



Federal Capital Revolving Fund Act of 2021

Problem: Wasteful government spending on building leases

Over the long-term, it is often less expensive for the federal government to purchase a building rather than leasing it. However, since budget scorekeeping rules charge the purchase price as a lump sum within a single year, Congress and federal agencies sometimes opt for leases that spread a higher overall cost over many years. According to the [Office of Management and Budget](#), “the cost of two consecutive 15-year leases for a building can exceed its fair market value by close to 180 percent”

The headquarters facility for the Department of Transportation (DoT) shows how the current system is biased towards wasteful budget choices. In 2002, the federal government sold land to a private company for \$40 million for the purpose of constructing a DoT headquarters that would be leased back to the government. Under the terms of this 15-year lease, the federal government would pay a total of \$750 million. In 2018, the federal government was finally able to purchase the facility – at an additional cost of \$760 million. This facility cost \$326 million to construct and the land was initially owned by the federal government, but the budget constraints at the time of construction drove the government to choose a [far more expensive option](#).

Solution: The Federal Capital Revolving Fund

The Federal Capital Revolving Fund would spread the costs of major civilian capital projects over up to 15 years for budget scorekeeping purposes, which would remove the bias in favor of more expensive leases while continuing to fully account for the costs of these projects and maintaining the Congressional power of the purse. Under this legislation, the Fund would start with \$10 billion. As part of the annual appropriations process, Congress could make transfers from the fund to pay for major capital projects costing \$250 million or more. When Congress makes such a transfer, the agency would then repay the fund over a period of up to 15 years in installments provided by Congress in annual appropriations bills.

The Federal Capital Revolving Fund Act prohibits any transfer or reprogramming from the fund that is not a transfer expressly authorized by Congress for a particular project. The annual repayments made by agencies would be counted against applicable discretionary spending limits for appropriations bills. This maintains controls on federal spending, while eliminating the bias in budget scorekeeping rules that currently favors leases over purchases for major capital projects.

The Federal Capital Revolving Fund was included in [President Donald Trump’s budget proposals](#), and in [President Joe Biden’s American Jobs plan](#).