Note 28. Public-Private Partnerships

The government enters into various collaborative relationships with private sector entities in which the goals, structures, governance, roles and responsibilities are mutually determined to produce a risk-sharing arrangement. These relationships are referred to as P3s, in accordance with SFFAS No. 49, Public-Private Partnerships: Disclosure Requirements. While many of the government’s relationships are classified as and may be referred to as a P3, only those meeting the disclosure requirements outlined in SFFAS No. 49 are disclosed.

The National Energy Conservation Policy Act, as amended, authorizes federal entities to enter into ESPC contracts for the purpose of achieving energy savings and other related benefits. In consultations with the entity, the contractor designs and constructs a project that meets the entity’s needs and arranges the necessary funding. The contractor guarantees that the improvements will generate energy cost savings sufficient to pay for the project over the term of the contract. The cost of the ESPC project must be covered by the energy, water and related cost savings generated at the project site. GSA and DOE have entered into contracts with the private sector that meet the criteria for P3s. These contracts allow federal entities to produce energy savings and facility improvements with no up-front capital costs or special appropriations from Congress. Future aggregate payments to be made by GSA and DOE are $1.4 billion and $1 billion, respectively, over the course of the agreements. After an ESPC contract ends, all additional cost savings accrue to the entities.

In addition to the energy contracts, DOC has entered into a P3 contract on another matter. Congress has tasked DOC’s FirstNet with the responsibility to ensure the deployment and operation of a nationwide interoperable broadband network to meet the communication needs of public safety. This network must be designed to be reliable, functional, safe, and secure, and to provide optimal levels of operational capability at all times. The Nationwide Public Safety Broadband Network is being built out, deployed, operated, and maintained under a 25-year contract awarded by FirstNet to AT&T in March 2017. The service will cover all 50 U.S. states, five territories, and D.C., including rural communities and tribal nations. Under the terms of the contract, total receipts for DOC over the life of the contract are $18.0 billion based on annual payments AT&T is required to make. Payments received from AT&T and that are retained by FirstNet are required to be only used for constructing, maintaining, operating or improving the Nationwide Public Safety Broadband Network. Additionally, DOC is required to make payments to AT&T for success-based payment milestones under firm-fixed price buildout and continuing enhancement Task Orders. The total paid in FY 2022 was $1.1 billion.

DOD identified MHPI agreements as P3s requiring disclosure. The MHPI agreements are with private sector entities established as LLCs or LPs. These MHPI project LLC and LP entities with Private Partners serve as the project’s managing members and have direct managerial control allowing DOD to work with the private sector to build, renovate, and sustain military housing by obtaining private capital to leverage government dollars. By engaging MHPI agreements, DOD benefits through use of private industry expertise and tools, improving the condition of military housing more expeditiously and efficiently than the traditional military construction process would allow. Private Partners serve as the majority managing member ensuring performance objectives are met over the expected life of the agreement. Military departments generally serve as the minority member and enter a long-term ground lease (generally 50 years), and convey the associated real property assets (buildings, structures, facilities, and utilities) to the MHPI project LLC or LP. The contractual terms and termination clauses vary by agreement. The DOD’s involvement in the operations and management of the MHPI LLC or LP is governed by evaluating the percentage of ownership interest and analyzing ownership control indicators, which determine the level of influence over the partnership. The DOD provides funding to the LLC or LP through:

- Equity Investments - Provision of cash and transfer of real property ownership (land, housing units, and other structures) to a project and, in return, the DOD receives a portion of that project’s profits and losses. If the investment is sold, the DOD receives compensation.
- Government Direct Loans - Provision of cash to a project with the expectation of future payment;
- Government Loan Guarantees - Agreement to pay a percentage of the outstanding balance on a non-government loan in the event of nonpayment by the project;
- Differential Lease Payments - Provision of monthly payments to a project above the Basic Allowance for Housing paid by the military personnel.

The military departments are assessing their MHPI agreements in an effort to provide actual and estimated amounts paid and received for future periods and continues to assess agreements using criteria from SFFAS No. 49 to determine if there are additional P3s to disclose. DOD will report these agreements as soon as these assessments are complete.

The consolidated amounts the government received and paid in FY 2022 were $0.3 billion and $1.4 billion, respectively. The estimated amounts to be received and paid in the aggregate over the expected life of the P3s is $22.3 billion and $4.4 billion, respectively. As main contributors of P3 activity please refer to the financial statements of DOC, DOD, DOE, and GSA for additional information.