

*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.

Yes.

**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.

In general, the guidance appears helpful. In paragraphs 11 and 12, should there also be discussion reviewing risk mitigations that are included in the agreements or arrangements. For instance, if there is a long-term financing agreement, can the agency stop payment if certain terms or conditions included in the agreement are not met? Would this type of mitigation reduce the overall risk of the arrangement, and should that be taken into consideration when performing an evaluation of the agreements?

**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.

Yes. Paragraphs 17 – 20 provide clear guidance on specific issues.

**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.

Generally, yes. But there are some issues that are still unresolved. If a lease meets the definition of a P3, then under the P3 reporting requirements the Federal entity would need to report the nominal future payments due. That would include all payment types (shell rent, operations and maintenance, CPI increases, real estate tax increases, insurance increases, etc), without regard to the present value of the payments. Under the SFFAS 54 reporting requirements, the entity would only report the future shell rent payments due, broken out by principal and interest. Requiring two different disclosure amounts for the same types of agreements causes confusion in the notes to the statements.

Regarding paragraphs 30 -31 on ESPC agreements:

- 1) Suggest including Utility Energy Service Contracts (UESCs) as well as ESPCs.

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- 2) ESPC and UESC agreements should be moved to their own section of the guidance because they are not leases. At VA, the title to the assets is conveyed to the VA at acceptance of the equipment, when the long-term financing agreement begins, unlike leases where the title may convey at the end of an agreement. When the equipment is accepted and the agreement is in place, the present value of the lease payments are recorded as a future funded liability on the Balance Sheet, and disclosed in the Other Liabilities note.
- 3) The reporting requirements under SFFAS 49 require the VA to report the nominal future payments due for ESPCs and UESCs without regard to the present value, meaning that the amounts presented in the P3 note do not agree to the liability that is recorded on the Balance Sheet, causing confusion when reading the two notes. Suggest clarifying how to best integrate these differing amounts in the notes to the statements.
- 4) There doesn't seem to be any information in the guidance as to when to stop disclosures for long-term financing arrangement such as ESCPs when they are paid off early. In some cases, VA pays the ESPC or UESC liability off early but the cost savings that are in the contract are scheduled for several more years. Since there will be no more estimated payments over the expected useful life of the equipment, and there is no requirement to disclose cost savings from these agreements, should agencies continue to disclose the total cumulative funding by the agency and private sector funding, until the end of the agreement? Or should the agency report the total investments until the equipment is replaced? Or can the agency stop including these agreements in the disclosures after the financing payments have been made in full?

**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.

In general, the guidance provided is helpful. However, see above comments about the disclosures needed under SFFAS 49 vs other standards (SFFAS 54, and SFFAS 5 for ESCPs) that require agencies to disclose two different sets of numbers for the same agreements.

The differences in the disclosure requirements can cause confusion to the reader because the standards require different amounts to be presented leading to difficulties in coordinating and integrating the different reporting requirements into the respective notes.

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**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.

Yes.

**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.

Regarding the disclosure requirements under SFFAS 49 for in-kind contributions: if an arrangement/agreement only has consideration provided in the form of in-kind contributions, how would FASAB propose evaluating that materiality of the arrangement, since the dollar amount received is zero. For instance, if a Federal entity provides a building that has a net value of zero to a commercial entity to occupy for purposes of serving a specific population that is within the Federal entities base customers, and the commercial entity only provides maintenance to the building, there are no dollars received or provided.