



## Testimony

Before the Subcommittee on  
Intergovernmental Affairs, Committee on  
Oversight and Government Reform,  
House of Representatives

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# FEDERAL BUDGET

## Government-Wide Inventory of Accounts with Spending Authority and Permanent Appropriations, Fiscal Years 1995 to 2015

### Accessible Version

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Chairman Palmer, Ranking Member Raskin, and Members of the Subcommittee:

Thank you for the opportunity to discuss our work on federal agencies' reported use of spending authority and permanent appropriations from fiscal years 1995 through 2015. As you know, Congress can provide budget authority to federal agencies and programs through the annual appropriations process. It can also provide budget authority through laws other than annual appropriations acts, or through permanent appropriations that permit the agency to obligate budget authority without further congressional action. Our remarks today are based on our report that is being released at this hearing, entitled *Federal Budget: Government-Wide Inventory of Accounts with Spending Authority and Permanent Appropriations, Fiscal Years 1995 to 2015*.<sup>1</sup>

Our definition of spending authority and permanent appropriations includes five types of budget authority: permanent appropriations, contract authority, borrowing authority, offsetting collections, and monetary credits or bartering.<sup>2</sup> These types of budget authority provide some flexibility for agencies because they do not have to await congressional action to incur obligations and make payments. Although Congress does not review these authorities annually as part of the annual

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<sup>1</sup>GAO, *Federal Budget: Government-Wide Inventory of Accounts with Spending Authority and Permanent Appropriations, Fiscal Years 1995 to 2015*, [GAO-19-36](#) (Washington, D.C.: Nov. 29, 2018). In addition to this report, we are releasing an online dataset of our inventory of accounts with spending authority and permanent appropriations. This can be accessed on our public website at <https://www.gao.gov/products/GAO-19-36>.

<sup>2</sup>Permanent appropriations are budget authority to incur obligations and make payments without further legislative action. Contract authority is the authority to incur obligations in advance of appropriations; a subsequent appropriation or offsetting collection is needed to liquidate the obligations. Borrowing authority is authority that permits an agency to borrow money and obligate against amounts borrowed. Offsetting collections are collections authorized by law to be credited to agency accounts that can be obligated without further congressional action. Monetary credits or bartering is the authority to make purchases with seller credits or something other than dollar amounts.

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appropriations process, these authorities are still subject to congressional oversight at any point in time, such as by placing limitations on the authorities in any given year. For example, in one or more annual appropriations acts, Congress could restrict the use of some or all of the budget authority, thereby using the annual appropriations process to control the use of spending authority and permanent appropriations.<sup>3</sup>

In this context, our testimony today summarizes the findings from our report on federal agencies' reported use of spending authority and permanent appropriations. This report updates our 1996 report on the same topic.<sup>4</sup> Accordingly, this testimony discusses (1) federal budget accounts with spending authority and permanent appropriations, including changes in the number of accounts and dollar amounts since fiscal year 1994; and (2) whether the identified accounts are subject to or exempt from sequestration.

To produce our findings for the report, we analyzed budget data from fiscal years 1995 through 2015. We selected these years to cover the period from our prior work, which had analyzed budget data through fiscal year 1994, through the most recent year for which data were available when we began our work.<sup>5</sup> We used the Office of Management and Budget's (OMB) MAX A-11 Data Entry system (MAX) and datasets with sequestration designations provided by OMB.<sup>6</sup> We then provided each agency with their spending authority and permanent appropriations data for their review. Additional information on our scope and methodology is available in our report. Our work was performed in accordance with generally accepted government auditing standards.

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<sup>3</sup>Restrictions passed in an annual appropriations act can be either temporary or permanent based on their statutory language. Unless the statutory language specifies that the restriction is permanent or otherwise indicates an expiration date, restrictions passed in annual appropriations acts are assumed to be in effect only for that given fiscal year.

<sup>4</sup>GAO, *Budget Issues: Inventory of Accounts With Spending Authority and Permanent Appropriations, 1996*, [GAO/AIMD-96-79](#) (Washington, D.C.: May 31, 1996). This report was supplemented by a letter with additional account information and revisions; see *Budget Issues: Inventory of Accounts With Spending Authority and Permanent Appropriations, 1997*, [GAO/OGC-98-23](#) (Washington D.C.: Jan. 19, 1998).

<sup>5</sup>Fiscal year 2015 actual budget data are presented in the Fiscal Year 2017 President's Budget Appendix.

<sup>6</sup>MAX is a computer system used to collect and process most of the information required for preparing the President's budget for the federal government. MAX contains numerous edit checks to help ensure data consistency.

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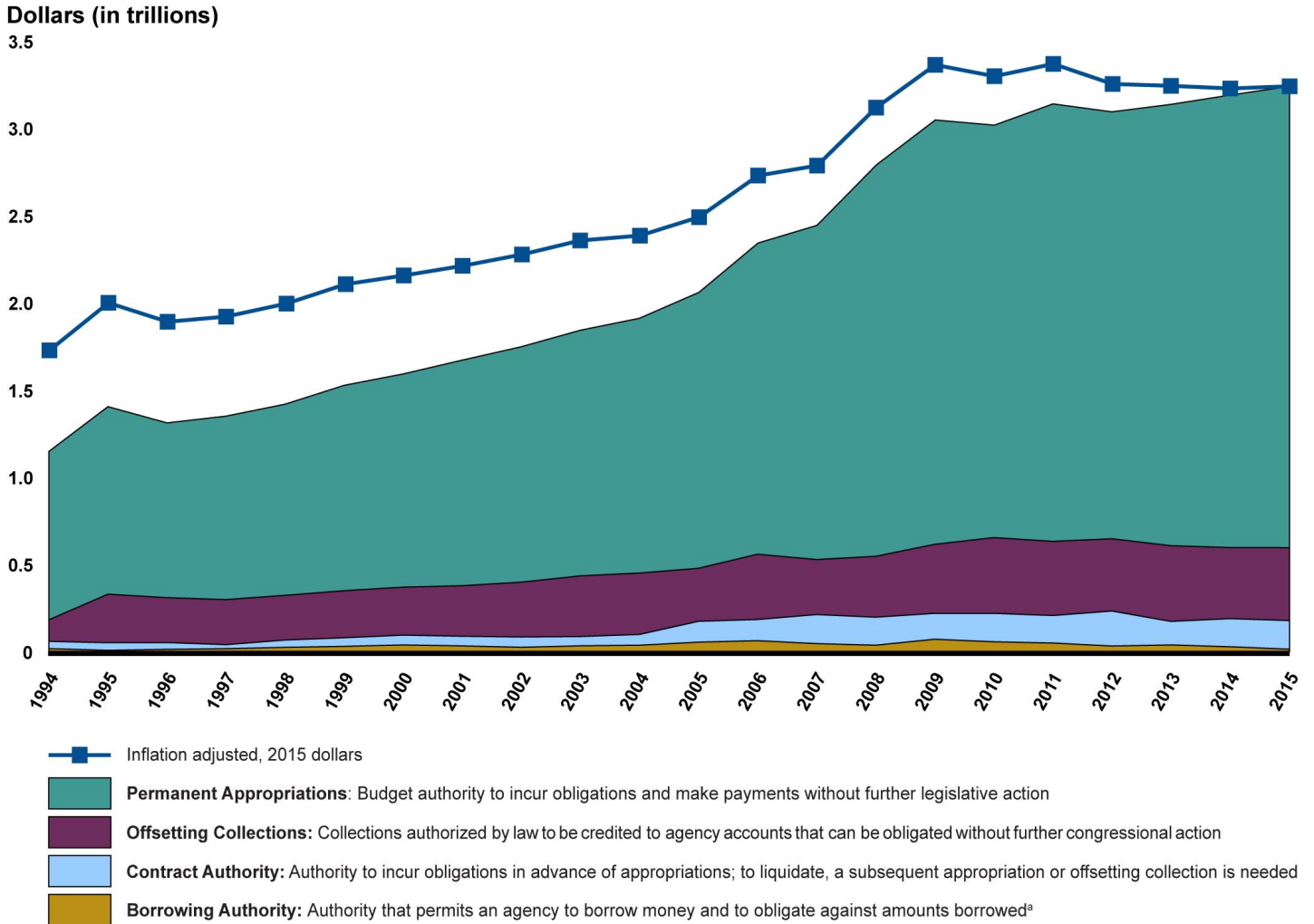
## Reported Use of Spending Authority and Permanent Appropriations Has Increased Government-Wide

We found that the amount of spending authority and permanent appropriations reported government-wide grew 88 percent from fiscal years 1994 through 2015, adjusted for inflation.<sup>7</sup> Specifically, in fiscal year 2015, approximately \$3.2 trillion was reported, compared with approximately \$1.2 trillion in fiscal year 1994 (\$1.7 trillion in fiscal year 2015 dollars). As a result of the growth of spending authority and permanent appropriations from fiscal years 1994 through 2015, more budget authority is available to agencies that does not require them to await congressional action to incur obligations.

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<sup>7</sup>When discussing budget authority amounts, we considered “reported” or “used” as the actual budget authority amount, as shown in the “actual” column in the Program and Finance schedule of the President’s Budget Appendix. The total that we report for all spending authority and permanent appropriations and for offsetting collections likely overstates actual spending authority and permanent appropriations. For example, many accounts with offsetting collections authority report collections from federal and non-federal sources, or refunds of prior paid obligations, together in the President’s Budget. In general, collections from federal sources and refunds are not within our definition of spending authority and permanent appropriations. We included the entirety of the reported offsetting collections amounts because we and the agencies we asked were unable to reliably subtract collections from federal sources or refunds of prior paid obligations.

**Figure 1: Growth of Spending Authority and Permanent Appropriations Government-Wide by Budget Authority Type, Fiscal Years 1994 through 2015**



Source: GAO analysis of Office of Management and Budget data and information from federal agencies. | GAO-19-289T

Note: Federal agencies reported no use of any monetary credits or bartering—the authority to make purchases with seller credits or something other than dollar amounts, such as land or services.

<sup>a</sup>For purposes of this report, borrowing authority does not include the Department of the Treasury’s authority to borrow from the public or other sources under chapter 31, of title 31 of the U.S. Code.

**Accessible Data for Figure 1: Growth of Spending Authority and Permanent Appropriations Government-Wide by Budget Authority Type, Fiscal Years 1994 through 2015**

Fiscal Year	Borrowing Authority	Contract Authority	Offsetting Collections	Permanent Appropriations
1994	16081	41845	124271	982483
1995	6401	43751	279689	1084111
1996	11975	38979	258522	1011313
1997	16051	22893	259639	1062305
1998	23507	42046	257416	1106901
1999	29335	49454	270966	1189256
2000	37149	56630	276457	1234456
2001	31925	55448	291109	1304885
2002	23892	59276	315775	1361559
2003	32351	53460	349344	1421275
2004	35716	62141	353368	1473919
2005	53380	120085	305205	1595028
2006	61921	121901	375864	1797252
2007	44964	167456	316845	1930633
2008	35785	161427	350550	2260889
2009	70177	148972	397549	2447775
2010	55459	163676	436574	2378968
2011	48358	158519	426776	2525683
2012	31147	201432	416205	2458123
2013	37268	135629	435875	2541049
2014	26955	161837	409621	2592913
2015	12918	164709	420051	2647863

### Growth in Total Spending Authority and Permanent Appropriations is Driven Primarily by Permanent Appropriations

Permanent appropriations were the primary driver of the growth in spending authority and permanent appropriations from fiscal years 1995 through 2015, as shown in figure 1 above. Entitlement programs, such as the Department of Health and Human Services' (HHS) Medicare and the Social Security Administration's (SSA) Old-Age and Survivors Insurance and Disability Insurance programs, are funded through permanent appropriations. These programs represent a significant proportion of

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reported budget authority in our inventory in fiscal year 2015. HHS reported the largest amount of spending authority and permanent appropriations in fiscal year 2015 with about \$979 billion, or about 30 percent. HHS's largest three accounts in our inventory all fund Medicare.<sup>8</sup> SSA reported about \$920 billion or about 28 percent of total spending authority and permanent appropriations.

Since many spending authorities and permanent appropriations provide agencies budget authority based on program use and eligibility, demographic and program demand changes can affect the amount of reported budget authority. For example, since the Old-Age and Survivors Insurance and Disability Insurance programs administer benefits based on eligibility requirements and statutory formulas, the amount of budget authority used for the programs increases as more people become entitled.<sup>9</sup> Programs administered by HHS and SSA continue to show spending increases largely as a result of the aging population and increasing health care costs.<sup>10</sup>

The Department of the Treasury (Treasury) reported the third highest amount of spending authority and permanent appropriations in our inventory. Of the \$542 billion in spending authority and permanent appropriations Treasury reported in fiscal year 2015, \$402 billion was for interest on debt held by the public and intragovernmental debt.<sup>11</sup> We have reported that net interest on the federal debt is on track to be larger than any other category of spending in coming years due to continued

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<sup>8</sup>Multiple budget accounts fund Medicare because the program has several components and trust funds. This necessitates separate financial reporting units.

<sup>9</sup>The programs' appropriations are held in the Old-Age and Survivors Insurance Trust Fund and Disability Insurance Trust Fund. These amounts largely come from contributions in the form of payroll taxes, interest on the trust funds, and income taxes on some Social Security benefits. These amounts are permanently available for obligation by the Social Security Administration for the purpose of administering the program without subsequent congressional action. 42 U.S.C. § 401.

<sup>10</sup>For more information on the key drivers of federal spending, see GAO, *The Nation's Fiscal Health: Action Is Needed to Address the Federal Government's Fiscal Future*, [GAO-18-299SP](#) (Washington, D.C.: June 21, 2018).

<sup>11</sup>Intragovernmental debt is federal debt owed by Treasury to federal government accounts, primarily federal trust funds such as Social Security and Medicare.

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projected growth in federal debt, and expected increases in interest rates.<sup>12</sup>

Other factors, such as legislative action, affected the growth in the use of spending authority and permanent appropriations to a lesser extent. For example, some existing statutes providing spending authority and permanent appropriations were amended to allow for increased use—permanently or temporarily.

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### Reported Budget Authority Amount Was Higher for Three of the Five Authority Types and Agencies Using the Authorities Have Changed

Although the total reported amount of spending authority and permanent appropriations increased over time, the changes for each authority type varied when comparing fiscal years 1994 to 2015. Reported budget authority grew for three of the five authority types—permanent appropriations, contract authority, and offsetting collections—in fiscal year 2015, as compared to fiscal year 1994.

- **Permanent appropriations:** Between fiscal years 1994 and 2015, the amount of reported permanent appropriations grew 81 percent, adjusting for inflation. Generally, the reported amount of permanent appropriations increased gradually, with the biggest growth occurring in fiscal year 2008. The majority of agencies had permanent appropriations from fiscal years 1995 through 2015. Together, in fiscal year 2015, the top three agencies—HHS, SSA, and Treasury—reported 91 percent of permanent appropriations used. HHS overtook SSA—the agency reporting the largest use in fiscal year 1994—and reported the highest dollar amounts of permanent appropriations for the first time in fiscal year 2006, likely due to rising health care costs. The majority of Treasury’s permanent appropriations are for interest on debt held by the public and intragovernmental debt. Treasury’s interest spending has dropped as a percentage of permanent appropriations since fiscal year 1994, due to lower interest rates that allow the government to borrow money more cheaply. However, interest rates are predicted to rise in the long term, which would increase interest spending.

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<sup>12</sup>[GAO-18-299SP](#).



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- **Contract authority:** Use of contract authority grew 166 percent between fiscal years 1994 and 2015, adjusting for inflation. Five agencies had contract authority from fiscal years 1995 through 2015. The Departments of Defense, Energy, Housing and Urban Development, and Transportation used contract authority, while the Judicial Branch’s Courts of Appeals, District Courts, and Other Judicial Services has contract authority, but did not use it. Overall, the number of accounts with contract authority has remained relatively stable. Only one account, at the Department of Defense, reported receiving new contract authority since 1995. In fiscal year 2015, five accounts at the Departments of Defense and Transportation, represented 99 percent of contract authority used—\$161.4 billion.
  - **Offsetting collections:** The majority of agencies had offsetting collections authority during the time period we reviewed. The reported use of offsetting collections increased 126 percent when comparing fiscal years 1994 to 2015 and adjusting for inflation.<sup>13</sup> This authority has a number of applications across the government, and generally authorizes agencies to collect fines, charge fees, or charge for permits among other uses. For example, the Department of Agriculture has the authority to use its portion of the fee for Agricultural Quarantine Inspection without congressional action.<sup>14</sup> Since fiscal year 1995, 129 accounts received new offsetting collections authority. The largest usage of offsetting collections in fiscal year 2015 was the Postal Service’s Postal Service Fund account. This account reported \$74 billion of offsetting collections for fiscal year 2015, which includes revenue for mail services.
  - **Borrowing authority:** Reported borrowing authority varied during the time period we reviewed. It decreased 46 percent when comparing fiscal years 1994 and 2015 and adjusting for inflation. The use of borrowing authority was reported by 15 agencies from fiscal years 1994 through 2015. Two additional agencies, HHS and the Pension Benefit Guaranty Corporation, had unused borrowing authority. Since

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<sup>13</sup>Generally, we did not rank the top agencies and accounts that used offsetting collections because we, and the agencies when asked, were unable to reliably subtract collections from federal sources or refunds of prior paid obligations. Except for working capital funds, collections from federal sources do not meet our definition of spending authority and permanent appropriations because their source is either annually appropriated or is itself in the inventory. An example is collections pursuant to reimbursable interagency agreements, such as those entered into under the Economy Act. 31 U.S.C. § 1535.

<sup>14</sup>21 U.S.C. § 136a.

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1995, seven accounts reported receiving new borrowing authority across five different agencies including the Departments of Commerce and Transportation.<sup>15</sup> The Department of Agriculture reported the largest dollar amount of borrowing authority in most years. The Department of Agriculture's large share of the total borrowing authority is for the Commodity Credit Corporation Fund. The Commodity Credit Corporation has the authority to borrow funds to carry out its programs.<sup>16</sup> These programs include providing income and price support to agricultural producers, payments for conservation practices on farms, assistance in the development of international agricultural markets, and international feeding programs.

- **Monetary credits or bartering:** Six agencies have the authority to use monetary credits or bartering—the Departments of Agriculture, Defense, Energy, the Interior and State, and the Tennessee Valley Authority. However, none of these agencies reported using this authority from fiscal years 1995 through 2015. The number of authorities and agencies that have this authority are unchanged since fiscal year 1994.

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## The Percentage of Spending Authority and Permanent Appropriations Authorities Subject to Sequestration in Fiscal Year 2015 Decreased Compared to Fiscal Year 1994

Sequestration—cancellation of budgetary resources under a presidential order—is a process established in statute which helps to enforce spending limits and thereby control the deficit. In fiscal year 2015, 57 percent of spending authority and permanent appropriations authorities were exempt from sequestration, and therefore were not subject to this budgetary enforcement mechanism. This is a 20 percentage point increase since fiscal year 1994. Congress first established exemptions to sequestration when the Balanced Budget and Emergency Deficit Control Act of 1985 was enacted and has amended them since then. Since spending authority and permanent appropriations permit agencies to obligate budget authority without further congressional action, when these

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<sup>15</sup>The other three agencies are the Departments of Agriculture, Defense, and Energy.

<sup>16</sup>15 U.S.C. § 713a-4.

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authorities are exempt from sequestration, agencies can continue to use these authorities without reductions when sequestration is in effect.

Chairman Palmer, Ranking Member Raskin, and members of the Subcommittee, this completes our prepared statement. We would be pleased to respond to any questions that you may have at this time.

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## GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact Tranchau (Kris) T. Nguyen at (202) 512-6806 or [nguyentt@gao.gov](mailto:nguyentt@gao.gov), or Julia C. Matta at (202) 512-4023 or [mattaj@gao.gov](mailto:mattaj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are Janice Latimer (Assistant Director), Lisa Motley (Assistant General Counsel), Lindsay Swenson (Analyst-in-Charge), Michael Bechetti, Ann Marie Cortez, and Katherine D. Morris.

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