

to offer long-term savings relative to leasing. The economies result partly from widely varying conditions in local real estate markets, which drive up rents to the point that costs of federal ownership are eventually exceeded. This occurs despite the fact that buildings constructed by the private sector and leased to the government are generally less expensive than federally constructed buildings (see section below on "other influences").

Budgetary Savings

Measured over a project's useful life, leasing ordinarily requires larger total cash payments by GSA than would federal construction and ownership of the same space. This occurs because rents for commercial office space are often set to recoup costs within 15 years or less. The near-term cash impacts of leasing, however, are much smaller than those for construction--an important consideration in light of current efforts to reduce federal budget deficits.

From the perspective of the FBF budget, leasing commercial space of 100,000 square feet or more typically requires about 40 percent greater cash disbursements at the end of 34 years than does government ownership. (Consistent with A-104 cost comparison guidelines, the analysis covers four initial years of project development plus 30 years of building occupancy.) As shown in Table 7, disbursements for either option are about equal by the twentieth year. In that year, the cumulative amounts for leasing would nearly equal those for construction, repair, and operation of a federal building. 11/

Method of Analysis. The CBO's comparison of cumulative GSA disbursements derives from analysis of data on 42 projects, each with at least 100,000 net square feet of office space. The cost estimates for ownership and leasing were supplied by GSA although CBO made some adjustments in operating costs to reflect geographic differences in federal and private-sector experience. From the individual project data, CBO

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11. Comparisons of GSA disbursements disregard other budgetary outlays that may arise from Treasury borrowing to meet overall aggregate federal cash requirements; specifically, they exclude the interest payable on the large debt that may be incurred in the construction phase. Under the unified budget, however, most Treasury borrowing is not assigned to particular projects or governmental activities but reflects the aggregate demands for cash government-wide.

TABLE 7. ESTIMATED CUMULATIVE GSA DISBURSEMENTS FOR CONSTRUCTION AND OWNERSHIP VERSUS LEASING FOR A TYPICAL PROJECT OF 285,000 NET SQUARE FEET (In millions of 1980 dollars)

Time Period	Construction/ Ownership	Leasing	Leasing as a Percent of Construction
First Four Years (Development)	46.5	--	--
Through Ten Years	53.4	23.8	45
Through 15 Years	59.5	43.6	73
Through 20 Years	66.3	63.5	96
Through 25 Years	73.2	83.3	114
Through 30 Years	79.8	103.1	129
Through 34 Years	85.0	119.0	140

SOURCE: Congressional Budget Office

constructed a composite prototype to compare outlays.^{12/} (For office projects of less than 100,000 square feet, a similar composite showed only 7 percent greater costs for the leasing option, with cumulative costs becoming about equal after 30 years. These smaller projects are not generally located in areas where GSA now leases much commercial space.) The outlay comparisons were based on 1980 prices and thus did not consider the impacts of future inflation. If, for example, all recurring annual costs for repairs, operation, and rents increased at an annual rate of 5 percent relative to the fixed costs of construction, the leasing option would require 93 percent greater outlays at the end of 34 years.

12. The project data was taken from GSA's study, An Economic Analysis of Future Federal Office Space Requirements and Options (May 1981).

Though some observers view them as important, the budgetary comparisons described above disregard both the fact that expenditures occur over different time periods and that a building has a residual value.

Savings from a Present Value Perspective

Comparison of present-values for leasing and construction, unlike the budgetary perspective described above, considers the fact that the cash disbursements for each method of acquisition occur over different periods of time, and that after the period of evaluation, an owned facility has a remaining, or residual, value to the federal government. (The residual value, in effect, represents an asset's future worth--either to reduce budgetary costs by extending the period of the property's use or by selling it as surplus.) Present-value comparisons also consider the off-budget costs of real estate taxes denied local governments with federal ownership of buildings. When comparisons take such factors into account, significant opportunities for savings under the ownership option remain, provided the real cost of borrowing (expressed as the discount rate) stays below 5 percent. This conclusion is supported by a 1981 study undertaken by GSA and by a detailed CBO analysis of the data base used in that report. As noted, the results are highly sensitive to the particular discount rate used in the present-value analysis (see Table 8 later in this chapter).

The GSA Study. Analysis conducted in 1981 by GSA shows that cost comparisons incorporating discount rates based on the highest real Treasury bill rate paid during the past 30 years--2.5 percent--reveals construction to be less costly than leasing in four cases out of five. The GSA study does not recommend a particular discount rate, but it shows construction as the preferred option more often than not, so long as the real discount rate remains below 5 percent. According to the GSA report, the results remain about the same when tested for changes--plus or minus 15 percent--in various individual cost elements.^{13/} The results of the analysis, incorporating local market conditions for leasing in 1980, could change under different economic circumstances.

The GSA findings are based on present-value comparisons of leasing and construction cost data for 126 office space projects throughout the nation. (See box on the next page for the elements included in an individual cost comparison.) GSA weighted the results of its analysis to reflect the

13. See General Services Administration, Office of Planning and Analysis, An Economic Analysis of Future Federal Office Space Requirements and Options (May 1981).

EXAMPLE. COSTS OF CONSTRUCTION/OWNERSHIP VERSUS LEASING

This example, a composite project, uses GSA's construction and leasing cost data for 42 projects in 38 areas nationwide. Each project has at least 100,000 net square feet of office space. Here, acquiring 285,000 net square feet of office space appears to cost about 75 percent more if obtained by leasing commercial space rather than by constructing and owning a federal building. If, however, estimates are adjusted by present-value analysis to consider each choice's different distribution of expenditures over time, the comparison would show construction as somewhat costlier. Estimates disregard future inflation. The comparison of present values uses a 5 percent discount rate; obviously, other rates would yield different results.

<u>Cost Components</u>	<u>Costs in millions of 1980 dollars</u>	
	<u>Unadjusted for Present Value</u>	<u>Adjusted for Present Value</u>
FEDERAL CONSTRUCTION AND OWNERSHIP		
Project Development	46.50 <u>a/</u>	40.87
Repairs and Alterations	15.66 <u>b/</u>	6.42
Building Operations	22.91 <u>c/</u>	9.89
Local Real Estate Taxes (Unfunded)	9.87 <u>d/</u>	4.26
Assets' Residual Value for Continued Use or Sale	<u>-27.01 e/</u>	<u>-5.14</u>
Total Costs	67.91	56.30

COMMERCIAL LEASING		
Total Costs	119.01 <u>f/</u>	51.42

- a. Estimate includes \$5.58 million for site design, project management, and inspection, and \$40.92 million for construction.
- b. Estimate assumes that annual costs for repair and alteration begin in the second year of occupancy and average the following percentages of the estimated construction cost: 1.13 percent per year for the first ten years, 1.47 percent per year for the next ten years, and 1.36 percent per year for the last nine years.
- c. Annual costs for building operations are estimated at \$2.68 per net occupiable square foot over the 30 years of occupancy.
- d. Estimates assume local real estate taxes of \$1.15 per net square foot for each of 30 years of occupancy.
- e. Estimated residual value is calculated according to formulation in OMB Circular A-106. Accordingly, obsolescence is estimated to reduce building worth to 59 percent of initial value and the value of the site is estimated to appreciate in real terms by 56.3 percent.
- f. Estimate assumes 30-year rental payments at an annual rate of \$13.92 per net occupiable square foot.

relative amounts of office space it leased in areas where the sample projects were located. In doing so, the analysis considers the opportunities available in any given area to convert from leased to government-owned buildings if such actions could generate savings. For instance, a sample project that received a small weight would indicate that it was located in an area in which there was little opportunity to convert from leasing to government ownership. After weighting, the 126 projects covered by the study account for about 80 percent of all office space leased by GSA in 1980. The GSA comparisons also convert costs to 1980 dollars before adjusting for the different periods of time that expenditures occur. ^{14/}

CBO Analysis. Using the GSA data base, with some adjustments, CBO reconstructed the present-value cost comparisons developed for the 1981 study. ^{15/} The CBO analysis confirms the GSA findings that construction proves more economical than leasing most of the time--provided the real discount rate remains below 5 percent. Consistent with GSA findings, CBO analysis also reveals that both the incidence and degree of savings are highly sensitive to the particular discount rate used in the cost comparisons. When cost comparisons incorporate a 2 percent discount rate, consistent with the historical real rate of all Treasury borrowing, construction would be the preferred alternative for about four-fifths of all projects, according to CBO analysis. If the comparisons use the CBO 3 percent rate, construction is favored in nearly two-thirds of the cases, and the space converted to construction would eventually save about 30 percent, on a present-value basis, relative to leasing. At the OMB 7 percent discount rate, on the other hand, the construction option is more economical in about one-third of the

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14. Using real costs (constant 1980 dollars) is consistent with generally accepted evaluation methods and with criteria for present-value analysis stipulated in OMB guidelines. Such a practice removes uncertainty and estimating difficulties that would arise by trying to project future price increases for the various components included in the cost comparisons.
 15. In reconstructing the GSA cost comparisons, CBO applied several changes to the data. The first two incorporated information, reported to Building Owners and Managers Association International, on regional differences in local property taxes (GSA used an average national rate) and on differences between federal and private-sector costs of operating office buildings (GSA used private costs only). A third change adjusted the residual value of federal buildings consistent with the formula prescribed in OMB Circular A-104, which assumes a slight annual real appreciation in land values. Finally, CBO developed its own factors for weighting to derive a nationwide average, because this part of the 1980 data base is no longer available.

cases and in the long run, savings relative to leasing average only \$9 for every \$100 spent (see Table 8).

TABLE 8. INCIDENCE AND DEGREE OF PRESENT-VALUE SAVINGS FROM CONSTRUCTING RATHER THAN LEASING UNDER SIX DISCOUNT RATES (In percents)

Real Discount Rate	Comparisons Supporting Construction ^a /	Average Savings (Relative to Leasing) in Which Construction Is Less Expensive	Average Cost Increase in Which Construction is More Expensive
2 percent	83	31	49
3 percent	64	30	39
4 percent	58	24	51
5 percent	45	20	56
6 percent	36	16	62
7 percent	34	9	77

SOURCE: Congressional Budget Office.

- a. Results weighted to reflect amounts of leased space in areas where projects were compared.

The results of the 126 cost comparisons prepared by CBO demonstrate that, under all discount rates, overall economies are maximized if the decisions for each project reflect case-by-case evaluation of the comparative cost of construction and leasing. Even if all projects were constructed, however, some smaller overall savings would still result, relative to aggregate costs for leasing, provided the real discount rate did not exceed 3 percent (see overleaf).

Two additional findings emerge from the CBO analysis of the GSA study. First, results are highly sensitive to weighting for the amount of GSA-leased space in project areas. On an unweighted basis, for example, a

Net Savings from Construction
Under Alternative Discount Rates

Discount Rates in Percents						
2	3	4	5	6	7	
Resulting Savings (+) and Costs (-) in Percents						
+17	+5	-8	-22	-34	-48	

5 percent discount rate shows construction to be more economical in only 19 percent of the cases--as compared with 45 percent after weighting. This would argue against applying nationwide averages of construction-versus-leasing economies to individual cases. Such unweighted results, however, have little influence on nationwide lease-versus-construction economies, because they do not consider differences in project size or more important, in local opportunities available to alter the mix of leased and owned space. Second, federal construction of relatively small projects--those under 100,000 net square feet of office space--do not yield savings. This has little impact on the weighted results, however, because small projects are located mainly in areas where GSA leases little space.

Other Influences on Federal Building Costs

Special aspects of federal construction and its associated extra costs may influence decisions on how best to obtain needed space. Relative to private construction, the higher costs of federal construction result both from a lack of market incentives and from special requirements, many set in law, for construction of federal buildings.

In the private sector, construction costs may be relatively lower; to make a profit, private developers must be able to recoup construction and operating costs. The government operates under no similar market incentive. Federal construction costs often exceed those in the private sector. Higher federal costs are in fact taken into account when the costs of federally constructed buildings are compared with the costs of leasing commercially constructed facilities. (Despite the higher costs of federal construction, analysis shows federal ownership offers long-term savings relative to leasing.) The difference in development costs can be significant; a 1976 study conducted for GSA indicated that the average federal con-

struction cost for a usable square foot of space was two-thirds higher than that in the private sector. ^{16/} The estimated difference incorporates the higher costs per gross square foot associated with federal construction, along with the smaller ratio of usable to total space that results from the design of federal buildings. The small sample of federal and private office buildings, presented as representative of the type constructed by each sector, found the cost per occupiable net square foot averaged \$64.24 for federal buildings compared with \$38.64 for private buildings. ^{17/}

The special costs of federal buildings can also reflect deliberate national policy decisions made by the Congress. (Any comparison of leased and constructed buildings will inevitably involve a contrast of two facilities, each offering advantages not necessarily identified in an analysis of costs alone.) Examples of policies that dictate special design features often not found in the private sector include mandatory access for handicapped citizens, use of U. S.-made materials, and maintenance of certain labor standards under the Davis-Bacon Act. Most of these factors can drive building costs upward. The merits of government ownership may also be determined by certain intangible and unquantifiable factors, such as preserving architectural history or maintaining a dignified federal presence in a local community. On the other hand, leasing of commercial facilities provides flexibility that may be especially important when implementing decisions to reduce the government-wide requirements for federal space.

Along with costs and savings, national policy preferences may emerge as an important part of a lease-versus-construction decision. Because of such preferences, attempts to compare the costs of buildings equivalent in size and location inevitably involve buildings with other important qualities that can differ greatly. Such considerations would argue for lease-versus-construction decisions that do not rely solely on cost factors. The Congress or the Executive Branch may, as a matter of policy, accept higher cost for construction or leasing to achieve specific national objectives. Although the benefits of these considerations cannot be quantified, the use of present-value analysis could show the costs or savings of individual decisions based on such qualitative considerations.

16. See Hanscomb Associates, Inc., Cost and Performance Study: A Comparison of Federally and Privately Constructed Office Buildings (July 1976), p. 6.

17. For a further discussion of factors that drive up federal costs, see Michael Fasano, "Why Public Buildings Cost So Much," Real Estate Review (Spring 1981), pp. 78-82.

POLICY OPTIONS

In view of its concern about pro-leasing biases, the Congress has considered several actions that would modify the current system. One measure, already described in Chapter II (see Option II-2), would require full funding of the cost of multi-year lease contracts. Other possible measures include:

- o Mandating a lower discount rate in Executive Branch cost-comparison guidelines;
- o Establishing a statutory target for the mix between leased and government-owned facilities; and
- o Allowing the Federal Buildings Fund to borrow from the U.S. Treasury.

Option IV-1--A Lower Discount Rate in Cost-Comparison Guidelines

Cost comparisons are required under the current system to insure that space for use by federal agencies is obtained from the most economical source. Lowering the discount rate would improve the accuracy of comparing the most efficient method of acquiring space; and it would also remove a bias favoring leasing over federal construction and ownership. Specifically, this option would replace the present 7 percent rate used in cost comparisons with a 3 percent rate, which reflects the average real cost of Treasury borrowing over the past two decades adjusted upward to include average risks in commercial market mortgages. As borrowing experience changes over time, a different rate may be more appropriate.^{18/} In any event, any choice of a discount rate would involve some degree of uncertainty.

Though observers may agree that the current discount rate needs revision, little consensus exists as to which particular rate to institute. Whatever the value assigned, a discount rate is intended to reflect the opportunity cost of expenditures by the federal government over different periods of time. This option would apply a discount rate based on federal borrowing, supplemented by extra private-market costs, because it offers an

18. As noted previously, the risk-adjusted real rate was close to 6 percent in 1982; it is impossible at this time to determine whether this is a short-term phenomenon reflecting monetary policy and adjustments to lower inflation, or whether it is a harbinger of a new era of higher real rates.

appropriate method of determining the least expensive and most efficient investment for meeting space needs.

Some critics of this option would favor a discount rate based on an internal rate of return in the private sector, such as the 7 percent rate in OMB Circular A-104 or a higher one. This rate would be offered as a more accurate picture of the opportunity cost to society of federal acquisition decisions. On the other hand, some critics might favor a discount rate based on the cost of federal borrowing alone, without correcting for the higher borrowing rate in the private sector attributable to the risk of financial failure. This approach would maximize the construction of federal facilities at the expense of inefficiencies in federal space acquisitions.

Finally, some critics might favor continued reliance on leasing, regardless of cost comparisons, believing that this option would lead to construction of more federal buildings that are too costly. In their view, leasing represents the more appropriate method of obtaining space in light of the need to reduce spending outlays (and hence budget deficits) during the rest of this decade and the need for flexibility in the face of possible contraction both in the size of the federal work force and in the amount of space assigned per worker. They claim that a better approach to achieving economies, under either the current or an accelerated construction program would be to modify design standards and national policy requirements that drive up federal construction costs.^{19/} Some advocate an even more drastic approach that would--in the interest of other budgetary priorities--freeze new GSA construction of office buildings altogether.

Option IV-2--A Statutory Target for Mix of the GSA Inventory

To deal more directly with the problem of lease bias, the Congress could simply stipulate a target for the mix of government-owned and leased space. Similar provisions have been advanced in past legislative proposals.^{20/} Consistent with past GSA planning, this option assumes establishment of targets requiring an increase from 50 percent to 80 percent over ten years, in the proportion of employees housed in government-owned

19. Information on potential savings from eliminating one statutory requirement that increases the cost of GSA and other federal buildings, the Davis-Bacon wage requirement, may be found in Congressional Budget Office, Reducing the Deficit: Spending and Revenue Options (February 1983), pp. 182-83 and in a forthcoming CBO study on the Davis-Bacon Act.

20. In S. 533 prior to amendment and passage.

buildings. The CBO estimates no changes in work force size or use of federal space.

This option would require construction of some 18.6 million additional square feet of office space during the 1985-1989 period--relative to the substantive increase in government-owned space planned for delivery into the GSA inventory before 1995--at an estimated added cost of \$1.3 billion over five years. Supplemental funds would have to be appropriated to the FBF to provide this extra capital; if significant reductions were achieved, however, in the size of the work force or in the use of space (as now being considered by GSA) a 70 percent target could be reached in five years without the additional construction. As an alternative to relying entirely on new construction, the requirements for space might be partly satisfied through providing GSA with authority to negotiate purchase options in lease contracts, although the cost impact of such clauses would depend on individual negotiations. In slack rental markets, such as those now characterizing many metropolitan areas, attractive purchase prices might permit some increase in government ownership at relatively low cost or even at a long-term cost advantage.

Proponents of this option would argue that it represents the most direct and effective approach for dealing with the problem of lease bias. The widely varying results of cost comparisons for projects of different size and in different localities, however, underscores the danger of adopting arbitrary targets for acquiring types of space. Critics would prefer careful case-by-case review of projects free of a targeted goal for government ownership, and they would note that a mandated mix could lead to construction in instances in which leasing might prove more economical. When all costs are considered in present-value terms, the added shift to government-owned space achieved entirely through new federal construction could eventually cost nearly one-third more than the cost of leasing the 18.6 million square feet. Conversely, achieving the over 60 percent portion in government-owned space suggested at the 3 percent discount rate would eventually yield savings in present-value terms of about 30 percent (see Table 8, above). From this perspective, modifications of comparison guidelines seem preferable to abandoning the current decisionmaking process.

Option IV-3--Federal Buildings Fund Borrowing from the U.S. Treasury

This option would provide a supplemental source of resources for the federal buildings program in the form of authority to borrow from the U. S. Treasury. As a result of making such intragovernmental transactions permissible, decisions on the level of capital investment for new construction (or for that matter on other components of the FBF program) would

need no longer be limited by the availability of funds from tenant agencies' SLUC payments. Alternatively, supplemental financing could be provided by creating authority for Congress to appropriate funds for capital investment by GSA.

Borrowing authority would be patterned after provisions included in past reform legislation and considered by the Congress (S. 533 as introduced and H.R. 6075). All GSA borrowing would be approved by the Congress through an appropriation expressed as budget authority. Appropriation of additional resources would allow for a higher level of new construction and the associated long-term economies, which are now limited by constraints of current FBF financing. In principle, the capital borrowed could be repaid from eventual savings realized by reducing the amount of leased space.

Large sums of intra-governmental borrowing could be required to satisfy certain policy changes concerning FBF program and financing. To cover full funding of new multi-year leases (Option II-2), for example, borrowing authority could accumulate to some \$2.7 billion through 1984. Other borrowing requirements, \$1.3 billion over five years, could arise from accelerated construction to alter the inventory's mix.

Besides countering some of the bias against construction, this option would help improve accounting for interest costs associated with federal construction. Interest costs associated with some federal buildings' construction--now hidden in appropriations for interest on the public debt--would be included in the FBF account. In addition, the budget authority appropriated for borrowing could facilitate review of the FBF program within the Congressional budget process.

Critics, on the other hand, might express skepticism that this option would affect budgetary decisions. They would point out that pressures to hold down spending for the near future may depress the level of new federal construction activity, regardless of borrowing authority or other changes in the FBF account structure. Other critics would caution that borrowing authority could lead to an outlay increase for new construction at a time of severe budgetary constraint. Finally, some analysts would regard intra-governmental borrowing for the FBF as unnecessarily complex and highly artificial, especially because the GSA program does not operate as a government corporation or a public enterprise.

From the perspective of some observers, the budgetary biases against large near-term investments for new construction might be better righted by re-enacting authority to use purchase contracting. (In the past, purchase contract authority did allow substantial additions of government-owned space to the GSA inventory.) This approach would probably supplant the

need for Treasury borrowing, although budgetary costs to pay real estate taxes and somewhat higher interest costs would rise. Critics would argue, however, that spreading out the costs of government ownership would prevent recognition of program cost commitments, as is now the case with leasing. To these critics, there is no reason why FBF should escape fiscal accountability through the budgetary manipulation of spreading costs and private-sector borrowing.

APPENDIXES



APPENDIX A. BUDGETARY ESTIMATES OF COMBINING SELECTED OPTIONS

Many of the options considered separately in the chapters of this study could be combined into schemes that would change the Federal Buildings Fund program and its financing while significantly altering its treatment in the federal budget. Three options in particular are being considered in legislation now pending in the Senate. If enacted, the Federal Buildings Reform Act of 1982 (S. 452) would bring about significant programmatic and financial changes, including:

- o Option II-2--Adopting full funding of costs for new multi-year leases awarded in 1985 and subsequent years;
- o Option II-3--Establishing budget authority for the FBF program revenues, beginning in 1985; and
- o Option IV-2--Establishing a statutory target for the mix between leased and government-owned facilities according to which, within ten years, 80 percent of the work force housed in GSA facilities would occupy government-owned space.

These provisions, if taken together as proposed, would require FBF budget authority totaling some \$14.4 billion through 1988. Estimated cumulative outlays through 1988, however, are projected to total only \$10.6 billion. These smaller outlays would occur for two reasons. First, the bill's requirement for full funding of multi-year leases would affect budget authority but not outlays. Second, the award of contracts necessitated by higher requirements for government-owned space--some \$1.3 billion--would be distributed in uniform installments over the five years 1985-1989, and associated outlays would occur over an even longer period. The budget authority and outlay estimates for both the current system and under new financing assume no reduction in the size of the federal work force housed in GSA-managed facilities or in the amount of space assigned each worker.

Table A-1 displays projected budget authority and outlays under the current system. Table A-2 shows projected budget authority and outlay requirements for the FBF account alone, combining the effects of providing

budget authority for use of FBF revenues, full funding of leases, and gradually accelerating construction to achieve a higher portion of government-owned space. Table A-3 details the government-wide budgetary treatment of the FBF under new requirements for restructuring the account to show budget authority.

TABLE A-1. PROJECTED GOVERNMENT-WIDE FBF BUDGET ESTIMATES UNDER THE CURRENT SYSTEM, 1984-1988 (In billions of dollars)

	1984	1985	1986	1987	1988
BUDGET AUTHORITY					
Tenant agency SLUC payments <u>a/</u>	2.2	2.4	2.7	2.9	3.1

OUTLAYS					
Tenant agency SLUC payments <u>a/</u>	2.2	2.4	2.7	2.9	3.1
FBF account <u>b/</u>	<u>-0.2</u>	<u>-0.2</u>	<u>-0.2</u>	<u>-0.2</u>	<u>-0.2</u>
Total	2.0	2.2	2.5	2.7	2.9

SOURCE: Congressional Budget Office from General Services Administration data.

a/ The SLUC payments are included in the budget accounts of individual tenant agencies.

b/ Outlay estimates in the FBF account represent the difference between fixed income and gross outlays.

TABLE A-2. PROJECTED BUDGET ESTIMATES FOR NEW FBF FINANCING, 1985-1988 (In billions of dollars)

	1984 ^{a/}	1985	1986	1987	1988
Budget Authority					
Basic requirements ^{b/}	--	2.5	2.6	2.9	3.1
Net increase for full funding of leases ^{c/}	--	0.7	0.6	0.5	0.4
Additional capital investment for increased government ownership ^{d/}	--	<u>0.2</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>
Budget Authority Total	--	3.4	3.5	3.7	3.8
Outlay Total ^{e/}	-0.2	2.3	2.5	2.8	3.0

SOURCE: Congressional Budget Office.

- a. Estimates for 1984 reflect current financing. Estimates exclude special reimbursable activities.
- b. Basic requirements to cover costs projected for the FBF, including lease payments as currently budgeted.
- c. Represents the net impact of full funding for multi-year leases over basic requirements, which show budget authority in the years that lease payments are disbursed rather than the full cost in year of contract award.
- d. Estimates assume that the 80 percent ownership requirement would entail construction of 18.6 million square feet added to the level under projected basic requirements, for a total government-owned inventory of 110 million square feet.
- e. The outlay estimates reflect various rates of spend-out for capital expenditures (construction, repair, and alteration) both from projects covered by new authority and from projects approved in the budget before 1984.

TABLE A-3. DETAIL OF PROJECTED GOVERNMENT-WIDE FBF REQUIREMENTS UNDER NEW FINANCING, BY BUDGET FUNCTION (In billions of dollars) a/

	1984 <u>b/</u>	1985	1986	1987	1988
BUDGET AUTHORITY					
Tenant Agencies (multiple functions as under current law) <u>c/</u>	2.2	2.4	2.7	2.9	3.1
Federal Buildings Fund, as proposed (Function 800) <u>d/</u>	N/A	3.4	3.5	3.7	3.8
Interfund Adjustment, new entry (Function 950) <u>e/</u>	<u>N/A</u>	<u>-2.4</u>	<u>-2.7</u>	<u>-2.9</u>	<u>-3.1</u>
Total	2.2	3.4	3.5	3.7	3.8

OUTLAYS					
Tenant Agencies (multiple functions as under current law) <u>c/</u>	2.2	2.4	2.7	2.9	3.1
Federal Buildings Fund, as proposed (Function 800) <u>d/</u>	-0.2	2.3	2.5	2.8	3.0
Interfund Adjustment, new entry (Function 950) <u>e/</u>	<u>N/A</u>	<u>-2.4</u>	<u>-2.7</u>	<u>-2.9</u>	<u>-3.1</u>
Total	2.0	2.3	2.5	2.8	3.0

SOURCE: Congressional Budget Office.

NOTE: N/A= Not applicable.

- a. New financing begins in 1985. Estimates exclude special reimbursable activities.
- b. Estimates for 1984 reflect current financing.
- c. Represents costs for SLUC payments budgeted by individual agencies.
- d. Estimates for 1985 through 1988 also reflect other new FBF financing requirements, including full funding of leases and an accelerated construction program to increase government ownership of space.
- e. Avoids double counting in government-wide budget totals.

APPENDIX B. TECHNICAL CHANGES TO RECORD GROSS FBF OUTLAYS

This appendix provides an example of changes in budgetary program and finance schedules that would give rise to gross outlays in the Federal Buildings Fund account. The changes in program and finance schedules, which are prepared by the Office of Management and Budget for the Appendix to the Budget of the United States, would affect both the operating fund accounts of each tenant agency and the FBF account of the General Services Administration.

Although unconventional, the concept of the technical change is relatively simple. Agency funds for standard level user charge payments would be treated in both accounts as unobligated, rather than obligated, transactions. (The amount affected in the example presented in Table B-1 is \$400.) Implementation would require a change in OMB Circular A-11 (sections 32.1-32.4) covering the use and definition of budget schedule entries concerning lapse or restoration of unobligated balances.

TABLE B-1. EXAMPLE OF CHANGES IN ACCOUNT STRUCTURE
THAT REFLECT GROSS FBF OUTLAYS (In dollars)

Account Entry on Program and Finance Schedules	Current	Proposed	Change
TENANT AGENCY			
Obligations (line 10)			
SLUC payments	400	--	-400
Other costs	5,000	5,000	--
Total	5,400	5,000	-400
Unobligated Transfer of SLUC Income to GSA (line 25)	--	400	+400
Budget Authority (line 39)	5,400	5,400	--
Net Obligations (line 71)	5,400	5,000	-400
Outlays from Net Obligations (line 90)	5,400	5,000	-400

FEDERAL BUILDINGS FUND			
Obligations (line 10)	400	400	--
Offsetting Collections from SLUC (line 11)	-400	--	+400
Unobligated Transfer of SLUC Collections from Operating Agencies (line 25)	--	-400	+400
Budget Authority (line 39)	--	--	--
Net Obligations Incurred (line 71)	--	400	+400
Outlays from Net Obligations (line 90)	--	400	+400

SOURCE: Congressional Budget Office.

NOTE: Line numbers in parentheses refer to the code entries in program and finance schedules found in the Appendix to the U.S. Budget.

