

GAO Highlights

Highlights of [GAO-24-107270](#), a testimony before the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

GAO's mission is to support Congress in meeting its constitutional responsibilities, including its oversight of the use of public funds. GAO has particular expertise in the area of appropriations law, which governs the use of appropriations made by Congress and protects Congress's power of the purse. GAO's *Principles of Federal Appropriations Law* manual provides information on many topics related to this area of the law, including revolving funds.

The hearing is to examine revolving funds at the Department of Veterans Affairs. GAO's testimony provides background information on revolving funds. This testimony is based on GAO's prior legal work related to revolving funds, including the *Principles of Federal Appropriations Law* manual.

This testimony describes key features of revolving funds, including their establishment, types of revolving funds, and the applicability of key appropriations law principles.

View [GAO-24-107270](#). For more information, contact Julia C. Matta at (202) 512-4023 or MattaJ@gao.gov.

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REVOLVING FUNDS

Key Features

What GAO Found

Only Congress can make public money available to federal agencies. Congress does so by making appropriations, which take a variety of forms. One such form is a revolving fund, which authorizes an agency to retain and use specified receipts for particular purposes. Revolving funds are intended to finance cyclical, business-like operations. The activity financed by a revolving fund will collect receipts from the public or other federal agencies and use those receipts to finance the fund's ongoing operations. Often, the activity supported by a revolving fund will become self-sustaining, eliminating the need for future annual appropriations.

There is a key feature of revolving funds that distinguishes them from other appropriations: the receipts collected by the fund are available without the need for further congressional action and without fiscal year limitation.

Even so, revolving funds remain appropriations. As such, they can only be created by Congress. Agencies must have explicit statutory authority to operate a revolving fund. The statute authorizing the creation of a revolving fund will specify the receipts which the fund may collect and retain, define the fund's authorized uses, and authorize the agency to use the collected receipts for the specified purposes without fiscal year limitation.

In addition, revolving funds are subject to the legal restrictions on the use of appropriated funds. These restrictions include:

- The purpose statute, which requires that agencies use appropriated funds only for the purposes for which Congress appropriated them;
- The Antideficiency Act, which forbids agencies from incurring obligations (that is, legal liabilities to make payments) or making expenditures that exceed the amount available in an appropriation or fund; and
- The recording statute, which requires agencies to record obligations against available appropriations as they incur them.

Similarly, agencies doing business with a revolving fund must also comply with appropriations law restrictions. These requirements ensure that revolving funds—like other appropriations—are spent in accordance with the law.

Prior GAO work has addressed many agency activities financed by various revolving funds, as well as the financial and management issues that arise as agencies carry out revolving fund activities.