The relatively large requirements for office space, both government-owned and leased, emerge from numerous decisions that affect both the size of the federal work force and the amount of space assigned to each worker. Each employee now occupies an average of 166 square feet of GSA-managed office space, although the exact figure varies for different agencies, activities, and building designs. The Federal Buildings Fund (FBF) program, established in 1972, uses a unique system to finance this inventory and to measure the costs of major program components.

The Role of User Charges in Financing the Federal Buildings Program

Unlike many other programs, which are financed through direct Congressional appropriations that are recorded as budget authority, the various activities of the federal buildings program are funded mainly through collection of fees that are tantamount to rents. Referred to as Standard Level User Charges (SLUC) and instituted in 1972, these fees are levied on the individual federal agencies occupying any GSA-managed space, leased or government-owned. 4/ The SLUC rates, altogether generating some $1.8 billion in 1982, are intended to approximate charges for private-sector space of comparable type, location, and quality.

The U.S. Treasury pays the costs of the GSA buildings program, regardless of whether those costs go for construction and improvements of government-owned property or for rents to private-sector landlords, and regardless of how those costs are recovered. Thus, they represent one use of federal income tax receipts and one component of the federal deficit. Indeed, SLUC funding is merely an internal method of accounting for the program within the federal budget. The SLUC collections are deposited into an intragovernmental account, the FBF, from which funds are committed to the various program components. Budget authority for these SLUC revenues resides not in the commitments made by the fund, though, but in the numerous agencies from which the revenues are collected. As a result, the GSA buildings program is difficult to compare with others throughout the budget process.

At present, SLUC rates for each FBF facility are adjusted once every three years on the basis of appraised prevailing rates in local markets. Annual appraisals cover about one-third of the inventory each year, and tenant agencies may appeal the resulting user charges to GSA. In the two interim

---

4. In addition to SLUC payments, federal agencies reimburse GSA for certain special services (such as special alterations or extra security coverage); these activities are not considered in this study.

years, rates are adjusted according to both general rent increases reported by building owners and managers and to changes in inflation as measured by the Gross National Product (GNP) Deflator. Adjusted SLUC rates must be approved by the Office of Management and Budget (OMB), and they may be further modified by the Congress through language contained in annual appropriation acts. 5/

User-charge financing was adopted as a proper means to account for facility costs as part of agency operating expenses and to encourage economies in the amount of space used. In addition, by tying the federal buildings program to available SLUC income, GSA was expected to operate in a businesslike manner and to increase the resources available for both accelerated construction of public buildings and improved quality of building services.

Cost Measures and Major Program Components

To record program costs, the intragovernmental account used for funding GSA's federal buildings program relies on several measures: obligations, new obligational authority, and total obligational authority. A fourth measure, budget outlays, is also found in the FBF account but reflects the combined flow of income and outgo to and from the account, and it is not assigned to specific program components. These four cost measures are described in the box on the following page.

On the basis of obligations reported for 1982--that is, orders placed, contracts awarded, or services received--about 60 percent of the federal buildings program goes to acquire or improve physical facilities (see Table 2). 6/ The remainder covers facility services for the operation of owned and leased space and overall program direction that, together, are carried out by some 13,000 federal workers.

---

5. In 1975, the first full year of the FBF program, OMB reduced the GSA-proposed rates by 13 percent, and the Congress reduced them by another 10 percent. In the second year, the Congress again reduced the GSA-proposed rates by 10 percent. Most recently, under the Further Continuing Appropriations Act of 1983, SLUC rates in 1983 were frozen by Congress at their 1982 levels.

6. This category covers three types of activities: construction, repair and alteration, purchase contracting for government-owned buildings constructed before 1983, and rent of commercial space.

21-483 O - 83 - 4

COST MEASURES USED FOR FEDERAL BUILDINGS FUND

Obligations. Though the most widely used measure of FBF program levels, obligations may reflect only a small share of program levels. Obligations recorded represent amounts committed by the government to cover federal workers' payroll costs or the costs of contracts for services, facilities, and supplies purchased from the private sector. Obligations of the FBF can include payments due in any given year but not those that may, under contract or some other arrangement, be owed in other years.

New Obligational Authority. New obligational authority, distinct from obligations representing actual program commitments, sets a limit on the level of FBF activity. This measure represents authority contained in annual appropriations acts for GSA to enter into new obligations. Though not recorded as an appropriation or as budget authority, new obligational authority, consistent with those measures, establishes a limit that governs program levels, including line items of new capital improvements that GSA may undertake. Not all of the new authority may be completely obligated in the year funded. In the case of building construction, repair, and alteration, unused authority may carry over for use in future years because of the lead time needed for site selection and acquisition and for preparation of building plans. Obligations and new obligational authority thus occur over different time periods, and estimates based on one measure will seldom coincide with those based on the other.

Total Obligational Authority. This cost measure, used in various supporting tables in the appendix to the President's budget and in detailed justifications submitted by GSA to the appropriations committees, represents an upper limit on the total authority for GSA to obligate funds. It can include certain unused authority carried over from prior years for construction, repair, and alterations projects and enactment of any new obligational authority. Again, however, actual obligations will seldom be committed to an authorized level, and thus comparison between the different measures is difficult to make.

Outlays. The budget outlays recorded for the FBF account during the reporting period represent the difference between fund income from standard level user charges and gross disbursements for bills paid to meet FBF costs. (For most public works projects, the cost of any single contract obligation by GSA may be disbursed by payments to the contractor over several years.)

TABLE 2. COST COMPONENTS FOR THE FEDERAL BUILDINGS PROGRAM, 1982

Cost Category and Components	Obligations (In millions of dollars)	Percent of Total
Facility Acquisition and Improvement		
Construction, repair, and alteration of buildings	190.7	11
Purchase contract payments	156.2	9
Rental of space	706.4	41
Subtotal	(1,053.3)	(61)
Services and Program Direction	681.6	39
Total	1,734.9	100

SOURCE: Congressional Budget Office from data in the Appendix to the Budget of the United States Government, Fiscal Year 1984, p. I-V44. (Estimates exclude merged account for construction services.)

Construction, Repair, and Alterations. In 1982, contracts awarded in the construction, repair, and alterations category totaled about $190 million--with about one-fifth directed toward construction (including site acquisition and architectural plans) and the remainder directed toward repair and alterations. Obligations in this category represent total payments required by specific contracts, regardless of when disbursements are actually to be made. Recorded obligational authority, by contrast, represents the sum of payments for contracts (including those not yet signed) necessary to undertake a project budgeted for a particular year. Cost disbursements for a project (budget outlays) are spread over the period while the work is underway--usually three to five years, depending on the scope of the project and schedule of contracts. This approach contrasts sharply with capital budgeting methods used by many private firms, some state and local governments, and a few federal enterprises such as the Tennessee Valley Authority and the U.S. Postal Service. In such cases, budget officers use depreciation schedules to spread the cost of improvements over the project's expected useful life.

Purchase Contract Payments. A purchase contract (PC) is a simple concept whereby agency borrowing from nonfederal sources is used to finance construction of government-owned buildings. Several different types of PCs were used by GSA before the authorization expired in 1977, and title for completed projects will pass to the government when the agency borrowing is repaid, with interest and real estate taxes, after 20 or 30 years. Under purchase contracts, some $1.4 billion of financing was obtained for construction of 97 federal buildings. 7/ These projects, for the most part started in the 1970s, have added some 15 million square feet of space--about 6.5 percent--to the GSA inventory. (The last projects financed by PCs were completed in June 1982.)

The obligations recorded in the budget for purchase contract projects--some $156 million in 1982--reflect the amount of principal, interest, taxes, and administrative expenses being paid each year. The accounting for costs of purchase contracts differs in three important respects from that of construction, repair and alteration. First, interest payments are charged to the FBF rather than to the Treasury's account for interest on the public debt. Thus, interest costs of the program are more directly associated with the activity that gave rise to them.

Second, the estimates of obligational authority are the same in concept and amount as estimates of obligations incurred. Consequently, the various measures of budget obligations for annual PC payments do not record the full cost commitment incurred by the government at the time GSA

---

7. The General Accounting Office has concluded that the use of PCs, rather than direct financing, cost the government an additional $1.4 billion. The extra cost shrinks to about $0.8 billion if converted to constant dollars. Only a small portion of the additional expense reflects an estimated higher cost of borrowing from off-budget sources, while more than 90 percent reflects local real estate taxes paid during the term of the PC and thus represents a shift of cost from one level of government to another. In contrast to PC funding, directly funded projects are not usually subject to real estate taxes at any time, and thus, most of the extra cost falls on local governments as revenue foregone, rather than as obligations of the federal government. For a discussion of PC financing, see General Accounting Office, Costs and Budgetary Impact of the General Services Administration's Purchase Contract Program (October 17, 1979).

entered into contracts, and the future demands PC financing places on the budget are not fully recognized. (Such information is derivable from supporting material included in the budget information submitted by GSA to OMB and to the Congress.)

Finally, costs are spread over a much longer period than under conventional construction financing. Because obligations represent payments on principal and interest, they are commonly spread over a 30-year period, rather than a three- or five-year period, for projects under the construction, repair, and alteration activity. Consistent with common private-sector practice, this means that costs are spread over the useful life of a project.

Rental of Commercial Space. In 1982, GSA leased some 91.2 million square feet of occupiable space from the private sector at a recorded cost of $706.4 million. 8/ Office space accounts for about three-fourths of the lease inventory, with warehouse and other storage space accounting for most of the remainder (see Table 1).

Because the government is a relatively stable tenant, GSA can make extensive use of multi-year contracts for leased space. According to December 1982 data, about half of the total annual rent paid by GSA meets requirements under leases that have fixed terms of longer than five years. This distribution of the total leased inventory has remained relatively constant since 1978 with regard to contracts with terms of five or fewer years; the portion with four- to five-year terms has increased, while the portion with one- to three-year terms has somewhat declined. The distribution by lease term may vary significantly for new leases entered into in any given year. In 1982, for example, nearly one-fourth of the new space leased was acquired under contracts with more than five-year terms, usually ten years and longer.

The obligations recorded in the budget for GSA leases represent the cost of rent paid during the year. As under purchase contracting, costs are thus associated with the amount of space entered into the federal buildings inventory--a kind of "pay-as-you-use" accounting. Thus, the cost measures of obligational authority and obligations incurred for leasing are essentially the same. As such, obligations do not recognize the full contractual com-

---

8. In some cases, GSA leases space from the U.S. Postal Service or other government organizations or from a private firm that owns a building constructed according to government specifications. Both types of leases are included in the estimates of leased space used in the CBO analysis.

mitment of funds that multi-year lease contracts represent. As with purchase contracting, the annual appropriation acts limit the total amount of funds that may be obligated for annual rental payments in any given year.

CHAPTER II. SHORTCOMINGS IN THE DECISIONMAKING PROCESS AND ALTERNATIVE APPROACHES

Under the Public Buildings Act of 1959, as amended, the Congress exercises control over the federal buildings program primarily through a two-part process of authorization and appropriation. (Oversight hearings always provide a further opportunity for Legislative Branch review.) Some critics believe that this framework for Congressional decisionmaking could be significantly strengthened. Specific complaints fall in two general areas:

- Deficiencies in the planning and authorization process that work against setting internal FBF priorities for the Federal Buildings Fund and considering major program issues; and

- Inadequate cost measures that impede evaluating long-term cost commitments and setting funding priorities, both within the FBF program and in comparison with other programs throughout the entire federal budget.

The advent of the Congressional budget process in 1974 and since that time, mounting concern with reducing federal budget deficits have given rise to current interest in strengthening the mechanics for Legislative Branch control over the level and direction of federal buildings program spending. The first half of this Chapter gives a brief overview of the current system and of the basis for criticisms of that process. The second half reviews several modifications of the current system that the Congress might want to consider.

The Current Process

Under current law, funding for space acquisitions costing more than $500,000 are first authorized by resolutions adopted by both the Senate Committee on Environment and Public Works and the House Committee on

Public Works and Transportation. 1/ A proposal for any such project is submitted to both committees in the form of a detailed prospectus. Each prospectus is prepared by GSA after completion of a space utilization survey for a particular location and after review by officials at regional and national headquarters. The prospectus proposal also reflects decisions (described in Chapter IV) about whether the space requirements should be satisfied by leasing commercial facilities or by constructing federal buildings. (Most of the prospectus proposals are initiated by GSA, but in some cases, the Senate and House public works committees may require GSA to submit a report on agency space needs in a particular area.)

The annual appropriation part of the process sets limits on the expenditure of funds from the intragovernmental FBF account. These limits, expressed as new obligational authority (analogous to budget authority in other programs), specify the level of commitments for the FBF program as a whole, as well as for its major components, including individual public works projects. (Within the leasing component, amounts are not earmarked for specific projects.)

In the absence of budget authority--the traditional responsibility of appropriations committees--the Senate and House Committees on the Budget look mainly to authorizing committees for most spending recommendations and incorporate net outlays of the fund in recommended budget resolutions. Budget resolutions set expenditure levels for broad categories ("functions") of federal spending such as national defense, income security, and transportation. The FBF account is incorporated in the outlay allowance for general government, identified as Budget Function 800.

PLANNING AND AUTHORIZATION PROBLEMS

Authorizing committees receive an average of 100 or more prospectuses each year. 2/ According to reviews by the General Accounting Office and other analysts, the authorizing committees continue to have difficulty in ranking FBF projects in any order of priority and in reviewing overall

---

1. The $500,000 limit for exemption of small projects from prospectus authoriziation was last amended in 1972. If the exclusion were adjusted for subsequent inflation, the cost threshold in 1983 dollars would be about $1.4 million for construction, repair, and alterations and about $1.1 million for leasing.

2. See McMurtry, Public Buildings Policy, p. 4.

program policy for three reasons: a well-established planning system is lacking; prospectuses are sometimes submitted one by one; and the authorization and appropriation processes are not effectively integrated. 3/

Long-range planning at GSA is still in a formative stage. Under current practice, it is most difficult for authorizing committees to consider the FBF program within the spending targets set by the budget process or to consider alternative plans that would reduce costs in either the short or long term. At present, long-range plans prepared by GSA consist mainly of various lists and summary descriptions--some covering more than 80 pages--of individual projects proposed for construction, acquisition, repair, alteration, and leasing. 4/ Although the projects proposed within each of these categories are listed in order of priority, no information is provided to ascertain or evaluate the basis used in the ranking. Furthermore, although the GSA planning document describes the basic assumptions on which overall inventory requirements are projected, it is not intended to facilitate the cost or program implications that would result if key assumptions--such as changed employment levels or improved use of space--proved incorrect. Finally, the GSA's planning documents do not identify the budgetary outlay estimates of its proposals or the regional effects of major projects.

Inadequate planning has led to unanticipated space requirements that are difficult to meet through construction because of the lead time involved. This has fueled Congressional concern about the GSA's reliance on leasing. Even with more comprehensive information, however, authorizing committees would find it almost impossible to weigh projects' relative merits because prospectuses are submitted one at a time throughout the year. According to the latest published long-range plan, about 90 projects proposed for funding in 1983 require approval by the public works committees in both houses.

In certain other direct public construction programs, such as those of the Bureau of Prisons, authorization proposals are generally packaged together and submitted once each year for Congressional consideration. In the past, authorization of FBF activities, by contrast, has required numerous independent actions. The GSA has recently attempted to submit with the

---

3. See General Accounting Office, Foresighted Planning and Budgeting Needed for Public Buildings Program (September 9, 1980).

4. See, for example, General Services Administration, Public Buildings Service Management Plan for FY 82-88, vol. 1, 1982.

21-483 O - 83 - 5

President's Budget, the prospectuses necessary to fulfill annual public construction needs. These attempts have been partly successful, but prospectuses are still often submitted one by one. This process also contrasts with appropriations committees work, which is geared to preparation of annual appropriations bills; consequently, the two processes are difficult to coordinate. In many instances, projects will remain for years authorized but unfunded--which compounds the difficulty of creating rational public buildings budgets. The delays that characterize the current process often compel the Congress to reconsider past actions as prospectuses become outdated.

The scope of federal buildings activities requiring authorization under current law causes other problems. The present prospectus process covers only a portion of all annual costs budgeted for the federal building program, even though the authorizing committees are expected to submit recommendations to the Budget Committees for the entire FBF account. In the 1983 budget, for example, just over 50 percent of proposed new obligational authority for construction, repair, alteration, and leasing required no prior authorization for funding--because the estimated costs of numerous individual projects were less than $500,000. When purchase contract payments, facility services, and program direction are accounted for in the total program, about two-thirds of the 1983 federal buildings funding did not require authorization action according to the following estimates (in millions of dollars) of new obligational authority:

Program Components	Total Funding	Estimates	Percent
Capital investment for construction, repair and alterations	905	234 a/	57
Rental of space	806	678 b/	84
Subtotal (rounded)	(1,711)	(910)	(53)
Purchase contract payments	160	--	--
Facility services and program direction	772	772	100
Total (rounded)	2,643	1,682	64

a. Includes $224 million for projects under $500,000 and $8 million for acquisition of existing buildings.

b. Estimated amount for leases under $500,000.

So long as the authorization process is not directly linked to the entire FBF program, authorizing committee action may reflect unrealistic program levels, and a major part of FBF activity can escape review.

APPROPRIATION AND COST MEASURE PROBLEMS

The cost measures used in the FBF accounts give rise to difficulties in weighing internal priorities of the FBF program and assessing long-term cost commitments fully. In addition, the absence of budget authority makes comparing requirements for public buildings against other federal responsibilities problematic.

Cost Measures

The full, long-term commitments of the FBF program are difficult to assess, because the measures of obligations and obligational authority used for the FBF account do not record the full cost of multi-year contracts when GSA incurs those costs. In 1975, when the Congressional budget process was new, a similar concern arose over the budgetary treatment of obligations and budget authority for multi-year contracts with local public housing authorities entered into by the Department of Housing and Urban Development (HUD). In that case, Congress decided to fund the full cost of multi-year contracts in the year the contracts were awarded. This accounting change, increasing budget authority by $17 billion in 1976, was enacted to provide a more realistic disclosure of out-year program costs; it did not, however, change that year's level of HUD-assisted housing. 5/ Although in GSA's case, the issue is how, rather than whether, to acquire space, many of the same concerns about full cost disclosure of long-term commitments still apply.

---

5. For a brief discussion of the fiscal year 1976 change in funding multi-year contracts for federally-assisted housing programs, see U.S. House of Representatives, Conference Report accompanying H.R. 8070 (No. 94-502), September 23, 1975, pp. 7-8. The change in budgeting for the long-term costs of publicly-assisted housing has created certain difficulties arising from problems in forecasting changes in program costs. See Congressional Budget Office, The Long-Term Costs of Lower-Income Housing Assistance Programs (March, 1979).

Problems also arise because cost measures apply differently to different program activities. Though obligations for purchase contracts and leases are spread over the period a building is used (a kind of "pay-as-you-use" accounting), obligations for construction are recorded in total as a building is constructed. Also, though obligations for leasing and purchase contracts are equivalent to annual cash disbursements, obligations for construction represent commitments, regardless of when cash disbursements actually occur.

Appropriations

Legislation creating the current FBF budget structure in 1972 preceded establishment of the Congressional budget process. Budget authority for revenues from SLUCs resides not in the commitments made by the fund but in the numerous agencies from which the collections come. Consequently, the program itself operates without budget authority, and thus is difficult to compare with others during the budget process. Without budget authority, it is virtually impossible for the current annual budget resolution to take account of the impact of the current FBF program, or modifications under alternative planning assumptions.

The netting of funds into and out of the FBF account to compute outlays results in amounts so small that they usually receive little notice as a significant cost item. Instead of identifying gross costs for federal buildings, the FBF account shows negative 1982 outlays of $92 million--meaning only that collections from SLUCs and other sources exceeded gross disbursements by this amount. This masking, however, may help insulate space acquisition decisions from pressures to curb short-term federal spending.

The netting of intragovernmental payments within the FBF account avoids double counting of costs already included as budget authority and outlays in the budgets of individual tenant agencies for their SLUC payments to GSA, but it masks the full cash demand of the federal buildings program on the U.S. Treasury. In 1982, for example, FBF cash disbursements--outlays--were reported as a minus entry; but gross disbursements from the Treasury for federal building activities were just under $2 billion (as shown opposite). If gross, rather than net, amounts had been recorded for the FBF, 1982 outlays for the general government function of the budget would have been more than 40 percent higher.

Netting of FBF Outlays

Transactions	In millions of dollars
Gross current disbursements for salaries, contract payments, and other expenses	+1,991
Offsetting collections from SLUCs and other sources	-1,800
Reimbursements for special services and other adjustments	-283
Net outlays reported for FBF	-92

POLICY OPTIONS

The Congress is considering several modifications to the current system that could strengthen Legislative Branch control over the FBF program and improve decisionmaking. As is always the case, the Congress might decide to continue the current system, which nets FBF outlays to practically nothing and thus helps insulate the program from short-run budgetary pressures. Possible modifications to the current decisionmaking framework include the following:

- Require annual authorization and planning;
- Adopt full funding of costs for multi-year leases;
- Establish budget authority for the FBF program, either within the context of SLUC financing or as a substitute for it; and
- Restructure budget accounts to show gross outlays for FBF.

These alternatives to current procedures may offer some prospect of better decisions. They are not, however, designed to achieve budgetary savings, and could, in fact, entail more, rather than less, spending for federally used property.

Option II-1--Establish Annual Authorization and Planning

An annual authorization and planning process, modeled after schemes advanced in the Senate several years ago, has been cited as a way to foster coherent and rational Congressional decisionmaking on the federal buildings program. 6/ The current authorization procedures would be replaced by a once-a-year consideration of a package of projects. Public works committees in both houses would report annual authorization bills for consideration by the entire Congress, rather than making final authorizations themselves. Information would be submitted to authorizing committees for all program activities, but to focus Congressional attention on major undertakings, prospectuses would be submitted only for those projects of $1 million or more. Such an annual process would also promote priority setting, improved long-term planning, and consideration of likely levels of funding in annual authorizations. An authorization process would also help ensure that the FBF program could be coordinated within the total budget process.

Opponents of the option would question the usefulness of adding another layer of decisionmaking--consideration by the full Congress--to the current process, and they would argue that the setting of annual limits in the appropriations bills provides ample means for regulating the federal buildings program. With regard to the authorization process, critics would note that the committees can always stipulate changes in the timing and content of information submitted by GSA for its proposed program. Other critics would caution that large-scale project trading to suit local interests could result from the opportunity to present amendments from the floor of both legislative chambers. Such opportunities, however, already exist during committee deliberation and in the course of debate by the full Congress on other authorization bills such as military construction proposals.

Option II-2--Require Full Funding of Multi-Year Leases

This option would attempt to provide realistic disclosure of obligations and obligational authority presented in the budget for the FBF. Specifically,

---

6. Two Senate bills, S. 2080 and S. 533, recommended adoption of annual authorizations and long-range planning, among other things (see also discussion in Chapter IV).

the budget would account for the full cost of multi-year lease contracts entered into by GSA, consistent with practice for other FBF activities. 7/ The government's known liability would be recorded in the year a multi-year lease was signed, rather than over the lifetime of the lease. 8/

Under this option, for example, budgetary obligations for a fixed-term five-year lease entered into at the beginning of a fiscal year at an annual cost of $100,000 would be recorded as $500,000; first-year obligations would be shown under current reporting only as $100,000. Under current practice, when a lease with a term of one year or more is entered into part way through a fiscal year, GSA records obligations only for the payments that will be made for the balance of the fiscal year. In this example, if the five-year lease were contracted on April 1, obligations for the remaining six months of the fiscal year would be recorded as $50,000 under current reporting.

If full funding of multi-year leases were initiated in 1985, obligations and obligational authority could be recorded for the outstanding costs of commitments under then-existing multi-year contracts, as well as the costs of all the future annual payments under new multi-year contracts scheduled for that year. Relative to the current system, the accounting change would reflect a one-time increase estimated at $3.4 billion in 1985. For the ensuing four years, an average of about $50 million more would be required each year. This average reflects obligations required to meet the full cost of new multi-year leases, less the annual out-year costs of the initial group of leases that otherwise would have been funded on a pay-as-you-use basis. If the change applied only to new multi-year leases awarded in 1985 and beyond, the initial one-time increase would shrink to some $0.7 billion, with annual requirements declining gradually thereafter to $0.4 billion in 1989. 9/ Because existing resources for the FBF would not be adequate to

---

7. OMB Circulars A-11 and A-34 include guidance to agencies on accounting and budgeting for rental costs. This option would require amendment of these regulations.

8. The multi-year impacts of purchase contracts are not considered in this option, because authority no longer exists for new commitments.

9. Because of escalator clauses for taxes and operating expenses, the full-year costs of multi-year leases are not fixed at the time of contract award. Consequently, subsequent budget action would need to cover the impact of future inflation. The CBO estimates for full funding of multi-year leases incorporate future costs for such price changes.

cover the recognition of higher costs, an appropriation most likely would be necessary to supplement SLUC collections. In any case, this option would affect how program activities were recorded in the budget, not the actual level of activity nor the amount of budgetary outlays.

GAO and other proponents of this option would see it as offering the Congress a more accurate disclosure of GSA commitments to spend federal funds. 10/ On the other hand, such budgeting would not allow for the association of costs with the expected period of use of the resource--as is currently the case with the present treatment of lease costs. In addition, the level of program activity would not necessarily be affected by an accounting change alone. As previously noted, leasing costs are mainly influenced by the size of the federal work force and by the price increases that attend inflation. Also, a change in cost accounting would not relieve general budgetary pressures that favor leasing over the large near-term expenditures for contruction of new buildings (described in Chapter IV). Critics of full funding would point out that, because all lease costs would be recorded in the year of contract award, this option could create a strong disincentive for GSA to enter into multi-year rather than annual leases. As a result, any savings associated with multi-year contracts might disappear. In addition, the requirements for full funding could be avoided by entering into short-term leases and then renewing them periodically.

Option II-3--Establish Budget Authority for the Federal Building Fund

This option would restructure the FBF account to show budget authority, thus enabling closer integration with the budget process. As described below, budget authority for FBF could either be created within the context of current SLUC financing or as a substitute for it. Under either approach, the authorizing and appropriations committees could report recommendations for changing the program subject to the provisions for reporting established under the Congressional Budget Act. 11/

---

10. See, for example, letter to the Honorable James J. Howard, Chairman, Committee on Public Works and Transportation, from Donald J. Horan, Director, Procurement, Logistics and Readiness Division, General Accounting Office, April 27, 1982.

11. A related option, described in Chapter IV, would provide budget authority only for amounts borrowed by FBF from the U.S. Treasury.

Under one approach to creating FBF budget authority, agencies would still be assessed for the space they use and would budget for it along with other operating requirements. The application of SLUC income toward costs, however, would be recorded as budget authority in the FBF account. This approach could be patterned after procedures used in other accounts, such as the Department of the Interior's Land and Water Conservation Fund and GSA's National Defense Stockpile Transaction Fund. For both of these accounts, the Congress enacts appropriations (budget authority) to control the amount of funds collected that may be committed for carrying out programs. In these instances, the respective accounts collect revenues from sales to the public of surplus government property.

Because FBF collections represent internal budgetary transactions, government-wide budget totals would have to be adjusted to offset the budget entries in individual agency accounts that include SLUC fees. 12/ Even with such offsets, however, funding shortfalls can occur if appropriation action taken on individual agency accounts covering SLUC payments provides less resources than anticipated in the appropriation action taken on the FBF account. (The budgetary treatment of the federal buildings program under this option in combination with others is summarized, by function, in Appendix A.)

Another approach to creating budget authority would abolish the user-charge mechanism altogether; funding could revert to use of one or more direct appropriation accounts, similar to the situation that antedated the current FBF system. Critics have charged that the current SLUC system has failed to achieve certain of its initial objectives--namely, to encourage more prudent use of space by federal agencies, and to provide a source of capital for investment in federal buildings to permit reduced reliance on leasing commercial space. Eliminating user charges in favor of appropriations offers the most direct way of bringing the program under the Congressional budget process and could save some administrative costs incurred by GSA and tenant agencies in running the SLUC system.

Although budget authority means different things for different federal programs, its application to the FBF--however structured--could provide a way to track the program through the Congressional budget process. It would allow the relative priority of FBF program costs to be weighed

---

12. Examples of interfund adjustments to avoid double counting in government-wide budget totals, located in Budget Function 950, include the employer's (agency) share of Civil Service retirement. See Budget of the United States Government, Fiscal Year 1984, pp. 8-202.

21-483 O - 83 - 6

against other spending priorities, and it would also require that all aspects of the FBF program be considered under reporting deadlines established for the budget process. On the other hand, skeptics who question the need for creating budget authority for the FBF maintain that the current limits on obligational authority contained in annual appropriations acts provide ample means for the Congress to decide on the level or direction of the federal buildings program.

With regard to abolishing SLUC financing, opponents point out that such action would sacrifice a primary advantage of the current system--that costs of federal buildings are associated primarily with the operating requirements of tenant agencies needing federal space. Although past experience weakens this claim, proponents of the current system believe that the growing recognition of budgetary constraints may now induce agencies to reexamine their use of space as one way to trim operating costs. They also argue that the availability of SLUC revenues provides some incentive for GSA to exercise prudence in managing the costs of the FBF program, because savings can be applied to capital investment needs.

Option II-4--Restructure Budget Accounts to Show Gross Outlays

Without creating budget authority for the FBF, this option would restructure budget schedules so that the outlays for the GSA buildings program would show up as gross disbursements in the FBF account, rather than as disbursements in agency operating accounts. Consolidating outlays in the FBF account offers another way to facilitate both the tracking of the FBF program through the budget process and the recognition of budgetary consequences of changes in FBF program components.

The option offers the appeal of not requiring changes in SLUC financing or appropriation actions; the existing appropriations process would remain intact. Tenant agencies would continue to budget for SLUC payments. GSA would continue to commit SLUC revenue to FBF activities, and the Congress would continue to control the annual budget of the FBF program through limiting language in annual appropriation acts. In contrast to current practice, however, the appropriations committees would be accountable for the gross federal building outlays that would show up directly in the FBF account.

The mechanics of the budgetary accounting changes to implement this option are relatively simple, entailing a shift of building outlays from operating agencies to the FBF account. Specifically, two types of changes would be required. First, the budget schedules of tenant agencies would be modified so that the funds requested for SLUC payments would be shifted from obligations to an unobligated entry. Second, the reporting of outlays in the FBF account would change by altering how the netting from SLUC revenue was treated. At present, SLUC revenues are subtracted from obligations, and thus they reduce the outlays that flow from them. Under this option, SLUC revenues would be netted against unobligated balances, leaving obligations and resulting outlays to reflect gross amounts. The accounting modifications would not change the fact that the FBF account shows no budget authority. The option would result in a one-time reduction in the outlays of tenant agencies, accompanied by a corresponding increase in outlays for the FBF. (Unlike Option II-3, government-wide budget totals would not have to be adjusted to avoid double counting. Appendix B illustrates the accounting changes in budget schedules under Option II-4.)

Implementation of this option would require amendment of certain OMB regulations to broaden the permitted use of certain accounting entries. 13/ Critics of this approach would maintain that such unconventional accounting practices would set a bad precedent for standard guidelines on budget preparation and execution. In rebuttal, advocates would note the fact that some budgetary schedules already use somewhat unconventional budget entries for intragovernmental transactions (for example, between the International Monetary Fund and the Exchange Stabilization Fund); they could also point to the possible elimination of some double counting in budget documents that report government-wide obligations. Some observers view creating budget authority for FBF (Option II-3) as a more straightforward approach to strengthening Congressional oversight and at the same time, creating gross outlays for FBF. Proponents of the current system would object to reporting gross outlays under either option, because the current netting of outlays helps escape pressures against capital investments that increase near-term budget deficits.

---

13. Sections of OMB Circular A-11, stipulating the structure of program and finance tables used in the appendix to the U.S. Budget, would require modification.

CHAPTER III. BUDGET HISTORY AND FUTURE REQUIREMENTS

Though the amount of GSA-provided space has remained relatively stable since the inception of the Federal Buildings Fund, costs (budget obligations as currently recorded) have risen about 70 percent since 1976 (see Table 3). This growth primarily reflects the rising prices of the goods and services GSA purchases; measured in constant dollars, the program has changed little in seven years. Even so, two central questions persist:

- o What can be considered an appropriate level of program costs for key activities? and
- o How should GSA plan for future program needs?

The first part of this chapter describes the history of major FBF activities. The second part describes changes in future requirements for the buildings program under alternative planning assumptions. (Because of certain data limitations, most historical information in this chapter excludes the first year of federal buildings fund operations, 1975).

HISTORY AND TRENDS

The cost history and trends in three areas continue to be of particular concern to the Congress: the size of the GSA-managed space inventory and how efficiently that space is used, the leasing program and its effect on costs, and the level of capital investment. Although of less concern, the balance of reserves in the federal building fund and costs of other, less controllable program components are also examined in this chapter.

Size of the Inventory and the Use of Space

During the period 1976-1982, the FBF inventory of all usable space varied only slightly, with decreases of some 9.1 million square feet of warehouse and other special space more than offsetting increases of some 7.2 million square feet of office space (see Table 4). The increase in office space is largely attributable to an 8.9 percent growth in the federal work force housed in GSA facilities and would have been somewhat greater had it not been for a slight decrease in the space used by each worker. Between 1976 and 1982, average square feet of office space occupied by each worker declined 3.5 percent--from 172 to 166. The average office space used by

TABLE 3. COST TRENDS FOR FEDERAL BUILDINGS, BY MAJOR PROGRAM COMPONENTS, 1976-1982 (Obligations in billions of dollars)

Program Components	1976	1977	1978	1979	1980	1981	1982 a/
Construction	0.01	0.01	0.02	0.01	0.03	0.05	0.04
Building Repair and Alteration b/	0.06	0.09	0.17	0.16	0.12	0.10	0.12
Subtotal	(0.07)	(0.10)	(0.19)	(0.17)	(0.15)	(0.15)	(0.16)
Rental of Space	0.43	0.46	0.48	0.52	0.55	0.63	0.71
Purchase Contract Payments	0.05	0.08	0.08	0.09	0.10	0.11	0.16
Facility Services and Program Direction	0.46	0.49	0.55	0.57	0.61	0.66	0.71
Total	1.01	1.13	1.30	1.36	1.40	1.56	1.73

SOURCE: Congressional Budget Office from General Services Administration data.

NOTES: Detail may not add because of rounding.

As of 1977, fiscal years are October to October.

a. Estimates do not reflect merger of the construction services account into the Federal Buildings Fund, beginning in 1982.

b. Estimates exclude amounts for certain operating expenses, which are included under facility services and program direction. These expenses total the equivalent of 25 percent of the amounts listed in the table for construction, repair, and alteration.

each worker varies markedly among particular federal activities and agencies; 1/ but overall, the space use for federal buildings compares favorably with that reported by owners and managers of private office buildings. 2/

---

1. In 1982, the average office space used per worker varied significantly among individual agencies. Among the largest tenant agencies, the following use rates (in square feet per worker) were reported: Veterans Administration, 175; Internal Revenue Service, 132; Social Security Administration, 158; and Department of Defense, 132.

2. According to one source, federal agencies averaged 3 percent better use of office space than tenants in private office buildings. This comparison is based on 1981 data reported for 19 localities and for a broader nationwide sample in Building Owners and Managers Association International, 1982 BOMA Experience Exchange Report.