INNOVATIVE WAY TO FUND FEDERAL BUILDINGS WITHIN DISCRETIONARY CAP

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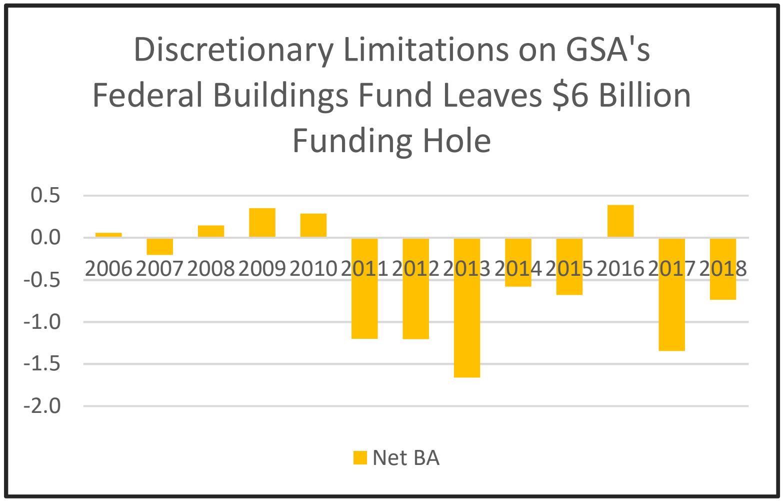
PROBLEM: CAN'T FUND EXPENSIVE PROJECTS WITHIN DISCRETIONARY CAPS

- Unlike State and local governments, Federal Government does not have a separate capital budget
- Capital projects compete directly with operating expenses for funding under the discretionary cap
- Operating expenses crowd out expensive capital projects
- Results in project delays, cost escalation, failure to fund consolidations and relocations that reduce costs
- Agencies turn to more expensive leases
- From 2011-2018 funding for GSA's Federal Buildings Fund cut by $6 billion below rents paid by agencies, virtually eliminating its budget for major renovation and new construction.

Example: GSA's Federal Buildings Fund

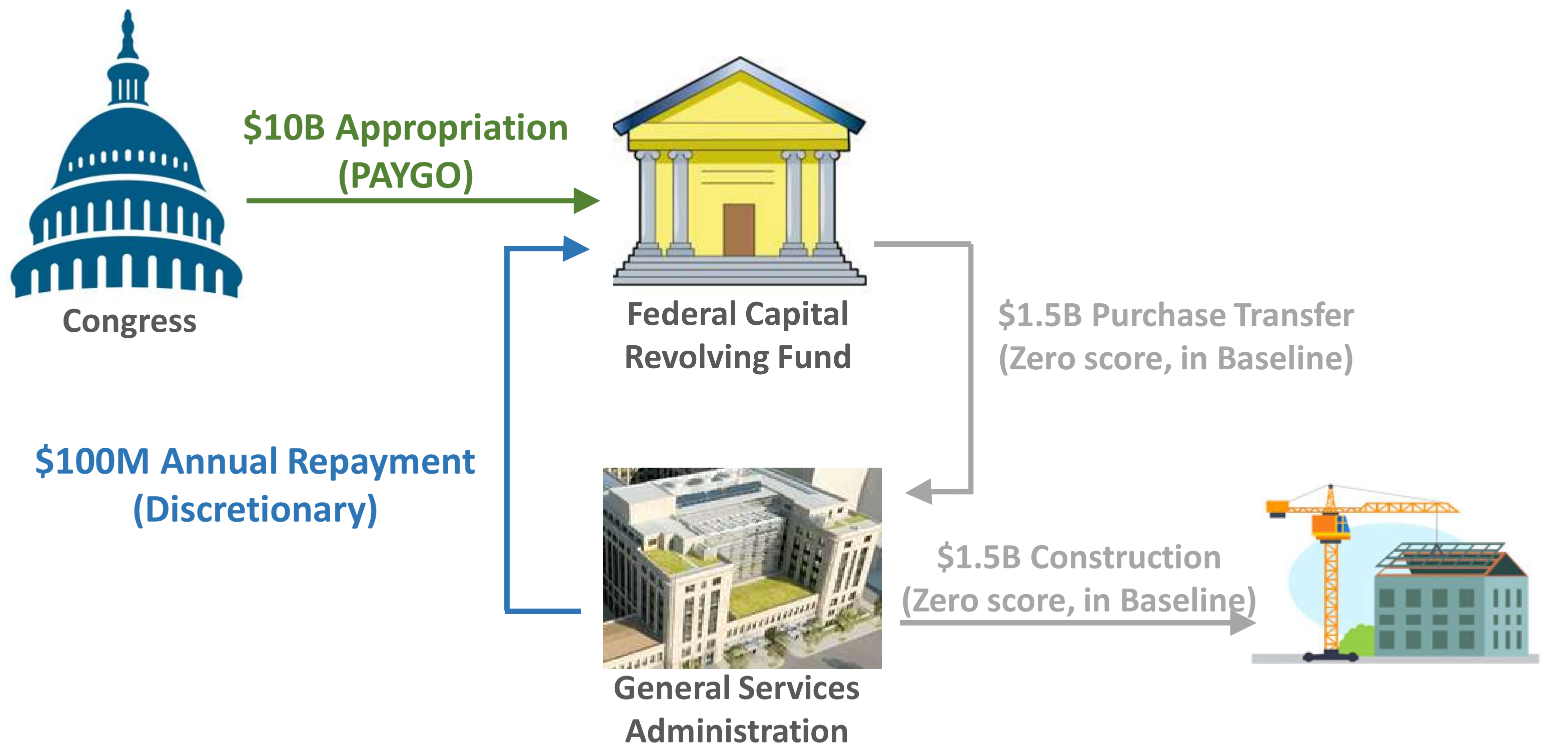


SOLUTION: SEPARATE FUNDING FOR CAPITAL FROM FUNDING FOR OPERATING EXPENSES

- State and local governments separate capital spending from operating expenses and budget for capital projects in separate capital budget
- Could separate capital purchases from operating expenses by taking advantage of the division of the Federal budget into two categories:
    - Operating expenses are funded by annual discretionary appropriations
    - Long-term commitments are mandatory spending
- Solution:
    - Create new revolving fund to finance federally-owned non-defense buildings and classify funding for purchases/construction as mandatory
    - Require purchasing agencies to repay the revolving fund in 15 equal annual installments and classify repayments as discretionary
- Advantages: Mandatory revolving fund would allow Congress to evaluate, rank, and fund capital projects; discretionary repayments builds cost of capital into operating budgets

EXAMPLE: $1.5 BILLION GSA PROJECT

Purchases (Mandatory)/15 Annual Repayments (Discretionary)



- Congress appropriates $10 billion to capitalize revolving fund (PAYGO)
- Congress approves $1.5 billion transfer for capital project – no score, part of original $10 billion PAYGO cost
- Agencies use discretionary appropriations to repay revolving fund $1.5 billion over 15 years

SCORING OF $1.5 BILLION GSA PROJECT

When an Appropriations Act approves a $1.5B GSA project, the revolving fund transfers $1.5B to GSA, and GSA spends the money to construct the building. These transactions are scored at zero because the costs were scored as part of the original $10B appropriation to the revolving fund. GSA would use its discretionary funding to repay the revolving fund $100 million in 15 annual installments. The budget records the full cost when the project is approved, consistent with best practice, but the costs are spread over 15 years on the discretionary scorecard.

		Disc	Mand	Total
	Year 1 Scoring:			
1.	FCRF transfers $1.5 billion to GSA		1,500	1,500
2.	GSA records $1.5 billion collection from FCRF		-1,500	-1,500
3.	GSA records $1.5 billion for construction costs		1,500	1,500
4.	GSA makes first annual repayment to FCRF	100		100
5.	FCRF records 100 million collection from GSA		-100	-100
	Subtotal, Year 1 scoring	100	1,400	1,500
	Years 2-15 Scoring:			
6.	GSA's annual repayments to FCRF	1,400		1,400
7.	FCRF records collections from GSA		-1,400	-1,400
	Subtotal, Years 2-14 scoring	1,400	-1,400	0
8.	Total Budget Impact	1,500	0	1,500

Note: Mandatory amounts are assumed in baseline as a result of enactment of legislation appropriating $10 billion to FCRF

MAIN FEATURES AND BENEFITS

Feature	Benefit
Conforms with budget scoring rules	No gaming or gimmicks
Functions like a capital budget within non-defense discretionary cap	Creates process for decision makers to rank and select projects within overall budget constraint
Full up-front funding of project cost	Budget best practice; lowest cost funding
Mandatory revolving pays project cost	Avoids discretionary funding spikes for expensive projects
Agencies use discretionary appropriations to repay revolving fund	Spreads costs over 15 years, which is more easily managed in appropriations process
Annual discretionary repayments replenish revolving fund	Continuously rebuilds corpus available for new projects
Appropriators select projects and commit to repayments	Retains current legislative control over projects
Protects GSA's current role in providing office space to Federal agencies	Does not change existing rules and regulations except for the means of financing projects