

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*. Although there are inherent financial risks to the federal government in these types of complex, risk-sharing arrangements, P3s by nature are used to manage certain risks, and federal entities take steps to mitigate risks of loss to the government and continue to evaluate the risks associated with these arrangements. P3 arrangements that federal entities identified are related to energy savings, broadband network and communication projects, and housing and building rehabilitation projects. While many of the government's relationships may be referred to as a P3, only those meeting the disclosure requirements outlined in SFFAS No. 49 are disclosed.

FirstNet was created to develop, deploy, and enhance wireless broadband communications for first responders; to give 21st century communication tools to help save lives; and to keep U.S. communities and responders safe. This network must be designed to be reliable, functional, safe, and secure, and to provide optimal levels of operational capability at all times. The NPSBN 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. FirstNet oversees and monitors the contract with AT&T to ensure it delivers on the requirements associated with deploying, operating, and maintaining the NPSBN through various mechanisms, including subscriber adoption targets, successful milestone completion, disincentives, and other mechanisms outlined in the contract. 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.

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 expediently 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. Refer to Note 7—Investments for more information.
- 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.

DOD 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 2023 were \$0.3 billion and \$14.7 billion, respectively. The estimated amounts to be received and paid in the aggregate over the expected life of the P3s is \$22.7 billion and \$23.8 billion, respectively. Please refer to the financial statements of DOC, DOD and GSA for additional information.