

*Exposure Draft Technical Release:
Implementation Guidance for SFFAS 49, Public-Private Partnerships*

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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*.

QFR 1 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.

We generally agree the proposed additional guidance aligns with SFFAS 49 and would provide some clarification to the standard’s principles.

We believe the word “components” in paragraph 8 could be confusing and suggest replacing it with “risk-sharing arrangements.”

QFR 2 Do you generally support the proposed guidance related to applying the risk-based characteristics in SFFAS 49? Please also explain any alternative solutions to the

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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.

We believe identifying risks can be subjective, as it requires careful consideration of the terms and conditions of each arrangement, and thus may be challenging for entities. We believe the response in paragraph 12 should focus on the requirement to review all terms and conditions of the arrangement to identify potential risks, as outlined in paragraphs 20 and 21 of SFFAS 49.

We also suggest emphasizing that, to determine whether an entity has a risk of loss (as a criterion to determine whether an arrangement is a public-private partnership (P3) requiring disclosure under paragraph 17 of SFFAS 49), it needs to consider the conclusive and suggestive risk characteristics in SFFAS 49, paragraphs 20 and 21.

QFR 3 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.

We believe paragraphs 17 and 18 should be removed. The exclusions listed in paragraph 15 of SFFAS 49 do not include consolidation entities.

We believe the intent of SFFAS 49 is to require disclosure of all arrangements with expected lives greater than five years between a financial reporting entity and any private entity that result in a risk of loss to the public entity in accordance with SFFAS 49. This may include the arrangement that created the consolidation entity itself, as well as all arrangements that the consolidation entity may have that meet the criteria for P3 disclosure. In addition, the flowchart in Appendix B should be adjusted to include consolidation entities.

We are supportive of the question and answer in paragraphs 19 and 20.

QFR 4 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.

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We believe clarification is needed in paragraphs 21 to 31, proposed questions and answers, paragraphs A10 to A14 in the Basis for Conclusions and Appendix B to identify what types of leases are included in the scope of the P3 guidance. SFFAS 49, paragraph 15b, states that “leases that are not bundled and are entered into using General Services Administration (GSA)-delegated authority” are not subject to SFFAS 49, while paragraph 21 and Appendix B imply that all lease arrangements are included. We believe the TR should clarify that not all leases are subject to SFFAS 49.

We believe paragraphs 24 to 29 should be combined into one question and answer, indicating that disclosures related to arrangements that are identified as leases under SFFAS 54 and meet the definition of a P3 should be coordinated. This simplification should align with the language used in paragraphs 19 and 20.

Paragraphs 30 to 31 state that all energy savings performance contracts and utility energy service contracts require disclosure under SFFAS 49, which does not explicitly indicate that these types of arrangements are always P3s. We believe the specific terms and conditions of each arrangement should be considered to determine whether the arrangement is within the scope of SFFAS 49. Additionally, we believe this question and answer, as written, may result in arrangements being disclosed as P3s that do not meet the requirements of the standard.

QFR 5 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.

We generally support the proposed guidance in this section.

QFR 6 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.

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We believe the flowchart could be simplified to show (1) an initial decision regarding if the arrangement is a P3, (2) identification of additional applicable guidance (SFFAS 47, SFFAS 54 or other applicable guidance) and (3) whether disclosures should be coordinated or only P3 disclosures are required. We also believe the column on presentation should be removed.

Additionally, we believe that Step 1 of the Flowchart Steps section should say “Identify arrangements or transactions that are P3s.”

QFR 7 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.

The TR is focused on the consistency and coordination of disclosures. However, the introduction and the Basis for Conclusions also mention other implementation challenges that are not addressed in this TR. The commitments project may provide insights into clarifying criteria to identify transactions that require accounting and disclosure, overlapping with concepts in SFFAS 49. Any additional P3 guidance should be closely coordinated with proposed guidance from the commitments project.

Additionally, we believe that most of paragraph A15 should be removed, as materiality is discussed in SFFAS 49 but not elsewhere in the TR. We believe the concepts in A15 regarding the design and purpose of the risk-based characteristics, as well as the emphasis on a thorough analysis of the contractual agreements and related terms and conditions, should be included in paragraph 12.