GASB Statement 94: What are PPPs, SCAs, and APAs?

Public-Private and Public-Public Partnership Arrangements (PPP)

Definition:
An arrangement in which a government (the transferor) contracts with an operator (a governmental or non-governmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset of the government, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

Example:
A government enters into an arrangement with a developer (operator) for a term of 50 years. The developer will finance the demolition of an existing structure and construction of a new facility on the government's property. The new structure includes housing and dining facilities which the developer will operate, including setting the rates, and the developer will be compensated by the customers that utilize the facilities. This meets the criteria of a PPP, but not of a SCA since the developer has control over the rates that may be charged.

Service Concession Arrangement (SCA)

Definition:

A PPP in which:
(a) The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of an underlying PPP asset in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility;

(b) The operator collects and is compensated by fees from third parties;

(c) 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

(d) The transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

Example:

A government agrees to allow a public or private entity (operator) to operate its toll-collecting function on the government's roadways. The operator provides an up-front payment of $3 billion to the government in return for the right to operate the toll collection and to receive and retain toll revenues for a period of 50 years. Based on the facts in this example, this is a PPP that also meets the criteria for an SCA.

Availabilty Payment Arrangement (APA)

Definition:
An arrangement in which a government procures a capital asset or service by compensating an operator for activities that may include designing, constructing, financing, maintaining, and operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The other party to an APA is receiving compensation from the government-based entirely on the asset's availability and not the actual performance of a public service.

Example:
A government enters into an arrangement with a private corporation to design, build and finance the construction of a bridge. As part of the arrangement, the corporation will collect all tolls for the bridge for 40 years and remit the collections to the government. In exchange, the government will remit to the corporation $20 million at the start of the project, $20 million on the date the bridge is placed into service, and $5 million annually for the length of the agreement (40 years), as compensation for designing, building, and financing the bridge. In addition, the government will remit to the corporation $200,000 per month for the length of the agreement, for the collection of the tolls.

Availabilty Payment Arrangement (APA) versus Service Concession Arrangment (SCA)

In the APA example on the previous page, the government is compensating the corporation (the operator) for operating the toll function by paying $200,000 per month; whereas, in the SCA example, revenues collected are kept by the operator in exchange for the payment made to the government.