similar disclosure objectives and requirements and are intended to be coordinated with each other.To the extent that the SFFAS 47 disclosures do not provide the information specific to SFFAS 49, the disclosures in paragraph 24 of SFFAS 49 should be provided so that concise, meaningful, and transparent information is provided and information is not duplicated.

    For example, a note related to disclosure entities or related parties may include information related to the nature of the P3 relationship and the entity's exposure to risks of loss. In such instances, a P3 note may refer to the related note for more detailed information and not include details in the P3 note. On the other hand, a P3 note may include the disclosure entity or related party disclosures required by SFFAS 47.

    Refer to appendix B for both SFFAS 47 and SFFAS 49 disclosures.

GUIDANCE ON APPLYING SFFAS 49 TO SFFAS 54, *LEASES*

21. A P3 arrangement or transaction may incorporate a lease as defined by SFFAS 54. For example, a P3 arrangement or transaction may incorporate a lease between the reporting entity and a P3 partner. As a result, this TR proposes disclosure guidance for such P3 arrangements/transactions.

22. **If a P3 arrangement or transaction includes a lease or lease component, do both the SFFAS 49 and SFFAS 54 disclosure requirements apply?**

23. Yes. Professional judgment is required to determine how to coordinate SFFAS 49 and SFFAS 54 disclosures. For P3s including lease arrangements or transactions, the lease

should be disclosed under SFFAS 49 regardless of whether it is specifically disclosed under SFFAS 54. Consistent with paragraph 23 of SFFAS 49, if a P3 includes a lease or lease component, then the resultant disclosures under SFFAS 49 and SFFAS 54 reporting requirements should be integrated so that concise, meaningful, and transparent information is provided and information is not repetitive.

Refer to appendix B for both SFFAS 49 and SFFAS 54 disclosures.

24. **How might SFFAS 49 and SFFAS 54 disclosures be coordinated?**

25. Lease disclosures under SFFAS 54 may aggregate information about a lease portfolio and may not sufficiently include the required related P3 disclosures. In such instances, a P3 note may discuss the specific related P3 lease disclosures. For example, the P3 note may disclose that the lease is recognized as a lease asset and liability, disclose the amounts specifically related to the P3, and reference the related lease note. Alternatively, the reporting entity may include the lease-related required P3 disclosures in the lease note that is cross-referenced to the P3 note such that the lease note clearly delineate amounts related to P3 arrangements/transactions.

26. **How can a lease or lease component that meets SFFAS 49 be differentiated from another type of contract or arrangement that permits use of an asset like a lease?**

27. Preparers should review the terms of the P3 arrangement or transaction against the criteria for a lease, including paragraphs 2-4 in SFFAS 54 and paragraphs 4-19 in TR 20, *Implementation Guidance for Leases*.

28. **What helps distinguish an SFFAS 49 P3 from a contract or agreement with multiple components, including one or more lease components which are not subject to SFFAS 49 reporting requirements?**

29. A reportable P3 will (1) meet the definition of a federal P3 as defined in paragraphs 16-19 of SFFAS 49 and (2) possess risk of loss based on meeting any of the conclusive risk-based characteristics in paragraph 20 of SFFAS 49 or considering, in the aggregate, the suggestive risk-based characteristics in paragraph 21 of SFFAS 49.

30. **Are energy savings performance contracts and utility energy service contracts considered P3s?**

31. Yes. Such contracts are alternative financing arrangements and generally would be subject to SFFAS 49. For example, when energy savings performance contracts and utility energy service contracts meet either the conclusive or suggestive risk-based characteristics of a P3, they are required to meet the SFFAS 49 disclosure requirements.

GUIDANCE ON COORDINATING DISCLOSURES

32. As entities apply the disclosure requirements of SFFAS 49, questions have arisen as to which disclosures apply when other standards covering such long-standing

arrangements/transactions also apply. This TR proposes guidance on how to coordinate SFFAS 49 disclosures with disclosure requirements from other standards.

33. **Does coordinating disclosures between SFFAS 49 and other related standards mean that entities should change or alter existing disclosures required by other standards, such as SFFAS 47?**

34. No. In meeting the SFFAS 49 disclosure requirements, entities are encouraged to coordinate the disclosure requirements of all standards involved without duplicating information in multiple places within their financial report. As noted in paragraph 23 of SFFAS 49, "Disclosures should generally accompany the related asset and/or liability display contained within the financial statements." P3 disclosures are intended to complement existing reporting by exclusively describing the inherent risks of loss to the federal government and assisting users in understanding the nature of P3s. The Board did not intend for the P3 disclosures required by SFFAS 49 to affect existing disclosures required by SFFAS 47 or any other standards.

    According to paragraph 23 of SFFAS 49, "The resultant disclosures should be integrated so that concise, meaningful, and transparent information is provided and information is not repetitive." As such, entities may include references to existing information across their financial report, where appropriate, to ensure disclosures are integrated. For example, the summary of significant accounting policies note may serve to guide users to the appropriate references within the financial report.

35. **Is it appropriate to disclose specific P3-related assets, liabilities, revenues, expenses, or other information in a related note, considering materiality and the level of aggregation of the other note?**

36. Yes. In a P3 note, a specific reference may be made to the note where more detailed information is disclosed. Also, the other note may refer to the P3 note.

EFFECTIVE DATE

37. This TR is effective upon issuance.

The provisions of this Technical Release need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled Materiality, for a detailed discussion of the materiality concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses factors considered significant by Committee members in reaching the conclusions in this guidance. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The guidance enunciated in this Technical Release—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Technical Release may be affected by subsequent Technical Releases. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Technical Releases that amend this Technical Release. The authoritative sections of the Technical Releases are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of the amending Technical Release for the rationale for each amendment.

PROJECT HISTORY

A1. At the August 2021 Board meeting, members reviewed the results of staff's analysis concerning the fiscal year (FY) 2020 note disclosures pursuant to SFFAS 49. Staff analyzed the FY 2020 disclosures of all 24 Chief Financial Officers (CFO) Act agencies and the 16 significant entities. As a result, the majority of the members agreed not to proceed with the second phase of the project on measurement and recognition until the Board gained additional insight regarding how the P3 definition, exclusions, risk-based characteristics, and materiality guidance contributed to the disclosures or lack thereof in the FY 2020 reporting cycle. As a result, the Board directed staff to conduct additional research with a task force to determine why P3 reporting varies, why cash flows are not disclosed in some instances, and potential broad measurement and recognition options for future consideration. Specifically, the Board tasked staff to recommend any changes, improvements, or additional guidance that could address implementation challenges prior to commencing the second phase of the project.

A2. During the last quarter of 2021, staff began (1) researching potential SFFAS 49 implementation issues by initiating training and outreach, (2) identifying potential measurement and recognition approaches, and (3) coordinating, as appropriate, with the Department of the Treasury and the Office of Management and Budget (OMB) to disclose P3 information more consistently among entities. To that end, staff scheduled separate one-on-one meetings with preparers, auditors, and policy experts and conducted SFFAS 49 training with federal entities.

A3. Potential Implementation Challenges

As a result of training and outreach, staff identified 15 implementation challenges. The Board reviewed these at its October 2022 meeting and recommended staff take the following steps:

a. Coordinate implementation challenges with the CFO Council.
b. Validate and prioritize implementation challenges.
c. Communicate technical guidance via questions and answers.
d. Be mindful of the task force composition.

e. Assess how auditors apply materiality.

A4. Task Force Review and Validation of Implementation Challenges

The implementation challenges, in order of importance, were the interrelationships between SFFAS 49, SFFAS 47, and SFFAS 54; the differences between uncertainty and risk and how to identify the two within the context of materiality; the relationship between cash flow estimates and risks (and how they are not uncertainties); the clarification that private partner risks of loss are required disclosures; and examples on how to aggregate disclosures.

The task force further agreed to combine the remaining implementation challenges with a higher-ranked implementation challenge where appropriate. Some implementation challenges are more operationally or administratively oriented and better suited for Treasury or OMB to address.

A5. Training Sessions

During calendar year 2022, the following federal entities participated in an SFFAS 49 training: Department of Justice; Department of Energy (DOE); National Geospatial-Intelligence Agency; Treasury; Department of Agriculture, Department of Defense (DOD); National Aeronautics and Space Administration (NASA); Defense Logistics Agency (DLA); Health and Human Services; Department of Commerce (DOC); Department of Housing and Urban Development-Inspector General; and Department of Homeland Security.

Staff trained 974 attendees, including discussing SFFAS 49 implementation challenges. Course evaluations documented challenges other than those identified through the one-on-one sessions, and staff shared these with the Board at the October 2022 meeting.

A6. The P3 implementation task force met between December 2022 and April 2024. Staff structured the meetings to ensure a complete review of implementation challenges as well as potential FASAB action. The task force prioritized implementation challenges along with proposed FASAB action. In doing this, the task force generally agreed that FASAB could address several of the challenges concurrently whereas others were not under FASAB's purview. The task force separated into subgroups to address these highest priority challenges and recommend discrete actions. This included possible amendments to SFFAS 49, draft case studies, and note illustrations.

The P3 implementation task force included industry representatives from several public accounting and consulting firms, as well as representatives from federal agencies:

a. Mr. Bob Helwig, JD, PhD
b. Checco Communications
c. DLA
d. DOC
e. DOD
f. Department of Defense, Office of the Inspector General
g. DOE
h. Department of Interior
i. Department of Veterans Affairs

j. First Net
k. General Services Administration
l. Housing and Urban Development
m. Maximus
n. NASA

A7. The subgroups recommended the guidance in this TR to the Accounting Standards Implementation Committee (ASIC or "the Committee"). In reaching their conclusions, the subgroups recognized the necessity to develop implementation guidance to best address the implementation challenges and concerns raised by the Board. Correspondingly, this TR also recognizes that the financial management information needs of stakeholders, both internal and external, varies by entity (given the highly complex nature of some P3s and entity-specific risk tolerances). As a result, the implementation guidance does not provide a universal solution; instead, it is designed to give management a tool on which to base stakeholder financial management information needs.

A8. When applying the principles in SFFAS 49, management can develop formalized policies and procedures documenting its decisions. Management is responsible for maintaining adequate documentation on the sources of data and the application of methodologies used when identifying SFFAS 49 P3s for disclosure.

A9. The CFO, leaders of other functional groups (for example, legal, procurement, leasing, facilities, and logistics), and the various operational business areas can also collaborate to implement SFFAS 49 and this guidance.

ASIC DELIBERATIONS

A10. The ASIC began working on the project in November 2023, with project acceptance and scope concurrence at that time.

Committee members raised several points:

a. Review P3 disclosures to determine if they meet the intent of SFFAS 49.
b. Assess materiality in connection with cost/benefit considerations.
c. Ensure that decisions concerning materiality are not predicated on non-representative P3 reporting.
d. Parse the implementation guidance between authoritative and non-authoritative.
e. Consider highlighting and linking the risk-based characteristics to overall risk of loss considerations.

A11. At the May 2024 ASIC meeting, members reviewed draft guidance and project next steps. Several task force members were present and offered their views concerning implementation challenges and the proposed guidance. The Committee then directed staff to further develop and explain the flowchart instructions; add questions and answers about what is meant by harmonization of disclosures; and incorporate a question for respondents concerning contingent liabilities guidance and its relationship to SFFAS 49.

A12. The Committee met again in August and November 2024 to review a revised draft exposure draft.

The ASIC addressed the following areas at the August meeting:

a. Provide a broad principle for dealing with the overlap of P3 disclosure requirements with reporting and disclosure requirements of other standards.
b. Enhance the guidance related to the coordination of disclosures due to other requirements.
c. Propose that, under consolidation accounting, the reporting entity is treated as a single economic entity and, thus, SFFAS 49 disclosures would not apply.
d. Add an appendix that includes the side-by-side disclosure requirements for SFFAS 49, 47, and 54.

A13. The ASIC addressed the following areas at the May meeting:

a. The ASIC chair determined that incorporating a question for respondents concerning contingent liabilities guidance and its relationship to SFFAS 49 is outside the ASIC's scope. This falls within the Board's scope to address and deliberate.
b. The ASIC added questions, answers, and commentary concerning what is meant by coordination of disclosures.
c. The ASIC further developed the flowchart instructions and added instructions not to restrict application of the flowchart to the illustrated waterfall approach.

A14. At the February 2025 meeting, the ASIC suggested additional improvements and refinements to several areas, most notably to the leases guidance. As a result, the ASIC chair agreed that staff would begin moving towards a draft pre-ballot to be shared with the Committee once all remaining edits and revisions had been addressed by staff.

RISK AND MATERIALITY

MATERIALITY, RISK AND PUBLIC-PRIVATE PARTNERSHIPS

A15. Given that users have noted materiality and risk reporting as implementation challenges, this TR emphasizes that SFFAS 49 contains conclusive and suggestive risk-based characteristics designed to help preparers identify risks of loss that may be material and warrant further consideration for disclosure. These risk-based characteristics are designed to assist preparers in identifying and evaluating how much risk is in an arrangement or transaction. These characteristics should also elucidate how much of that risk has been (1) transferred to the private partner, (2) shared with the private partner, and (3) retained by the entity. Such an understanding relies on a thorough analysis of the underlying contractual agreements, guarantees, insurance, indemnification strategies, and the existence and nature of any underlying private party capital buffer that might exist. Users can then assess the extent of any debt (for example, bonds, loans and notes) and equity participation (for example, stocks and other securities representing an ownership interest).

Preparers should consider applying materiality cumulatively or in the aggregate, demonstrating entity accountability to the public, and meeting user needs.

User needs include the following:

a. Assess the costs and related risks of entering into such long-term agreements.
b. Assess the efficiency and effectiveness of these risk-sharing agreements, as well as the government's management of its assets and liabilities.
c. Determine how financial resources, budgetary or otherwise, have been obtained and used and whether their acquisition and use were in accordance with the entity's legal authorization.

While remote risks of loss deemed material should be limited to those that are included in the contractual terms of the P3 arrangements or transactions, they nonetheless should be disclosed. Materiality assessments require both qualitative and quantitative judgments; specific guidance limiting preparer and auditor considerations is not appropriate.

APPENDIX B: ILLUSTRATIONS

This appendix includes a flowchart that illustrates the application of the proposed provisions of this TR. Although the following flowchart is outlined as steps, the reviews are typically concurrent and based upon a reporting entity's policies and procedures used during preparation of its financial statements. Applying the proposed provisions of this TR may require assessing facts and circumstances other than those discussed herein and referencing other applicable TRs.

Practitioners are not constrained by the illustration contained herein and may, based on facts and circumstances, evaluate arrangements or transactions for SFFAS 49 applicability using alternate approaches.

Moreover, the flowchart is not intended to provide guidance on determining the application of materiality. Applying the proposed provisions of this TR requires assessing facts and circumstances specific to the P3 arrangements or transactions and the interrelationship with SFFAS 47 or SFFAS 54 and their related TRs. Lastly, although the flowchart is laid out as a step process, preparers can view it as more of a concurrent or "waterfall" process beginning first with SFFAS 47 and then proceeding to SFFAS 54, if applicable, prior to aligning disclosures. The suggested steps do not imply that reporting entities develop practices in strict accordance with the flowchart.

FLOWCHART STEPS

1. **Identify arrangements or transactions that might be P3s and then determine if they are material to the financial statements.**

2. **Determine if SFFAS 47 applies.**[6] Identify the entities in the P3 arrangement or transaction (for example, private partners or SPVs). Determine if any of the identified entities are consolidation entities, disclosure entities, or related parties under SFFAS 47. For related parties, disclosures are required only where related party relationships are of such significance to the reporting entity that it would be misleading to exclude information about such relationships. For any disclosure entities or related parties, related disclosures should be coordinated with P3 disclosures.

3. **Determine if SFFAS 54 applies.**[7] Identify balances or types of transactions (for example, assets, liabilities, revenues, costs) or other disclosures (for example, commitments and

[6] In those cases where a private partner or SPV meets the definition of a consolidation entity, there would not be a P3 relationship between the reporting entity and the consolidation entity from a consolidated perspective and, accordingly, SFFAS 49 would not apply to that relationship.

[7] SFFAS 62, *Transitional Amendment to SFFAS 54*, amends SFFAS 54 by providing transitional guidance concerning bundled/embedded leases. Bundled or embedded leases may qualify as leases under the transitional guidance provided for in SFFAS 62. However, in such instances where SFFAS 54 disclosures are not required, SFFAS 49 disclosures may still be required. Paragraph A14 of SFFAS 62 notes that the Board is aware that the disclosure requirements of SFFAS 49 may also apply to contracts that contain embedded leases and that the transitional accommodation will have no bearing on the ongoing applicability of SFFAS 49 disclosure requirements to such contracts. Please refer to SFFAS 62 for details.

unrecognized contingencies) in the entity's financial statements that are a result the P3 arrangement or transaction. As part of the identification, specifically consider TR guidance for leases. For each P3 related balance, type of transaction, or other information, identify required or voluntary disclosures related to such balance, type of transaction, or other information.

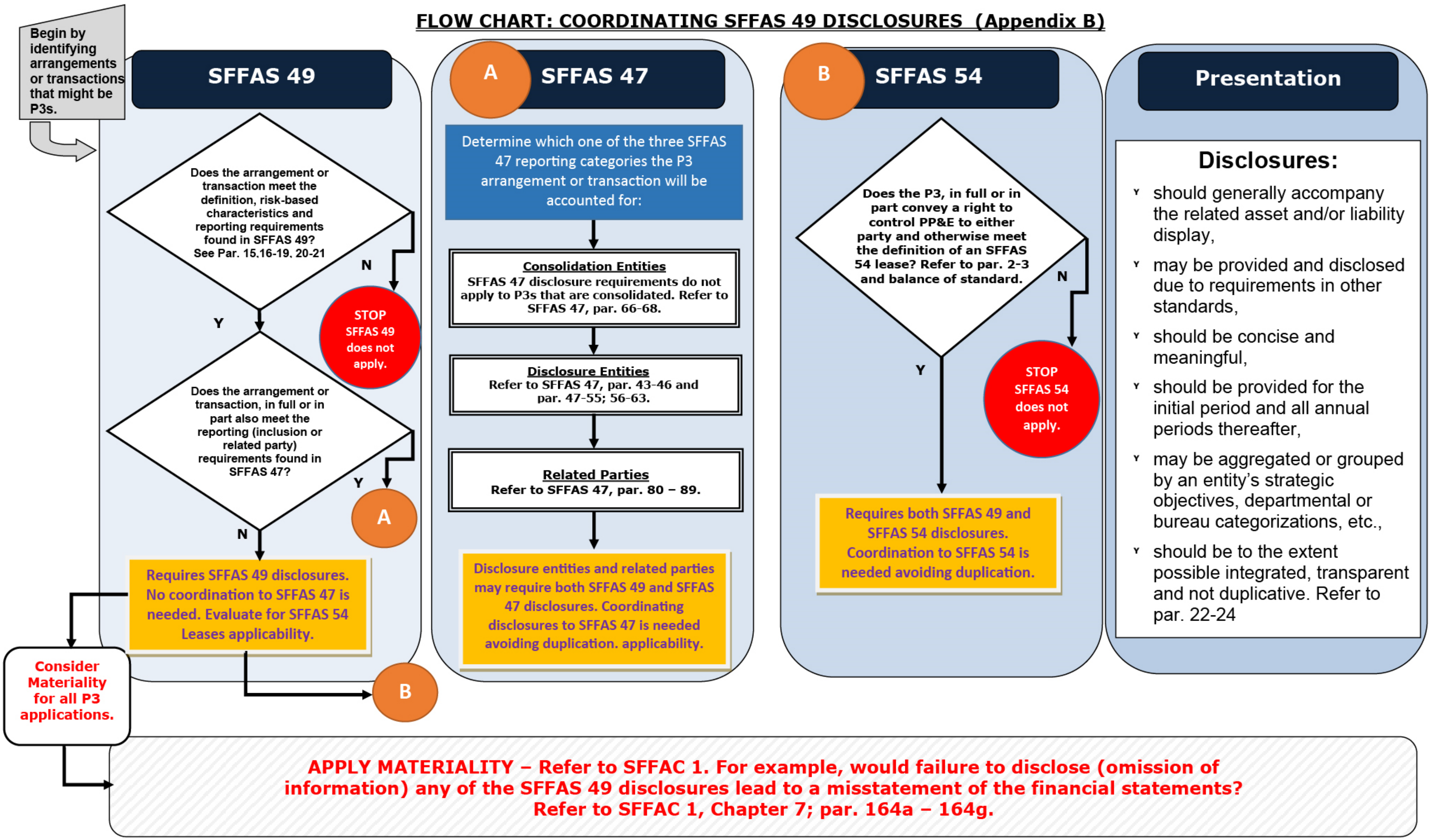
4. **Coordinate disclosures appropriately.** Professional judgment is required in determining the extent of information to include in a P3 note and/or in a note related to disclosure entities or related parties.

   For example, if in the entity's financial statements there are related P3 disclosures (for example, narratives, balances, or transactions like assets, liabilities, revenues, or costs) required by other standards (for example, commitments and unrecognized contingencies), the reporting entity should coordinate information so that it is concise, meaningful, transparent, and not repetitive.

   It is appropriate to disclose specific P3-related assets, liabilities, revenues, expenses, or other information in a related note when considering materiality and the level of aggregation of the other note. For example, a P3 note may specifically reference another note where more detailed information is disclosed. Conversely, another note may refer to the P3 note.

   If material to the P3, the P3 note may discuss the specific P3-related balance, transaction or other information; disclose the specific amounts related to the P3; and refer to the note where related information is incorporated.

This summary of disclosure requirements is meant to be a ready-reference, horizontal display of the disclosures required by the standards addressed in this guidance. Practitioners should not make any inference as to order of precedence, significance, or materiality. Refer to the general principles regarding disclosure requirements.



This summary of disclosure requirements is meant to be a ready-reference, horizontal display of the disclosures required by the standards addressed in this guidance. Practitioners should not make any inference as to order of precedence, significance, or materiality. Refer to the general principles regarding disclosure requirements.

Summary Of Disclosure Requirements

SFFAS 49	24. Disclosures should be provided for the initial period and all annual periods thereafter where an entity is party to a P3 arrangement/transaction. The following information should be disclosed: a. The purpose, objective, and rationale for the P3 arrangement or transaction and the relative benefits/revenues being received in exchange for the government's consideration, monetary and non-monetary; and the entity's statutory authority for entering into the P3. b. A description of federal and non-federal funding of the P3 over its expected life, including the estimated mix of federal and non-federal funding, and the estimated amounts of such funding. c. The operational and financial structure of the P3 including the reporting entity's rights and responsibilities, including: i. A description of the contractual terms governing payments to and from the government over the expected life of the P3 arrangement or transaction to include: 1. explanation of how the expected life was determined 2. the time periods payments are expected to occur 3. whether payments are made directly to each partner or indirectly through a third-party, such as, military housing allowances 4. in-kind contributions/services and donations

This summary of disclosure requirements is meant to be a ready-reference, horizontal display of the disclosures required by the standards addressed in this guidance. Practitioners should not make any inference as to order of precedence, significance, or materiality. Refer to the general principles regarding disclosure requirements.

SFFAS 49	ii. The amounts received and paid by the government during the reporting period(s) and the amounts estimated to be received and paid in aggregate over the expected life of the P3 d. Identification of the contractual risks of loss the P3 partners are undertaking i. Identification of such contractual risks of loss should include a description of (1) the contractual risk and (2) the potential effect on cash flows if the risks were realized (for example, early termination requirements including related exit amounts and other responsibilities such as asset condition (hand-back) requirements, minimum payment guarantees, escalation clauses, contingent payments, or renewal options). ii. Disclosure of remote risks of loss should be limited to those included in the terms of the contractual P3 arrangements or transactions. If remote risks of loss are disclosed, an explanation should be included that avoids the misleading inference that there is more than a remote chance of a loss. e. As applicable: i. Associated amounts recognized in the financial statements such as gains or losses and capitalized items ii. Significant instances of non-compliances with legal and contractual provisions governing the P3 arrangement or transaction iii. Whether the private partner(s), including any Special Purpose Vehicle (SPV), have borrowed or invested capital contingent upon the reporting entity's promise to pay whether implied or explicit iv. Description of events of termination or default

This summary of disclosure requirements is meant to be a ready-reference, horizontal display of the disclosures required by the standards addressed in this guidance. Practitioners should not make any inference as to order of precedence, significance, or materiality. Refer to the general principles regarding disclosure requirements.

SFFAS 47	74. For each significant disclosure entity and aggregation of disclosure entities, information should be disclosed to meet the following objectives: a. Relationship and Organization: The nature of the federal government's relationship with the disclosure entity or entities. b. Relevant Activity: Nature and magnitude of relevant activity during the period and balances at the end of the period. c. Future exposures: A description of financial and non-financial risks, potential benefits and, if possible, the amount of the federal government's exposure to gains and losses from the past or future operations of the disclosure entity or entities. (Par. 75 provides examples of information that may meet the objectives in paragraph 74.) 89. For related party relationships of such significance to the reporting entity that it would be misleading to exclude information about such relationships, the following should be disclosed: a. Nature of the federal government's relationship with the party, including the name of the party or if aggregated, a description of the related parties. Such information also would include, as appropriate, the percentage of ownership interest. b. Other information that would provide an understanding of the relationship and potential financial reporting impact, including financial-related exposures to risk of loss or potential gain to the reporting entity resulting from the relationship.
SFFAS 54	Component Reporting Entity Disclosure Requirements for Lessees 54. Lessees should disclose the following regarding lease activities (which may be grouped for purposes of disclosure), other than short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases: a. A general description of its leasing arrangements, including the basis, terms, and conditions on which variable lease payments not included in the lease liability are determined

This summary of disclosure requirements is meant to be a ready-reference, horizontal display of the disclosures required by the standards addressed in this guidance. Practitioners should not make any inference as to order of precedence, significance, or materiality. Refer to the general principles regarding disclosure requirements.

SFFAS 54	b. The total amount of lease assets and the related accumulated amortization, to be disclosed separately from PP&E assets c. The amount of lease expense recognized for the reporting period for variable lease payments not previously included in the lease liability d. Principal and interest requirements to the end of the lease term, presented separately, for the lease liability for each of the five subsequent years and in five-year increments thereafter e. The amount of the annual lease expense and the discount rate used to calculate the lease liability Component Reporting Entity Disclosures for Lessors 67. Lessors should disclose the following regarding lease activities (which may be grouped for purposes of disclosure), other than short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases: a. A general description of its leasing arrangements, including the basis, terms, and conditions on which any variable lease payments not included in the lease receivable are determined b. The carrying amount of assets on lease by major classes of assets, and the amount of related accumulated depreciation c. The total amount of revenue (for example, lease revenue, interest revenue, and any other lease-related revenue) recognized in the reporting period from leases d. The amount of revenue recognized in the reporting period for variable lease payments and other payments not previously included in the lease receivable, including revenue related to residual value guarantees and termination penalties

This summary of disclosure requirements is meant to be a ready-reference, horizontal display of the disclosures required by the standards addressed in this guidance. Practitioners should not make any inference as to order of precedence, significance, or materiality. Refer to the general principles regarding disclosure requirements.

SFFAS 54	68. In addition to the disclosures in paragraph 67, if a federal entity's principal ongoing operations consist of leasing assets through the use of non-intragovernmental leases, the federal entity should disclose a schedule of future lease payments that are included in the lease receivable, showing principal and interest, for each of the five subsequent years and in five-year increments thereafter.

APPENDIX C: ABBREVIATIONS

ASIC	Accounting Standards Implementation Committee
CFO	Chief Financial Officer
DLA	Defense Logistics Agency
DOC	Department of Commerce
DOD	Department of Defense
DOE	Department of Energy
FASAB	Federal Accounting Standards Advisory Board
FY	Fiscal Year
NASA	National Aeronautics and Space Administration
OMB	Office of Management and Budget
P3	Public-Private Partnership
SFFAS	Statement of Federal Financial Accounting Standards
SPV	Special Purpose Vehicle
TR	Technical Release

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