



September 12, 2019

Mr. David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, we appreciate the opportunity to respond to the Governmental Accounting Standards Board's Exposure Draft (ED), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

We generally agree with the provisions of the ED and appreciate the additional guidance provided on these arrangements. However, we have the following specific comments that we believe the Board should consider as it finalizes this statement.

Paragraphs 5 and 7

We request that the Board clarify the PPP and APA definitions to include clear definitions and more specific criteria, including how to determine whether a contract conveys control of the right to operate or use the underlying PPP asset, that will assist governments in determining what type of arrangement a contract is. Further, we request that the Board include a flow chart similar to Statement 60, Appendix C, that will aid in determining whether an agreement is a PPP that is a lease, a PPP that is an SCA, a PPP that is neither a lease nor an SCA, an APA, or a lease that is not a PPP.

Paragraphs 14-16 and 31-33

The paragraphs use three phrases to describe the recognition point for financial statement elements – commencement of the PPP term, placed into operation, and placed into service. We suggest the Board clarify the meaning of the recognition points and if “placed into service” and “placed into operation” mean the same thing, we request that the Board change “placed into service” to “placed into operation” throughout the statement for consistency within the statement and with prior GASB statements.

Paragraph 16

We interpret this to mean the government should estimate what the net book value will be (asset net of accumulated depreciation) upon the transfer date in the future. If this the Board's intent, we request clarification regarding how the operator would estimate the future value, and what the government should do upon the transfer date if the estimate is not materially correct.

Paragraphs 19 and 35

We request that a clarification statement be added to reflect the Board's definition of the phrase “fixed in substance” to ensure consistency in application.



Paragraph 33

We request that the Board change “That liability” to “The liability for the underlying PPP asset” because the previous sentence does not refer to a liability, and there are two liabilities addressed prior to that sentence.

Paragraph 42

We believe the last sentence in paragraph 36 related to the guidance for imputation of interest should be added to this paragraph.

Paragraph 47.d. and e.

We request that the Board change “liability” to “liability for installment payments” like 47.c., because these disclosures do not appear applicable to the liability for the underlying PPP asset recognized under paragraph 33.a.

Paragraph 54

We request that the Board include illustrations with alternatives that would be allowable.

Paragraph 60

We request that the Board change “liability” to “liability for installment payments” because the liability for the underlying PPP asset is offset with a deferred outflow of resources rather than a right-to-use asset. Also, we request that the Board address adjustment of the deferred outflow of resources for changes in the liability for the underlying PPP asset.

Paragraph 67

The paragraph simply states that outflows such as maintenance should be expensed in their respective periods. We request that the Board provide additional guidance for situations where the governmental transferor is contractually obligated to pay.

Paragraph B5

We request that the proposed statement include a clear definition of “public service,” as referenced in this paragraph. This would assist practitioners in determining whether an arrangement meets the definition of a public-private or public-public partnership arrangement.

Footnote 2

The terms “transferor” and “operator” are used to identify the parties to the PPP except in (a) where the term “government” is used. It appears “government” is referring to the transferor; however, that would make the sentence repetitive as both the first part and the second part of the sentence would include assets that are owned by the transferor and improved by the operator. Further, the footnote does not include assets that are owned by the transferor but not improved by the operator or assets that are not recorded by the transferor as an asset because the PPP is not an SCA and ownership does not transfer until after the asset is placed into operation. Also, the footnote indicates that assets the operator improved could be a new asset the operator purchased or constructed and that purchased assets are either newly constructed or improved upon by the operator, which is not consistent with the standard. We request that the Board modify the footnote to ensure it is clear and consistent with the standard.



Footnote 12

We believe this footnote is significant and should be included in the body of the proposed statement.

Appendix C

Illustration 1

The State and MTA note disclosures at the commencement of the arrangement refer to the arrangement as a service concession arrangement in the last sentence, but as a public-public partnership arrangement in the first sentence. We request that the Board call the arrangement a public-public partnership arrangement in both sentences for consistency.

Illustration 2

In the second paragraph heading and the first sentence of the LTA illustrative disclosure (page 32), “placed into service” should be “placed into operation” for consistency with paragraph 15.

Appendix D

Section 1200.115

We believe this codification should refer to the fiscal funding clause paragraph (paragraph 11), which would be P90.108.

Section 1400

The instructions preceding paragraph .143 incorrectly refer to revising paragraph .141.

General Comments

We anticipate the biggest challenge for preparers will be understanding the differences between a lease, a P3, an SCA and an APA, especially since some P3s will meet the definition of a lease and some that will be considered an SCA. Therefore, we request that future implementation guidance include a table that accentuates the differences between the transactions.

We do not believe the narrative explanation (paragraphs 29 and 47) provides essential information to the users of financial statements. The footnotes are already voluminous, and we believe this requirement adds to the volume without adding significant value.

We appreciate the opportunity to provide our comments. Should you have any questions or need additional information regarding our response, please contact Kim O’Ryan of NASACT at (859) 276-1147 or me at (802) 828-3322.

Sincerely,

Beth Pearce
President, NASACT
State Treasurer, Vermont