GIIA Policy Paper

Budgetary Reforms to Unlock Infrastructure Partnerships

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Executive summary

The Global Infrastructure Investor Association (GIIA) calls on the Office of Management and Budget (OMB), the Congressional Budget Office (CBO), and relevant federal agencies to modernize federal budget scoring rules that currently discourage the use of Public-Private Partnerships (P3s). Current federal budget policies treat long-term infrastructure partnerships similarly to capital leases, requiring full upfront funding regardless of risk transfer, project structure, or life-cycle value. These outdated rules create a bias against private investment in federal infrastructure projects and reduce fiscal flexibility.

Reforming these scoring mechanisms will not undermine fiscal responsibility. Rather, it will enable smarter investment decisions, better risk-sharing, and long-term cost efficiencies, particularly when supported by proven P3 structures.

GIIA recommends a two-pronged federal policy reform agenda:

1. **Update OMB federal budget scoring standards to treat infrastructure operating concessions as a distinct concept and not as leases.**
2. **Revise scoring methodologies to expand the application of "non-budgetary" treatment to qualifying infrastructure partnerships—similar to the initial approach used in the Military Housing Privatization Initiative (MHPI).**

By updating scoring policies to reflect the actual economic substance of infrastructure partnerships, the federal government can remove one of the most significant institutional barriers to P3 adoption.

1. Revise OMB policy to update federal budget scoring standards related to capital leases to specify treatment of P3 projects

Problem:

Statutory budget scoring rules, intended to promote transparency and responsible spending, require federally supported infrastructure projects to be fully funded upfront, and not, for example, with long-term debt. This results in:

- More expensive projects during the current legislative session, without accounting for lifetime spend of said project.
- Failing to recognize infrastructure-related operating concessions as distinct constructs, instead of treating them as capital and not operating leases requiring substantial upfront costs.

The OMB's current scoring standards for operating leases do not adequately address their actual long-term costs, for example the deferred maintenance costs that the federal government is expected to incur eventually, albeit not in the short term.

This treatment discourages federal agencies from pursuing P3s, regardless of their economic advantages

Solution:

The Office of Management and Budget (OMB) should issue updated scoring guidelines that:

- Recognizes infrastructure concessions as a means of transferring risk from the public sector to the private sector, distinct from both operating and capital leases.

- Use the Governmental Accounting Standards Board (GASB) framework as a unique device whose budgetary effects should be measured against the actual risks that the government bears.

Recommended action:

OMB should update federal budget scoring standards to treat infrastructure operating concessions as a distinct concept and not as leases.

2. Revisit and expand "non-budgetary" treatment for federal P3s

Problem:

Budget scoring affects the amount of budgetary authority that federal agencies need to include in their annual budget during the budget year cycle when a new contract is signed. For an activity carried out in partnership with the private sector to be considered “non-budgetary” and therefore removed from the federal budget, OMB applies a strict test requiring that the activity not be controlled by the federal government.

The Military Housing Privatization Initiative (MHPI) originally benefited from a scoring exemption that recognized the private sector’s lead role and risk-bearing capacity. From 1997 to 2008, the Office of Management and Budget allowed many MHPI projects to be treated as non-budgetary, removing them from the full upfront scoring burden.

However, this approach was reversed in 2014, when OMB determined that new MHPI transactions should be scored as direct federal obligations, limiting flexibility and innovation in federal infrastructure delivery. This restrictive shift now deters the use of P3s for other types of federal infrastructure—even in projects where private partners assume substantial risk.

Solution:

OMB and CBO should revisit the MHPI framework and expand the “non-budgetary” exemption for removal from the federal budget to include other infrastructure projects where risk is transferred to a private partner. By limiting upfront scoring to only the risk retained by the government, agencies can access private delivery models without triggering unnecessary budgetary constraints.

Recommended actions:

- Reinstate OMB’s original MHPI scoring methodology for the MHPI and/or other projects to enable housing developers and federal agencies with the greater flexibility needed to optimize and expand P3 structures.
- Direct OMB and CBO to update federal budget scoring standards to reflect portion of risk borne by private partners in a wider range of infrastructure projects.
- Modify requirements so that fewer P3 projects undertaken by federal agencies and their private-sector partners would be treated as direct government spending for budgetary purposes.
- Encourage case-by-case scoring analysis based on risk transfer, public control, and payment mechanisms—rather than blanket classification as federal spending.

Benefits to the U.S. economy

Unlocks federal P3 activity

Modern scoring rules would allow more federal agencies to pursue P3s without requiring full upfront budget authority, making innovative procurement methods viable. GIIA members alone have access to **$500bn** in long-term, patient capital ready to be deployed into American projects.

Improves fiscal discipline through risk transfer

Scoring only the government's retained risk ensures federal obligations are transparent while recognizing private sector contributions.

Promotes life-cycle value

Incentivizes procurement models that prioritize long-term asset performance and cost efficiency over short-term budget optics.

Supports broader infrastructure goals

Provides flexible pathways for federal agencies to leverage private capital in delivering energy, broadband, water, and transportation infrastructure.

About GIIA

GIIA represents the world's leading private investors in infrastructure, responsible for over US$2.04 trillion of infrastructure assets under management globally, including in the United States. We advocate for public policies that unlock private capital to help meet America's urgent infrastructure needs, from transportation and water systems to broadband and clean energy.

The United States faces an infrastructure investment shortfall of over **US$15.2 trillion between 2024 and 2043**.[1] Meanwhile, mounting fiscal pressures constrain public sector budgets, and P3s present an effective scalable solution. Yet federal scoring rules, designed to prevent misuse of off-balance sheet commitments can inadvertently discourage long-term infrastructure solutions that transfer risk and reduce long-term public costs.

A modern approach to scoring would recognize the fiscal value of risk transfer, life-cycle efficiency, and innovative financing structures. Without such reform, the federal government risks underutilizing a proven tool for delivering infrastructure effectively and affordably.

[1] 2024-Bridging-the-Gap-Economic-Study.pdf