

# **Bond Case Briefs**

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## **GASB Proposes Guidance on Public-Private and Public-Public Partnership Arrangements.**

**Norwalk, CT, June 13, 2019** — The Governmental Accounting Standards Board (GASB) has proposed new guidance to improve accounting and financial reporting for public-private and public-public partnership arrangements (both referred to as PPPs) and availability payment arrangements (APAs).

The [Exposure Draft](#), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, provides proposed guidance for PPP arrangements that are outside of the scope of its existing literature for these transactions, namely Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, and Statement No. 87, Leases. The proposed Statement also would make certain improvements to the guidance currently included in Statement 60 and provide accounting and financial reporting guidance for APAs.

### **PPPs**

The proposal defines a PPP as an arrangement in which a government transferor contracts with a governmental or nongovernmental operator to provide public services by conveying control of the right to operate or use an infrastructure or other nonfinancial asset—the underlying PPP asset—for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA). The proposed Statement includes the following definition of an SCA:

- The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of the underlying PPP asset
- The operator collects and is compensated by fees from third parties
- The transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services, and
- The transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

The proposed Statement carries forward the financial reporting requirements for SCAs that currently are included in Statement 60. For PPPs that meet the definition of a lease, but not the definition of an SCA, the proposed Statement would require governments to apply the requirements of Statement 87. For all other PPPs that are not SCAs and are not leases, the proposed Statement generally would require a transferor to recognize an asset for the underlying PPP asset and a deferred inflow of resources for consideration received or to be received as part of the PPP.

The proposed Statement would require a governmental operator to report an intangible right-to-use asset related to the underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA.

### **APAs**

Under the proposal, an APA would be defined as an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying infrastructure or other nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The proposed Statement would require governments to account for APAs related to those activities and in which ownership of the asset transfers by the end of the contract as a financed purchase of the underlying infrastructure or other nonfinancial asset.

A government would be required to report an APA that is related to operating or maintaining an infrastructure or other nonfinancial asset as an outflow of resources in the period to which payments relate.

The proposed Statement would be effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. Earlier application would be encouraged.

The Exposure Draft is available on the GASB website, [www.gasb.org](http://www.gasb.org). The GASB invites stakeholders to review the proposal and provide comments by September 13, 2019.