



Highlights of [GAO-03-1011](#), a report to Chairman, Committee on the Budget, U.S. Senate

## Why GAO Did This Study

In an era of limited resources and growing mission demands, many agencies have turned to approaches other than full up-front funding to finance capital. GAO was asked to inventory examples of alternative approaches that agencies have employed to finance the capital used in their operations.

## BUDGET ISSUES

# Alternative Approaches to Finance Federal Capital

## What GAO Found

Capital projects are fully funded when Congress provides budget authority for the full cost of an asset up front. Such up-front funding provides recognition for commitments that are embodied in budgetary decisions and maintains governmentwide fiscal control. However, providing budget authority for the large up-front costs of capital assets creates challenges in an era of resource constraints. Agencies have been authorized to use an array of approaches to obtain capital assets without full, up-front budget authority. Our work identified 10 alternative financing approaches used by one or more of 13 agencies. These approaches, which are described in our letter, are:

- incremental funding,
- operating leases,
- retained fees,
- real property swaps,
- sale-leasebacks,
- lease-leasebacks,
- public private partnerships,
- outleases,
- share-in-savings contracts, and
- debt issuance.

From an agency's perspective, meeting capital needs through alternative financing approaches (i.e., not full funding) can be very attractive because the agency can obtain the capital asset without first having to secure sufficient appropriations to cover the full cost of the asset. Depending on the financing approach, an agency may spread the asset cost over a number of years or may never even incur a monetary cost that is recognized in the budget. From a governmentwide perspective, however, as we have reported in the past, the costs associated with these financing approaches may be greater than with full, up-front budget authority. Regardless of the financing approach—up-front budget authority or any of the other approaches—agencies would receive the same program benefits.

This document summarizes how these approaches are typically structured as well as examples of projects financed through these approaches. It notes the claimed project benefits from an agency's perspective and some questions associated with each.

[www.gao.gov/cgi-bin/getrpt?GAO-03-1011](http://www.gao.gov/cgi-bin/getrpt?GAO-03-1011).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Susan J. Irving, (202) 512-9142, [irvings@gao.gov](mailto:irvings@gao.gov).