

GAO Highlights

Highlights of [GAO-13-798](#), a report to the Chairman, Committee on the Budget, House of Representatives

Why GAO Did This Study

Given the fiscal pressures facing the nation, examination of balances carried forward into future fiscal years (carryover balances) provides an opportunity to identify areas where the federal government can improve and maximize the use of resources. GAO was asked to review issues related to federal carryover balances. GAO's objectives were to (1) identify key questions for congressional committees, managers, and other reviewers to consider when evaluating carryover balances, including whether to reduce them, and (2) describe how answering these key questions provides insight into why carryover balances may exist in selected accounts.

GAO reviewed carryover balances from fiscal years 2007 through 2012 in eight selected accounts from the Departments of Defense (DOD), Health and Human Services (HHS), Housing and Urban Development (HUD), and Treasury. Account selection was based on several characteristics, including the average size of the balance, budget function, type of account, agency, and whether the account was composed of mandatory or discretionary funds.

GAO is not making any recommendations. DOD, HHS, HUD, and Treasury generally agreed with our findings and provided technical comments that were incorporated as appropriate. HHS provided comments stating that conclusions drawn from the report may not apply across the board to all accounts.

View [GAO-13-798](#). For more information, contact Susan J. Irving, Director for Federal Budget Analysis, (202) 512-6806 or irvings@gao.gov.

September 2013

BUDGET ISSUES

Key Questions to Consider When Evaluating Balances in Federal Accounts

What GAO Found

Carryover balances in fiscal year 2012 were \$2.2 trillion, of which about \$800 billion had not yet been obligated. Answering key questions during review of carryover balances provides insights into why a balance exists, what size balance is appropriate, and what opportunities (if any) for savings exist. Given that a single account may support a single program or multiple programs—or that multiple accounts may support a single program—these questions can be applied when evaluating balances at either the account or program level. Examination of balances may assist decision makers in identifying opportunities to achieve budgetary savings or redirecting resources to other priorities. However, the complexity of the federal budget is such that a case-by-case analysis is needed to understand how best to achieve these financial benefits.

What mission and goals is the account or program supporting?

Understanding the mission activities, goals, and programs the account supports provides information about whether a program needs to maintain a balance to operate smoothly, what size balance is appropriate, and whether opportunities for savings exist. Accounts GAO reviewed maintained balances to support activities such as long-term acquisition of military aircraft and public health emergency preparedness.

What are the sources and fiscal characteristics of the funding? The sources and fiscal characteristics of the funding present different issues in changing the size of carryover balances. Accounts such as Treasury's Exchange Stabilization Fund, receive "such sums as may be necessary" and may require programmatic changes to effectively reduce balances. In such cases, simply reducing balances may have no economic benefit and could impose unnecessary administrative costs. If funds are discretionary, such as with HUD's Homeless Assistance Grants, balances can be controlled through appropriations acts.

What factors affect the size or composition of the carryover balances? Understanding factors within and outside an agency's control that affect its "spendout rate" provides insight to the composition of the carryover balance as a whole. Funds in accounts that support activities such as certain procurement or disaster relief may be obligated fairly quickly, but are expended over a longer period as milestones are met or as grantees draw down funds. Accounts with quick spendout rates, such as those that provide cash payments to government-sponsored enterprises, disburse funds soon after obligation.

How does the agency estimate and manage carryover balances? Understanding an agency's processes for estimating and managing balances provides information to assess how effectively agencies anticipate program needs and ensure the most efficient use of resources. For the mandatory accounts GAO reviewed, such as the Federal Housing Administration's Mutual Mortgage Insurance Capital Reserve account, agencies focused on future needs of the account and relied on economic indicators and historical trends to estimate future balances. For discretionary accounts GAO reviewed, such as the U.S. Army Corps of Engineers' Construction account, agencies used historical data combined with current variables to estimate carryover balances.