United States General Accounting Office

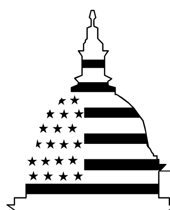
GAO

Report to the Chairman, Committee on the Budget, U.S. Senate

August 2003

BUDGET ISSUES

Alternative Approaches to Finance Federal Capital



G A O

Accountability ★ Integrity ★ Reliability

GAO-03-1011

Highlights of GAO-03-1011, a report to Chairman, Committee on the Budget, U.S. Senate

BUDGET ISSUES

Alternative Approaches to Finance Federal Capital

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.

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.

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.

Contents

Letter 1

Appendixes

Appendix I:	**Full Funding**	9
Appendix II:	**Incremental Funding**	11
Appendix III:	**Operating Leases**	17
Appendix IV:	**Retained Fees**	27
Appendix V:	**Real Property Swaps**	32
Appendix VI:	**Sale-Leaseback**	42
Appendix VII:	**Lease-Leaseback**	45
Appendix VIII:	**Public Private Partnerships**	47
Appendix IX:	**Outleases**	54
Appendix X:	**Share-In-Savings Contracts**	60
Appendix XI:	**Debt Issuance**	66

Table

Table 1: Alternative Financing Approaches 4

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

United States General Accounting Office
Washington, D.C. 20548

August 21, 2003

The Honorable Don Nickles
Chairman
Committee on the Budget
United States Senate

Dear Mr. Chairman:

In your March 11, 2003 letter you asked us to report on approaches federal agencies have employed to finance capital projects. On June 25, 2003, we briefed Committee staff on the preliminary results of our work. As agreed with your office, this letter summarizes and transmits the information provided in that briefing.

For purposes of this work, capital projects include land, improvement projects, and buildings or equipment used in federal operations. It excludes investments in high technology assets, such as information technology, and assets owned by state and local governments, such as highways. We identified alternative financing approaches based on both prior GAO work and more current research. Specifically, we queried analysts throughout GAO about alternative approaches they had found during the course of their work. In addition, we did web-based research on publications issued by the Congressional Research Service (CRS), Congressional Budget Office (CBO), General Services Administration (GSA), and professional research organizations such as RAND. To a very limited extent, we obtained clarification on specific examples from knowledgeable federal officials. While this work was not intended to result in a comprehensive list of all capital financing approaches, we believe we identified the major approaches used. For each approach we identified, we provide a brief description, examples of how it has been used, and the project's benefits from an agency's perspective. We did not independently verify the accuracy of this information. Moreover, the nature of our review did not result in the identification of additional financing costs incurred by the government as a whole due to the use of an approach other than full, up-front budget authority. Indepth reviews of individual contracts would be necessary to identify such costs. Our work was done in Washington, D.C., from November 2002 through June 2003, in accordance with generally accepted government auditing standards.

Capital assets usually cost large amounts of money. In fiscal year 2002 alone, the federal government invested close to $100 billion in major

physical capital used in its operations.[1] The high cost of capital assets creates challenges for budgeting in an era of resource constraints.

The requirement that an agency have adequate budget authority before it enters into a contract or other obligation for payment was established over 100 years ago in the Adequacy of Appropriations Act, 41 U.S.C. § 11, and the Antideficiency Act, 31 U.S.C. § 1341. The financing approach known as full funding has broader requirements than those found in these two acts and is enforced by policy rather than statute.[2] We have advocated the financing approach known as full funding as the best way to ensure recognition of commitments embodied in budgetary decisions and to maintain governmentwide fiscal control. However, agencies have been authorized to use an array of approaches to obtain capital assets without full, up-front budget authority. In an era of limited resources and growing mission demands, many agencies have turned to these alternative approaches as a practical way to finance capital, even though over the long run they may result in a higher cost to the taxpayer.[3]

Summary

We identified 10 capital financing approaches that have been used by one or more of 13 federal agencies (see table 1). 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. In other words, alternative financing approaches can make it easier for agencies to meet

[1] This amount includes investments in such assets as buildings, equipment, and information technology. However, we did not include investments in information technology within the scope of this report.

[2] The difference between these two acts and full, up-front funding is that the acts apply to individual contracts while full, up-front funding applies to a useful segment or an entire project, which may involve several contracts. As described by CBO, full funding would require budget authority for the construction of a whole ship, even though the construction may involve several contracts, while the Adequacy of Appropriations and Antideficiency Acts would require budget authority for a single contract, for example, to construct the hull of the ship.

[3] Because the federal government's financing costs are always less than the private sector's, acquiring assets with private sector financing may result in a higher cost of capital to the taxpayer.

mission capital demands within the constraints of their appropriation. As we have reported in the past, however, from a governmentwide perspective the costs associated with these financing approaches may be greater than with full, up-front budget authority. Regardless of the financing approach used to obtain the capital, agencies would receive the same program benefits.

Table 1 below shows an array of approaches that agencies have used to finance capital.

Table 1: Alternative Financing Approaches

Agency	Incremental funding	Operating lease	Retained fees	Real property swaps
GSA		***PTO building; DOT headquarters***	***Phillip Burton Conf. Center***	***Albuquerque, NM, federal building and parking; L. Mendel Rivers Building***
DOD	***CVN-21 Aircraft Carriers***; Atlantic Intracoastal Waterway Bridge	***USAF Mid-air Refueling Tankers; USAF Operational Support Aircraft***		***Army Reserves facilities; LAAFB***
VA				
Interior			***Recreation fee demonstration program (NPS, FWS, BLM)***	Georgetown - Foxhall (proposed)
USDA			***Recreation fee demonstration program (Forest Service)***	
TVA				
Coast Guard	***Deepwater Program; CGC Alex Haley***			
DOE				
DOT	***Northern CA air traffic control system***			
USPS				
State	USAID Annex (Kampala, Uganda)			
Smithsonian	Castle			
Commerce				

Sale-leaseback	Lease-leaseback	Public private partnerships	Outlease	Share-in-savings	Debt issuance
Charleston, WV Federal Building		Southeast Federal Center; El Paso border station; Ronald Reagan Building; Atlanta Food Court	***Tariff Bldg.; McCormack PO Courthouse; Galveston customhouse; RRB bldg.; Metcalfe Building***	***Energy savings performance contracts ($100s of millions in total)***	
		Family housing on bases; Portsmouth Shipyard Prison (Navy); Army utilities privatization	Ft. Sam Houston, Ft. Leonard Wood, Brooks AFB; NAVSEA field activities		
		At least 27 enhanced-use leases			
		Ft. Mason Foundation; Thoreau Center/Presidio			
	Combustion turbines				***Capital acquisitions***
			Maine lights, Coast Guard stations		
		Oak Ridge National Laboratory			
		New Brunswick, NJ Civic Square; Rincon Center; Grand Central Station			
				HVAC upgrade	

Note: Italics and bold type indicate where details of specific projects are included in this document.

The 10 alternative financing approaches we identified are briefly described below. In parentheses, we have included a measure of the magnitude of the use of each approach based on our research. These must be interpreted cautiously, however, since our methodology would not identify every instance where alternative financing approaches were used.

Incremental funding (about 1/3 of about $92 billion provided for civilian capital projects funded through fiscal year 2000) – Incrementally funded projects are those for which budget authority is provided for only part of the estimated costs of a capital acquisition or for part of a usable asset.

Operating leases (about 5 percent of GSA's leases are for 20 years or longer) – An operating lease gives the federal government the use of an asset for a specified period of time, but the ownership of the asset remains with the lessor. The Office of Management and Budget (OMB) identifies six criteria (presented in the enclosed briefing) that a lease must meet to be considered an operating lease.

Retained fees (5 organizations) – In some cases, agencies have been authorized to finance capital projects and improvements with fees earned through business-type or market-oriented activities with the public.

Real property swaps (7 agreements) – A real property swap is an exchange of property owned by the federal government for another property owned by either a private entity or a state or local government.

Sale-leaseback (1 case) – Under a sale-leaseback agreement, a federal agency sells an asset and then leases back some or all of the asset from the purchaser.

Lease-leaseback (1 case) – A lease-leaseback agreement between a government agency and a private entity may consist of three stages: the government agency purchases an asset; the agency then leases out the same asset to a private entity for a fixed time period in return for a lump sum payment; finally the agency leases back the use of the same asset.

Public private partnerships (54 arrangements) – Public private partnerships tap the capital and expertise of the private sector to improve or redevelop federal real property assets. Ideally, the partnerships are designed so that each participant makes complementary contributions that offer benefits to all parties.

Outleases (36 cases) – Excess or underused properties are outleased to shift the cost of maintenance and restoration to the private sector lessee, thus relieving the federal government of these expenses.

Share-in-savings contracts (hundreds of millions of dollars) – Some federal agencies work with contractors who purchase and install new energy systems in federal buildings. Agencies then pay back the contractors over time for the equipment plus a percentage of the energy costs saved as a result of the more efficient energy systems and relief of in-house maintenance costs.

Debt issuance (1 agency) –A few federal organizations, such as the Tennessee Valley Authority, have authority to borrow from the public. This authority can be used to finance capital acquisitions.

Organization of Report

The remainder of this report consists of sections on each of the above financing approaches. Each section begins with a brief description of the approach, followed by examples of specific projects financed by using the approach.

Additional Work To Be Done

As agreed with your staff, we will further examine examples of some of these alternative approaches. A report on this follow-on work will be sent to you.

We will send copies of this letter to the Ranking member of the Senate Committee on the Budget, the Chair and Ranking Member of the House Committee on the Budget, and other committees as appropriate. Copies will be made available to others on request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

We appreciate the opportunity to be of assistance. If you or your staff have any questions regarding the briefing or this letter, please contact me at (202) 512-9142 (irvings@gao.gov) or Christine Bonham, Assistant Director, at (202) 512-9576 (bonhamc@gao.gov). Other key contributors to this

briefing were Carol Henn, Maria Edelstein, David Eisenstadt, and Dewi Djunaidy.

Sincerely yours,

Susan J. Irving
Director, Federal Budget Analysis
Strategic Issues

Full Funding

A fully-funded capital project receives budget authority up front, before a commitment is made, for the project's full estimated cost or for a stand-alone stage if the project is divisible into stages and the result of that stage is a usable asset.[1] We and others have advocated full funding for capital asset acquisition as the best way to ensure recognition of commitments embodied in budgetary decisions and maintain governmentwide fiscal control. The requirement that an agency have adequate budget authority before it enters into a contract or other obligation for payment was established over 100 years ago in the Adequacy of Appropriations Act, 41 U.S.C. § 11, and the Antideficiency Act, 31 U.S.C. § 1341. The financing approach known as full funding has broader requirements than those found in these two acts and is enforced by policy rather than statute.

Fully-funded projects can take the form of new construction, renovations, or purchases. New construction of federal buildings is generally done through the General Services Administration (GSA). Over the last 10 years, GSA's new construction program has focused on courthouses and border stations. Purchases typically are not used for facilities.

There are two types of leases for which up-front funding is now required: lease-purchases and capital leases. A lease-purchase is a lease in which the federal government contracts to make annual lease payments to a developer and to take ownership of the building at the end of the lease period. During the 1980s, Congress authorized agencies to enter into lease-purchase agreements in which the annual lease payments were recorded in the budget over the lease period. Because this is generally more costly to the government than outright purchase and because the government is obligated to take ownership of the building, the House and Senate Budget Committees, the Office of Management and Budget (OMB), and the Congressional Budget Office (CBO), in connection with the Omnibus Budget Reconciliation Act of 1990, changed the budget scoring rules so lease-purchase budget authority and obligations are now scored up front rather than on an annual basis.

Capital leases are those that do not meet the six criteria for an operating lease. (See operating leases.) Generally the present value of the minimum lease payments over the life of the lease exceeds 90 percent of the fair

[1] For more information on this, see U.S. General Accounting Office, *Budget Issues: Incremental Funding of Capital Asset Acquisitions*, GAO-01-432R (Washington, D.C.: Feb. 26, 2001).

market value of the asset at the beginning of the lease term. For capital leases, budget authority must be available for the net present value of the total cost of the lease before it can be signed. Agencies may be reluctant to use capital leases because of this scoring requirement.

Incremental Funding

Incrementally funded projects are those for which budget authority is provided for only part of the estimated cost of a capital acquisition or part of a usable asset. It erodes future fiscal flexibility for programs because funding is needed to complete procurements begun in previous years. In addition, it limits cost visibility and accountability. However, incremental funding can be attractive to agencies that request a particular acquisition in an era of tight budgets when the full amount of funding needed may be difficult to obtain.

Distortions in the allocation of resources can result when the full costs of proposed commitments are not recognized at the time budget decisions are made. Incremental funding can be justified, however, for high technology capital projects because such projects are often closer in nature to research and development, where useful knowledge can be obtained even if no additional funding is provided. Space exploration equipment would be an example of such a project.

As we reported in February 2001, of the nearly $92 billion provided for civilian capital projects funded through fiscal year 2000, about $31 billion was incrementally funded.[1] At that point in time, at least $45 billion in additional funds would have been needed to complete these projects.

Following are a few examples of incrementally funded projects.

- Northern California Terminal Radar Approach Control facilities,
- *Alex Haley* Conversion Project-Phase II,
- Deepwater, and
- Navy CVN-21 Aircraft Carrier Program.

[1] GAO-01-432R.

Northern California Terminal Radar Approach Control Facilities

Financing approach:	Incremental funding
Capital project:	Northern California Terminal Radar Approach Control facilities
Department/agency:	Federal Aviation Administration

Description of project

Terminal air traffic in northern California increased 89 percent from 1982 to 1998 and is projected to further increase another 42 percent from 1998 to 2015. The infrastructure of the Federal Aviation Administration's (FAA) air traffic control system—Terminal Radar Approach Control (TRACON)—in the northern California area requires modernization and expansion to meet the increased traffic demands. For example, the Bay, Sacramento, and Stockton TRACONs are in aging buildings without sufficient space to grow or transition to modern equipment. The Northern California TRACON program constructed a facility in Sacramento to consolidate and integrate the approach control functions of four northern California TRACONs and some Oakland airspace.

Description of financing approach

From fiscal years 1996 through 2000, funds were appropriated for the consolidated facility. Specifically, funds were used for environmental and airspace impact studies, site adaptation, building design and construction, air traffic control equipment procurement and installation, and program management. However, an estimated $6.7 million was needed to complete installation and implementation activities, program management, new building services, ancillary maintenance equipment, and the telecommunications network required to consolidate the four TRACON facilities.

Benefits claimed

FAA projects that the full northern California TRACON consolidation will reduce operation and maintenance costs for consolidated facilities, reduce locality pay, and lower costs associated with employee turnover. Other potential benefits include fuel and time savings resulting from efficient airspace management and route design.

Source

Federal Aviation Administration's FY 2001 President's Budget Submission.

Alex Haley Conversion Project-Phase II

Financing approach:	Incremental funding
Capital project:	*Alex Haley* Conversion Project-Phase II
Department/agency:	U.S. Coast Guard

Description of project

Coast Guard Cutter *Alex Haley* was recently converted to operate in the harsh Alaska/Bering Sea. Its primary mission is homeland security, search and rescue, and international domestic fisheries enforcement. Continuing improvements are being made for crew habitability, operation capability, and machinery and personal safety. For example, a helicopter hangar was installed to allow deployment of an HH-65 helicopter.

Description of financing approach

Funding for project start-up was provided in fiscal year 1998, with completion estimated in fiscal year 2005. Although $23.2 million had been provided as of fiscal year 2001, estimates of the amount needed to complete the project had not been provided as of February 2001.

Benefits claimed

The improvements provide a safer environment for the professional men and women that serve on the *Alex Haley*. In addition, the new helicopter hangar enables the cutter to launch and recover aircraft and better manage conditions in the Gulf of Alaska and the Bering Sea.

Source

U.S. General Accounting Office, *Budget Issues: Incremental Funding of Capital Asset Acquisitions*, GAO-01-432R (Washington, D.C.: Feb. 26, 2001).

Deepwater Program

Financing approach:	Incremental funding
Capital project:	Deepwater Program
Department/agency:	U.S. Coast Guard

Description of project

The Coast Guard is working to modernize its aging fleet of deepwater ships and aircraft. Rather than using the traditional approach of replacing an individual class of ships or aircraft, the Coast Guard adopted a "system-of-systems" approach intended to integrate ships, aircraft, sensors, and communication links together as a system to accomplish mission objectives more effectively.

Description of financing approach

The Coast Guard chose a contracting approach that depends on a sustained funding stream of over $500 million each year (in 1998 dollars) for at least the next 20 years. Already, the funding provided for the project is less than the amount the Coast Guard had planned. The fiscal year 2002 and 2003 appropriations for the project were about $28 million and about $90 million below the planned levels, respectively. Further, the President's fiscal year 2004 budget request for the Coast Guard is not consistent with the Deepwater funding plan. If the requested amount of $500 million for fiscal year 2004 is appropriated, it would represent another shortfall of $83 million, making the cumulative shortfall about $202 million in the project's first 3 years. If appropriations hold steady at $500 million (in nominal dollars) through fiscal year 2008, the Coast Guard estimates that the cumulative shortfall will reach $626 million.[2]

Benefits claimed

By replacing its deepwater fleet through an integrated approach, the Coast Guard expects to improve the effectiveness of its operations and reduce operating costs. However, delays in the project, which have already occurred, could jeopardize the Coast Guard's future ability to effectively and efficiently carry out its mission.

[2] The $28 million shortfall is expressed in 2002 dollars, the $90 million shortfall in 2003 dollars, and the $202 million shortfall in 2004 dollars. The $626 million shortfall is expressed in 2008 dollars.

Sources

U.S. General Accounting Office, *Coast Guard: Challenges during the Transition to the Department of Homeland Security*, GAO-03-594T (Washington, D.C.: Apr. 1, 2003).

Coast Guard: Actions Needed to Mitigate Deepwater Project Risks, GAO-01-659T (Washington, D.C.: May 3, 2001).

Navy CVN-21 Aircraft Carrier Program

Financing approach:	Incremental funding
Capital project:	Navy CVN-21 Aircraft Carrier Program
Department/agency:	Department of Defense/Navy

Description of project

The Navy plans to procure the CVN-21 aircraft carrier in fiscal year 2007 and commission it into service in 2014. The CVN-21 is an evolved version of the Nimitz-class design that will replace the Enterprise (CVN-65), which will then be 53 years old.

Description of financing approach

For fiscal year 2004, the administration proposed continued advanced and incremental funding to procure and perform research and development work on the ship. The proposed funding for the CVN-21 would spread the appropriations over 8 fiscal years, presumably to ease the strain on any one year's budget.

Benefits claimed

Compared to prior aircraft carriers, the CVN-21 would require significantly fewer sailors to operate and would feature an entirely new and less expensive nuclear reactor plant, a new electrical distribution system, and an electromagnetic (as opposed to steam-powered) aircraft catapult system. In addition, the CVN-21 is projected to have lower life-cycle operation and support costs.

Source

Congressional Research Service, *Navy CVN-21 (Formerly CVNX) Aircraft Carrier Program: Background and Issues for Congress*, RS20643 (Washington, D.C.: Mar. 21, 2003).

Operating Leases

An operating lease gives the federal government the use of an asset for a specified period of time, but the ownership of the asset does not change. The Office of Management and Budget (OMB) identifies six criteria that a lease must meet to be considered an operating lease.

- Ownership of the asset remains with the lessor and is not transferred to the government at or shortly after the lease.
- Lease does not contain a bargain-price purchase option.
- The lease term does not exceed 75 percent of the estimated economic life of the asset.
- The asset is a general-purpose asset and is not built to unique specifications of the government lessee.
- There is a private sector market for the asset.
- The present value of the lease payments does not exceed 90 percent of the fair market value.
- A lease not meeting any one of the six criteria is considered a capital lease.

Operating leases are generally intended to be used for assets that are needed for a specified period of time. For self-insuring entities like GSA, an operating lease requires that only 1 year's amount of budget authority be obtained annually to fund the lease. As the federal government's real property manager, GSA provides leased space for most agencies. GSA and we agree that ownership is more cost-effective than leasing if (1) GSA has a justifiable need for a property over a 20-year term, (2) the space requirement is large enough, and (3) the property is located in an appropriate market.

We have previously reported that the budget scoring rules have the effect of favoring operating leases and, given current budget constraints, there is a concern that capital assets are being obtained through operating leases rather than through the generally more cost-effective ownership option. In 2001,we reported on 12 GSA lease projects in which the lease term was

affected by budget scoring.[1] While in the short run operating leases may appear less costly than ownership options such as construction or purchase, for long-term needs construction is generally less expensive than leasing. We have previously reported that one option to improve scorekeeping would be to treat operating leases that are used for long-term needs on the same basis as purchases or construction in the budget. This change would require an increase in available budget authority.

Following are examples of operating leases used for long-term needs:

- Patent and Trademark Office building in Washington, D.C.,
- Department of Transportation headquarters in Washington, D.C. ,
- Air Force lease of 737 Operational Support Aircraft, and
- Air Force lease of Boeing 767 tankers.

[1] U.S. General Accounting Office, *Budget Scoring: Budget Scoring Affects Some Lease Terms, but Full Extent Is Uncertain*, GAO-01-929 (Washington, D.C.: Aug. 31, 2001).

Patent and Trademark Office (PTO) Lease in Washington, D.C.

Financing approach:	Operating lease
Capital project:	Patent and Trademark Office (PTO) lease in Washington, D.C.
Department/agency:	General Services Administration (GSA)

Description of project

In 1989, the Patent and Trademark Office (PTO) began working with GSA on approaches to meet its long-term space requirements. In August 1995, OMB authorized GSA to seek congressional approval to consolidate PTO operations at a single location in new leased space. That same year, the appropriate Senate and House committees approved the prospectus for the lease. The committees authorized the competitive procurement of a 20-year operating lease for about 2 million square feet for the purpose of consolidating PTO.

On June 1, 2000, GSA signed a 20-year lease for approximately 2.2 million rentable square feet, which were to be built to suit GSA/PTO needs and to house 7,100 staff in Alexandria, Virginia. The lease was valued at $1.24 billion over 20 years, plus operating expenses and taxes. PTO plans to begin moving into the new building in late 2003.

Description of financing approach

GSA entered into a 20-year operating lease that only required the annual payments to be scored in each year of the lease. Thus PTO's yearly rent of $62 million would need to be appropriated for each of the 20 years as an operating lease.

Benefits claimed

GSA will be able to consolidate and collocate PTO staff that had previously been located in 18 different buildings under 33 different leases.

Budgetary observations

Had the PTO lease been considered a capital lease, the net present value of the $1.2 billion in total lease costs would have needed to be appropriated to GSA in fiscal year 2003. The Federal Buildings Fund would not have been able to absorb the cost of this construction project without additional appropriations. We reported that while construction would have been an estimated $48 million less costly than leasing space for PTO, the award of the PTO lease as an operating lease was in accordance with OMB's scoring criteria. We also reported that construction was not a viable alternative at the time GSA made the decision for the PTO facility because funds were

not available to provide for government ownership. A PTO official stated that the administration and PTO's appropriation committees agreed that a competitive lease was the only viable option because neither user fees nor taxpayer funding were available to construct or purchase a new PTO facility.

Source

U.S. General Accounting Office, *Acquisition of Leased Space for the U.S. Patent and Trademark Office*, GAO-01-578R (Washington, D.C.: June 5, 2001).

Department of Transportation (DOT) Headquarters Building

Financing approach:	Operating lease
Capital project:	Department of Transportation (DOT) Headquarters Building
Department/agency:	General Services Administration (GSA)

Description of project

In 2002, GSA reached a deal to sell 11 acres of land at the federally owned Southeast Federal Center in Washington, D.C. for $40 million to the JBG Companies partnership for the development of a new DOT complex. The complex may have multiple buildings and up to 1.35 million rentable square feet of office space that GSA will lease for 15 years for DOT headquarters operations. DOT is seeking to replace its current leased space for which the lease expired March 31, 2000, and to consolidate some of its field operations. The DOT locations to be consolidated are the Nassif Building (400 7th Street, SW) and the Transpoint Building (2100 2nd Street, SW). DOT currently occupies approximately 1.1 million occupiable square feet of office and related space at the Nassif Building and approximately 450,000 occupiable square feet of office and related space at the Transpoint Building.

Description of financing approach

GSA entered into a 15-year operating lease for a new DOT headquarters complex to be built with up to 1.35 million rentable square feet of office space. GSA will convey 11 acres of federally owned land at the Southeast Federal Center to the private partnership building the new office complex.

Benefits claimed

This lease will replace DOT's current lease and allow it to consolidate some of its field offices at one location within current budget constraints.

Budgetary observations

According to GSA officials, during the planning for the Department of Transportation lease, it was realized that due to the rental rates in Washington, D.C., a 20-year lease would probably not satisfy the 90 percent scoring criterion for being an operating lease. To address this issue, GSA reduced the lease term to 15 years. In addition, OMB encouraged GSA to consider financing above-standard items through the Federal Buildings Fund or DOT rather than through the lease to reduce the lease costs and thus help it meet the requirements for an operating lease. The President's 2003 and 2004 budgets included $25 million and $45 million respectively for the new DOT headquarters building.

Sources

U.S. General Accounting Office, *Budget Scoring: Budget Scoring Affects Some Lease Terms, but Full Extent Is Uncertain*, GAO-01-929 (Washington, D.C.: Aug. 31, 2001).

Washington Business Forward, April 2002.

January 19, 2001, letter from OMB to GSA regarding DOT headquarters lease; and July 17, 2001, letter from GSA to OMB regarding DOT headquarters lease.

Related questions

- How was the $40 million from the land purchase used?
- Was the $25 million used to buy down the lease so it qualified as an operating lease?
- How will the $45 million in the President's 2004 Budget be used if appropriated?

Lease of 737 Operational Support Aircraft

Financing approach:	Operating lease
Capital project:	Lease of 737 Operational Support Aircraft
Department/agency:	DOD/Air Force

Description of project

The Air Force plans to award a firm, fixed price, multiyear contract to Boeing for four leased C-40 aircraft (the military variant of the commercial 737). Because the aircraft take 18 to 24 months to build, the Air Force plans to lease two used 737 aircraft to provide an interim capability. After two new C-40 aircraft are delivered, the used 737 aircraft would be returned to Boeing to be reconfigured to C-40s and then returned to the Air Force.

Description of financing approach

Under this arrangement, the Air Force would lease three aircraft for 6 years and the fourth for 5 years. At the end of the lease period, the Air Force would have the option to purchase the aircraft for a specified negotiated price. It appears that the leases would be operating leases and thus the negotiated purchase price would have to reflect the value of the planes. If the lease contained a bargain purchase price, it would be a lease-purchase and budget authority for the entire cost of the lease and purchase would have to be provided up front.

Benefits claimed

The Air Force estimated that it would save $3.9 million (net present value) from leasing these four Boeing 737 aircraft compared to the outright purchase of the aircraft. This is a savings of about 1 percent.

Budgetary observations

The Air Force complied with the OMB criteria in making its case that leasing was more advantageous than purchasing. However, relatively small changes in assumptions can reduce claimed savings or make leasing more expensive. The Congressional Budget Office (CBO) questioned the estimated cost to purchase the aircraft, which is a key assumption in computing the cost of purchase. The Air Force did not negotiate a purchase price and CBO believes it could have negotiated a lower purchase price than it used in its analysis, just as it negotiated a lower lease price than the initial estimate. Using the Air Force's lease data, CBO used a model to work backwards and determine a purchase price. CBO found that based on the lease agreement the purchase price could be $5 million less per aircraft than the purchase price used in the Air Force's analysis. If the Air Force could negotiate a purchase price $5 million less than the estimate

used, the purchase would save about $15 million in net present value terms over the lease. CBO also questioned the assumptions for the residual value of the aircraft and the cost of self-insurance. Small changes in these assumptions could result in leasing being more costly.

Sources

U.S. General Accounting Office, Discussion points and August 1, 2002 Congressional Relations memo related to the Air Force lease of 737 operational support aircraft.

Congressional Budget Office review of report on leasing Boeing 737 aircraft, July 23, 2002.

Related questions

- Has this lease been signed?
- What is the negotiated purchase price at the end of the lease?

Leasing of Boeing 767 Tankers

Financing approach:	Operating lease
Capital project:	Leasing of Boeing 767 tankers
Department/agency:	DOD/Air Force

Description of project

The Air Force has determined that it needs to replace its KC-135 mid-air refueling tankers. The Air Force thought it might be able to accelerate its refueling tanker replacement efforts in the aftermath of September 11, 2001, because commercial aircraft manufacturers were faced with the prospect of reduced or canceled orders. Congress included language in section 8159 of the fiscal year 2002 Defense Appropriations Act allowing the Air Force to establish a multiyear pilot program for leasing Boeing 767 aircraft. The Air Force is considering leasing Boeing 767 aircraft and converting them to serve as tankers. At the end of the lease period, the Air Force would have the option to purchase the aircraft for a specified, negotiated price.

Description of financing approach

The Air Force plans to obtain refueling tankers through an operating lease in which budget authority will be scored in each year of the lease.

Benefits claimed

KC-135 tankers will be replaced earlier than expected. GAO reported that although there is a long-term requirement to replace the aging fleet of KC-135 tankers, the urgency of the need in the short term is unclear.

Budgetary observations

If the aircraft were returned at the end of the 6-year lease period, the Air Force tanker fleet would be reduced and the Air Force would have to find some way to replace the lost capability even though lease payments would have paid almost the full cost of the aircraft. For this and other reasons, we have reported that returning the aircraft would probably make little sense and the Congress would almost certainly be asked to fund the purchase of the aircraft at their residual value when the leases expire. In a July 10, 2003, report to the Senate Committee on Armed Services, the Air Force estimated that purchasing the aircraft would be about $150 million less than leasing, on a net present value basis.

Sources

U.S. General Accounting Office, *Military Aircraft: Considerations in Reviewing the Air Force Proposal to Lease Aerial Refueling Aircraft*, GAO-03-1048T (Washington, D.C.: July 23, 2003).

U.S. General Accounting Office, *Air Force Aircraft: Preliminary Information on Air Force Tanker Leasing*, GAO-02-724R (Washington, D.C.: May 15, 2002).

U.S. General Accounting Office, *U.S. Combat Air Power: Aging Refueling Aircraft Are Costly to Maintain and Operate*, GAO/NSIAD-96-160 (Washington, D.C.: August 8, 1996).

Retained Fees

Proceeds that result from business-type or market-oriented activities with the public, such as the sale or lease of property, are known as offsetting collections. The legislation authorizing these collections may earmark them for a specific purpose or require them to be appropriated in annual appropriation acts before they can be spent. In some cases, agencies have been authorized to retain earned fees to fund capital projects and improvements.

While retaining fees enables agencies to obtain the funding needed to make capital improvements, repairs, and maintenance, it also raises questions of equity. International experience with departments retaining asset sale proceeds has shown that those that were asset-rich continued as such and those that were asset-poor continued to run down their asset bases. Since the ability to retain fees results in a shift of control over the use of monies from Congress to the agencies, Congress would have limited ability to direct the collections to higher priority needs.

Following are examples of a few projects funded through retained fees.

- Capital improvements, repairs, and maintenance by federal land management agencies and
- Phillip Burton Conference Center.

Capital Improvements, Repairs, and Maintenance

Financing approach:	Retained fees
Capital project:	Capital improvements, repairs, and maintenance
Department/agency:	Federal land management agencies

Description of project

Since 1996, federal land management agencies[1] have collected over $900 million in recreation fees from the public under an experimental initiative called the Recreational Fee Demonstration Program. Congress first authorized the program in 1996 for 3 years and has extended it four times. The authority to collect these fees expires at the end of fiscal year 2004.

Description of financing approach

The Recreational Fee Demonstration Program permits four land management agencies to use new or increased fees collected from visitors to help address deteriorating conditions at many federal recreation areas, among other things. At least 80 percent of the revenues are to be spent at the site that collects the fees; the remaining 20 percent can be spent at other sites at the discretion of each agency. To ensure that fee revenues remain available for improvements after 2004, the administration has indicated it will propose legislation providing permanent fee authority.

Benefits claimed

For many sites, the additional fee revenues increased their annual budgets by 20 percent or more. With this infusion of revenues, some units with maintenance backlogs could address their unmet needs in relatively few years. Other units with small or nonexistent backlogs could undertake further development and enhancement.

Sources

U.S. General Accounting Office, *Recreation Fees: Information on Forest Service Management of Revenue from the Fee Demonstration Program*, GAO-03-470 (Washington, D.C.: Apr. 25, 2003).

[1] The four land management agencies include the National Park Service, Fish and Wildlife Service, Bureau of Land Management, and Forest Service. Together, the Park Service and Forest Service collect over 90 percent of the fees under the Recreational Fee Demonstration Program. In fiscal year 2001, the Park Service collected $126 million and the Forest Service collected $35 million.

U.S. General Accounting Office, *Recreation Fees: Demonstration Fee Program Successful in Raising Revenues but Could Be Improved*, GAO/RCED-99-7 (Washington, D.C.: Nov. 20, 1998).

Related question

- What is the effect of inequities between relatively high revenue producing National Parks and those that earn relatively less?

Phillip Burton Conference Center

Financing approach:	Retained fees
Capital project:	Phillip Burton Conference Center
Department/agency:	General Services Administration (GSA)

Description of project

To increase the use of underused space in the Phillip Burton Federal Building and U.S. Courthouse in San Francisco,[2] GSA established a Government Conference and Training Center to operate as a self-sustaining center. Facilities are available to both the federal community and the public.

Benefits claimed

The income received from the conference center has been used to further enhance the conference center and the tenant agencies in the building. Underused space was converted into space that could more effectively be used by the federal government and the community.

Source

General Services Administration, Real Property Policysite, Office of Governmentwide Policy, *Best Practices: News and Views on Real Property Policy*, Special Edition, Washington, D.C., February 1999, 10 - 11.

Related questions

- How was the original construction financed?
- Do the fees charged cover those costs or just operating costs?
- Under what authority may fees be retained?
- Can all the fees be retained or just a portion—what constraints are on this?
- Did any tenants need to be relocated as a result of the construction?
- Is there any connection between the construction of the conference center and the funding of the plaza in front of the building (plaza work done in 1996 through 1999)?

[2] The Phillip Burton Federal Building was built in 1962. GSA owns and manages the building, which houses several agencies.

- Were original financing costs repaid?

Real Property Swaps

A real property swap is an exchange of property owned by the federal government with either a private entity or a state or local government for another property. In many cases, the property exchanged by the federal government has been underused because it is deteriorating. Despite a federal property's poor condition, a private entity may consider the same property valuable for future development and enter into a property swap with the federal government. Under such an arrangement, the federal government receives another existing property, or the private entity constructs a new facility for the federal government equal in value to the land received in exchange.

Property swaps can relieve the federal government of maintenance and/or renovation costs and result in a real asset that may be used immediately with no additional appropriations required. However, determining fair value for the properties exchanged is not always a clear-cut process and congressional oversight of these exchanges is limited.

While Congress may receive notification of pending swaps, these transactions are not reflected in the budget since there are no federal government cash flows involved. Congressional budget decisionmakers therefore do not have an opportunity to consider whether the value of the exchanged property should be reallocated to other competing resource needs.

Examples of real property swaps include:

- Los Angeles Air Force Base,
- Albuquerque, NM, federal building and parking,
- Army Reserves fire station,
- Army Reserves Fort Snelling, MN, and
- L. Mendel Rivers Building, Charleston, SC.

Los Angeles Air Force Base Systems Acquisition Management Support Project

Financing method:	Real property swap
Capital project:	Los Angeles Air Force Base Systems Acquisition Management Support project
Department/agency:	Department of Defense/Air Force

Description of project

The Air Force traded government-owned land on the Los Angeles Air Force Base to a private developer in exchange for the design and construction of a new 560,000 square foot facility on the base for the Space and Missile Systems Center. The new office space will replace the use of buildings constructed in 1957 and 1966 that are outdated and vulnerable to earthquakes.

Description of financing approach

The National Defense Authorization Act of 2001 (Pub. L. 106-398) authorized the Secretary of the Air Force to sell or lease all or part of the real property at Los Angeles Air Force Base (LAAFB). The statute also provided that the only consideration that the Air Force could receive for the property was "the design and construction on [unconveyed] property…of one or more facilities to consolidate the Space and Missile Systems Center mission and support functions." Furthermore, the Act provided that if the value of the new facility received by the Air Force exceeded the value of the property it conveyed, then the Air Force should "lease back" the new facility from the developer for a period up to 10 years, with the Air Force taking title to the facility at the end of the lease period. As of October, 2002, the Air Force still was negotiating the final terms of the contract, which includes a property swap and the probability of a lease-purchase agreement to make up the difference in value between the new facility and the property conveyed by the Air Force.

Benefits claimed

The Air Force gains a new office complex at a fraction of the cost of independently contracting for a new office complex while the Los Angeles area communities gain land for potential development. The Air Force is able to dispose of up to 865,000 square feet of substandard buildings and eliminate requirements for $130 million to $150 million in military construction projects. Furthermore, reduction of the base size lowers ongoing operations and maintenance costs by more than $3 million per year.

Sources

Comptroller General decisions in the matter of SAMS El Segundo, LLC, B-291620 and B-291620.2, February 3, 2003.

Albuquerque, NM, Federal Building and Parking

Financing method:	Real property swap
Capital project:	Albuquerque, NM, federal building and parking
Department/agency:	General Services Administration (GSA)

Description of project and financing approach

The General Services Administration acquired a large city parking garage near federal buildings in exchange for two smaller parking areas and a partially vacant historic building that was in need of repair. GSA had been operating the historic federal building, which was 30 to 40 percent vacant, at an annual loss of $200,000 and had faced building modernization costs of $3 million. Because the exchanges are non-cash, it cannot be known whether the exchanged property could have been sold competitively for a different value than the properties received in exchange.

Benefits claimed

GSA reports that it improved its real estate portfolio performance. GSA will meet a projected federal tenant demand for 450 additional parking spaces. The agency relieved itself of a money-losing property and millions of dollars in building renovation costs. Money that would have been lost or spent on repairs for this building can be reinvested in property retained in GSA's portfolio.

Source

General Services Administration, Real Property Policysite, Office of Governmentwide Policy, *Best Practices: News and Views on Real Property Policy*, Special Edition, Washington, D.C., December 2000, 25-26.

Related questions

- Do existing federal buildings have enough space to absorb the employees that will move from the historic building? If not, where will the employees move and at what cost?
- Was this transaction compared to costs of GSA restoring the building either by itself or through some other kind of partnership and maintaining existing office space? Were competing offers considered?
- How much could the building have sold for independent of this arrangement?

- What were the parking arrangements for federal employees prior to obtaining the large garage? How do parking costs now compare to the prior situation?
- Were the $3 million in repairs already budgeted for in GSA's accounts?
- Was any statutory authority required to make this transaction (e.g., Historic Building Preservation Act)?

Parks Reserve Forces Training Area Fire Station

Financing method:	Real property swap
Capital project:	Parks Reserve Forces Training Area fire station
Department/agency:	Department of Defense/Army Reserves

Description of project

The Army Reserves entered into a real property exchange agreement with a private land developer. The Army Reserves conveyed about 11 acres of training area land to the developer in exchange for construction of a new fire station.

Description of financing approach

The developer receives land appraised at $1.8 million to construct an access road into its new housing development. The Army Reserves receives a new fire station valued at $3.9 million. The appraisal process is meant to determine the fair market value of the property to be conveyed by the Army Reserves. The property received in exchange must be at least of equal value and must meet minimal requirements that have changed since the old facility was constructed. In order to meet this second requirement, the value of the property received may be higher than the appraised value of the property conveyed by the Army Reserves. Nonetheless the size of the discrepancy raises questions about the appraisal process. The initial appraisal of the Army Reserves' 11-acres was $75,500 because the land's current condition was assessed rather than the most valuable use of the property by a developer.

Benefits claimed

The Army Reserves receives a new fire station without paying out any money up front in military construction costs to replace an older, less modern station.

Source

U.S. General Accounting Office, *Defense Infrastructure: Changes in Funding Priorities and Management Processes Needed to Improve Condition and Reduce Costs of Guard and Reserve Facilities*, GAO-03-516 (Washington, D.C.: May 15, 2003).

Related questions

- What are the locations of the old and new fire stations?
- How does the Army Reserves explain the size of the discrepancy in the exchanged values?

- What is the appraisal process used to determine the value of the property exchanged?

Army Reserves Facilities at Fort Snelling, MN

Financing method:	Real property swap
Capital project:	Army Reserves facilities at Fort Snelling, MN
Department/agency:	Department of Defense/Army Reserves

Description of project

The Army Reserves entered into two real property exchange agreements: first with the Metropolitan Airport Commission in August 2002; and then with the Minnesota Department of Transportation and the Metropolitan Council in November 2002. In the first agreement, the Army Reserves conveyed 11 acres of property that will be used to expand the runway at the Minneapolis-St. Paul International Airport. In return, the Army Reserves received a newly constructed maintenance facility in St. Joseph, Minnesota. In the second agreement, the Army Reserves conveyed seven acres of property in exchange for a 38,000 square foot addition to its permanent facility.

Description of financing approach

In the August 2002 agreement, the Army Reserves conveyed property appraised at $1.4 million in exchange for a new maintenance facility valued at $1.7 million. In the November 2002 agreement, the Army Reserves conveyed property appraised at $2 million in exchange for a building addition worth about $5.1 million. Because the exchanges are non-cash, it cannot be known whether the exchanged property could have been sold for a different value than the properties received in exchange.

Benefits claimed

The Army Reserves receives new building space without having to draw on the Defense Department's military construction budget and at a greater appraised value than the property given up.

Source

U.S. General Accounting Office, *Defense Infrastructure: Changes in Funding Priorities and Management Processes Needed to Improve Condition and Reduce Costs of Guard and Reserve Facilities*, GAO-03-516 (Washington, D.C.: May 15, 2003).

Related questions

- How does the Army Reserves explain the size of the discrepancy in the exchanged values?

- What is the appraisal process used to determine the value of the property exchanged?

L. Mendel Rivers Building, Charleston, SC

Financing method:	Real property swap
Capital project:	L. Mendel Rivers Building, Charleston, SC
Department/agency:	General Services Administration (GSA)

Description of project

The seven-story L. Mendel Rivers building was constructed in 1965 with almost 100,000 rentable square feet of space. It has a surface parking lot and sits on over two acres of land. Since Hurricane Floyd damaged the building in October 1999, it has been totally vacant and its tenants have relocated to leased space. The building is contaminated with asbestos and GSA has determined that it would be too costly to rehabilitate or replace the building. While the Rivers building is vacant, GSA still incurs expenses for its basic maintenance and utilities. In fiscal years 2002 and 2003, GSA spent about $28,000 to operate and maintain the building. Occasionally, GSA rents out the parking lot and uses the rental income to help offset some of the building expenses.

Description of financing approach

For a number of years, GSA has been engaged in discussions with the City of Charleston to exchange the L. Mendel Rivers site for a new building. Under the proposed agreement, the city would construct a new building with about 27,000 useable square feet next to the federal court complex and a parking garage in which GSA would have 60 parking spaces in exchange for the L. Mendel Rivers site. While the building to be constructed is much smaller than the L. Mendel Rivers building, the new building is in the historic downtown business area where land values are higher; appraisals show that the exchange sites are of equal value. According to a GSA official, the mayor of Charleston has signed a memorandum of understanding with GSA that sets forth the terms and conditions for the exchange and the GSA Administrator is expected to sign the memorandum in early July. The exchange will not occur until independent appraisals show the value of the properties to be exchanged are equal in value.

Benefits claimed

GSA would be relieved of a money-losing property and in return it would obtain new office space without needing an appropriation.

Sources

GSA's Asset Business Plan and interviews with GSA officials.

Sale-Leaseback

Under a sale-leaseback agreement, a federal agency sells an asset and then leases back some or all of the asset from the purchaser. Agencies might consider such an arrangement when the property they are using needs renovation or when they need only a fraction of the total building space. When building renovations are necessary, sale-leaseback agreements may transfer renovation costs to the purchaser of the property. The government may then lease back after improvements have been made.

Federal agencies generally are not permitted to retain the proceeds from the sale of assets unless specific legislation states otherwise. In at least one instance, Congress has authorized GSA to credit the Federal Buildings Fund with proceeds from the sale of a federal building. GSA then leased back a portion of the sold building.

The potential drawback of sale-leaseback agreements is that over the long term they may be more expensive, particularly in cases when the federal government occupies the entire building. Renovations financed by the private sector will always cost more than those financed by Treasury borrowing. As a result, the share of the building to be used by the federal government can be an important determinant of the value.

We identified one example of a sale-leaseback arrangement in a transaction involving a federal building in Charleston, West Virginia.

Charleston, WV, Federal Building

Financing method:	Sale-leaseback
Capital project:	Charleston, WV, Federal Building
Department/agency:	General Services Administration (GSA)

Description of project

The construction of the Robert C. Byrd U.S. Courthouse in Charleston, WV enabled tenants of the federal building at 500 Quarrier Street to relocate. Originally, GSA had planned to excess the Quarrier Street building after the move but the Social Security Administration (SSA) contacted GSA with a space request to consolidate their functions with West Virginia's Disability Determination Agency. GSA entered into an agreement to sell the 130,000 square foot Quarrier Street building to a developer and lease back about 82,000 square feet in the same building so that SSA could collocate with the state government agency.

Congress included language in the appropriation bill[1] for the Byrd Courthouse that approved the sale and leaseback of the federal building and allowed GSA to retain funds from the sale of the building for the Federal Buildings Fund.

Description of financing approach

In September 1998, GSA sold the federal building on Quarrier Street to a developer for $3.5 million. The developer committed to investing $11 million to upgrade the facility from Class C to Class A. In exchange, GSA committed to lease back a portion of the facility for 20 years.

Benefits claimed

SSA and GSA both claim benefits from this arrangement. SSA maintains a presence in Charleston's central business district and can increase productivity by consolidating functions and collocating with West Virginia's social service agency. GSA retains funds from the building sale and does not directly incur the estimated $11 million cost of upgrading the building.

Source

General Services Administration, Real Property Policysite, Office of Governmentwide Policy, *Best Practices: News and Views on Real Property Policy*, Special Edition, Washington, D.C., December 1999, 7.

[1] 101st Congress, HR 5241, 1991 Treasury, Postal Service and General Government appropriations bill.

Related questions

- What kind of cost benefit analysis did GSA do to compare costs of leasing two-thirds of the building vs. doing the repairs itself and outleasing the remaining 48,000 square feet to the private sector?
- Where were the SSA employees working before?
- How long does SSA believe it will require the leased space? What are the terms of the lease?
- What efficiencies are gained from the new space that is shared with the state agency?
- Are there other cases of GSA receiving permission to retain sale proceeds?

Lease-Leaseback

A lease-leaseback agreement between a government agency and a private entity may consist of three stages: the government agency purchases an asset; the agency then leases out the same asset to a private entity for a fixed time period in return for a lump sum payment; finally, the agency leases back the use of the same asset over the same time period via incremental payments. For this type of arrangement, the net result is similar to the agency entering into a lease-purchase contract since the asset is privately financed and paid for incrementally. The agency maintains ownership and control of the asset and thus retains both the economic benefits and risks related to asset ownership.

We identified three Tennessee Valley Authority (TVA) lease-leaseback contracts for combustion turbine units. TVA signed the respective contracts in fiscal years 2000, 2002, and 2003.

Combustion Turbines

Financing method:	Lease-leaseback
Capital project:	Combustion turbines
Department/agency:	Tennessee Valley Authority (TVA)

Description of project and financing approach

TVA, a wholly-owned government corporation, entered into contracts in fiscal years 2000, 2002, and 2003 to outlease combustion turbine units to private investors in exchange for a lump-sum payment. At the same time TVA agreed to lease back the same assets by making regular incremental payments over the term of the contract. TVA maintains ownership of the generators but it can relinquish the property to the private sector at the end of the term. Thus, according to TVA, the private sector bears the "residual value" risk of the asset.

Benefits claimed

According to TVA, entering into the fiscal year 2000 and 2002 lease-leaseback arrangements could, over time, save the agency approximately $50 million. Lease-leasebacks provide financial flexibility to TVA because of early buyout and termination options in the contract. TVA may terminate its lease if the economic conditions of operating the combustion turbine units change at some point during the term of the lease. For example, the turbine units may become obsolete, or TVA may decide to sell the units because they no longer meet TVA's load requirements. Furthermore, TVA can relinquish the property to the private entity at the end of the lease term, so that the private entity bears the "residual value" risk of the asset.

The $50 million benefit claimed by TVA does not necessarily mean that the lease-leaseback was the best financial deal for the government as a whole. For example, tax preferences used by the private entity represent a cost to the government but not to TVA.

Source

U.S. General Accounting Office, *Tennessee Valley Authority: Information on Lease-Leaseback and Other Financing Arrangements*, GAO-03-784 (Washington, D.C.: June 30, 2003).

Public Private Partnerships

Given today's budget constraints, evolving private sector markets and the expansion of creative real property development alternatives, several agencies have established public private partnerships as a means of leveraging the intrinsic equity value of real property. Ideally, the partnerships are designed such that each participant makes complementary contributions that offer benefits to all parties. Public private partnerships tap the capital and expertise of the private sector to improve or redevelop federal real property assets.[1] They are considered most appropriate where excess capacity exists within the asset and where existing government facilities do not adequately satisfy the current or potential future needs.

OMB Circular A-76 describes the federal government's longstanding policy to rely on the private sector for needed commercial services. Public private partnerships are consistent with this policy so long as the product or service provided by the private partner cannot be procured more economically by the federal government. Partnerships raise questions about what functions are most appropriately performed by the federal government.

Proponents of public private partnerships argue that this approach provides a realistic, less costly alternative to leasing when planning and budgeting for real property needs. Proponents also note that federal partners benefit from improved, modernized, and/or new facilities plus a minority share of the income stream generated by the partnership or use of the asset at a lower cost than a commercial lease.

Critics of public private partnerships caution that these ventures are not the least expensive means of meeting capital needs, although they may appear to be in the short-term. They remind decisionmakers that up-front payment of appropriated funds is the least expensive way to obtain assets. Although partnerships may be more costly, it is possible that they could make sense from a mission perspective. However, the full costs should be transparent to decisionmakers through inclusion in primary budget data.

[1] Public private partnerships take a variety of forms. In addition to some of the partnerships described in this section, other types of partnerships might include outleases of real property and share-in-savings contracts. These partnerships are described in greater detail in other sections.

Following are examples of a few public private partnerships.

- Civic Square II Project,
- Houston Regional Office Collocation,
- Veterans Affairs Office Collocation and Parking Garage, Chicago, and
- Oak Ridge National Laboratory.

Civic Square II Project

Financing approach:	Public private partnership
Capital project:	Civic Square II project
Department/agency:	U.S. Postal Service

Description of project

The main post office in the city of New Brunswick, NJ, which was constructed in 1936, had been underused and had accumulated an increasing amount of deferred maintenance. Accordingly, the Postal Service negotiated a public private partnership that resulted in a newly restored Post Office and a facility housing the Middlesex County Prosecutor's Office, the New Brunswick Police Department, and an underground parking garage. The Post Office leased its land to the local government, which contracted for the restoration of the Post Office and construction of additional facilities for its own use.

Benefits claimed

The Postal Service now has a restored Post Office along with significant revenue from the ground lease. All federal, city, and county offices have benefited from the building through improved operations, higher customer satisfaction, and greater employee morale.

Source

General Services Administration, Real Property Policysite, Office of Governmentwide Policy, *Best Practices: News and Views on Real Property Policy*, Special Edition, Washington, D.C., December 1999, 20.

Related questions

- Who fronted the construction funds?
- Who makes lease payments to whom?
- How long is the life of lease arrangement?
- Was a comparison made between the cost of the federal government doing it all and forming the partnership?

Houston Regional Office Collocation

Financing approach:	Public private partnership
Capital project:	Houston Regional Office Collocation
Department/agency:	Veterans Benefits Administration

Description of project

The Veterans Benefits Administration (VBA) needed to relocate its regional office in order to better serve veterans and their beneficiaries throughout southern Texas. The Department of Veterans Affairs (VA) negotiated an enhanced-use lease of underused VA medical center land to a local developer, which constructed a 140,000 square foot state-of-the-art regional office. As part of this arrangement, VA signed short-term operating leases to obtain use of the newly developed space. The developer also financed, built, owns, and operates businesses on the balance of the site.

Benefits claimed

VA states that this project saved taxpayers over $6 million in construction costs and generated an additional $10 million savings in operating costs. VA also receives a small share of the developer's profits.

Source

VA's briefing packet on enhanced-use leasing.

Related questions

- How many years does the lease cover?
- Does VA maintain the master ground lease?
- What happens to the developer-owned businesses at the end of the lease life?

Veterans Affairs Office Collocation and Parking Garage, Chicago

Financing approach:	Public private partnership
Capital project:	Veterans Affairs Office Collocation and Parking Garage, Chicago
Department/agency:	Veterans Benefits Administration

Description of project

The Veterans Benefits Administration sought to avoid high-cost leased office space and improve service delivery and accessibility to veterans. Moreover, VA Medical Center Westside needed relief from the lack of available parking. Accordingly, VA negotiated a long-term outlease of six acres of flat parking space to a developer that then built and managed a 95,000 square foot office building and a 1,565 car parking garage. VA then established short-term operating leases to obtain use of the newly developed space.

Benefits claimed

The average annual cost to VA for the new office space and parking is expected to be 50 percent less than comparable market rates.

Source

VA's briefing packet on enhanced-use leasing.

Related questions

- What happened to the space that employees used to be in?
- How much is what they are paying compared to what they were paying?
- How long is the term of the outlease?

Oak Ridge National Laboratory

Financing approach:	Public private partnership
Capital project:	Oak Ridge National Laboratory
Department/agency:	Department of Energy

Description of project

The Department of Energy (DOE) needed to replace deteriorating buildings constructed during World War II with modern facilities at the Oak Ridge National Laboratory (ORNL). However, it lacked adequate funding to do this.

Description of financing approach

DOE designated federal land next to ORNL as excess and conveyed it to a developer who would process the construction phase requirements from bid solicitation through construction completion, on the land conveyed by DOE. Although the land in its current state is excess to the needs of DOE, the resulting building space to be constructed is needed to accomplish DOE's missions. The private developer would finance construction and then lease the new buildings to DOE's prime contractor for DOE missions.

At the end of the 30-year "payback plus profit" term, the quitclaim deed[2] conveying the land requires that the private party offer no-cost repurchase or reacquisition rights to the federal government for the land and facilities. Ultimately, the government must reimburse lease payments to DOE's prime contractor. The quitclaim deed also contains restrictive language that specifies use of the property so as not to compromise the integrity of ORNL by the possible bankruptcy of the private developer or by DOE's possible cancellation of the lease.

Benefits claimed

DOE was able to obtain the needed space for its contractors without having to obtain up-front funding or special legislation.

Source

General Services Administration, Real Property Policysite, Office of Governmentwide Policy, *Best Practices: News and Views on Real Property Policy*, Special Edition, Washington, D.C., Fall 2002, 6.

[2] A legal instrument used to release one party's right, title, or interest to another without providing a guarantee or warranty of title.

Related questions

- Are DOE's lease reimbursement payments included as part of the negotiated payments to the "prime" contractor?
- Why would DOE not claim the property back after the 30-year period is completed?

Outleases

Federal asset managers are confronted with numerous challenges in managing their multibillion dollar real estate portfolio, such as a large backlog of deferred maintenance and obsolete, underused properties. In response, some agencies have outleased excess or underused properties to shift the cost of maintenance and restoration to their private sector partners, thus relieving the federal government of these expenses.

Historic but run-down properties are prime candidates for outleasing. This is because the National Historic Preservation Act authorizes agencies to use the lease proceeds of these historic properties to defray the costs of maintaining and repairing other historic properties they own.

Outleasing historic properties promotes the restoration, repair, and maintenance of important national buildings. However, it is unclear whether the outright sale of such properties is possible and whether selling would accomplish the same purpose with greater economic benefit to the taxpayer.

Following are examples of a few outleased projects.

- Cooperative Use Outlease for Food Court;
- Galveston, Texas Customhouse;
- Maine Lights Program;
- U.S. Tariff Building; and
- McCormack Post Office-U.S. Courthouse.

Cooperative Use Outlease for Food Court

Financing approach:	Outlease
Capital project:	Cooperative use outlease for food court
Department/agency:	General Services Administration (GSA)

Description of project

Under the National Historic Preservation Act and the Public Buildings Cooperative Use Act,[1] GSA outleased 17,600 square feet of underused space for a restaurant and retail center in the Railroad Retirement Board (RRB) building located in Chicago, Illinois. The lease had a fixed term of 15 years, with three 5-year renewal options. GSA, RRB, the City of Chicago, and the developer also will upgrade the sidewalks surrounding the building (new pavers, planters, trees, and lamp posts) under GSA's Good Neighbor policy. A similar outlease was negotiated at Chicago's Metcalfe Federal Building.

Description of financing approach

Construction costs of about $10 million were paid by the project developer, who is also responsible for the utility, maintenance, permits, taxes, and insurance costs for the project. The developer's revenue is derived solely from sublease proceeds.

Benefits claimed

The outlease generates a substantial revenue stream to the Federal Buildings Fund —about $10 million over the term of the lease.

Source

General Services Administration, Real Property Policysite, Office of Governmentwide Policy, *Best Practices: News and Views on Real Property Policy*, Special Edition, Washington, D.C., December 1999, 18.

[1] The National Historic Preservation Act authorizes agencies to lease or exchange federal historic properties and retain the proceeds to defray the costs of maintaining other federal historic properties. The Public Buildings Cooperative Use Act encourages the government to develop the highest and best use of pedestrian access areas to federal facilities.

Galveston, Texas Customhouse

Financing approach:	Outlease
Capital project:	Galveston, Texas Customhouse
Department/agency:	General Services Administration

Description of project

The Galveston Customhouse is one of the oldest federal buildings west of the Mississippi River. While the exterior of the building was in good condition, the interior had fallen in disrepair and housed only six people. However, it was decided that because of its historic significance, the customhouse was not a good candidate for disposal. Instead, the building was outleased to the Galveston Historical Foundation (GHF) for 60 years. The GHF will preserve and restore the customhouse to ensure its historic integrity. Once repairs are made, the customhouse will house both the GHF headquarters and a visitor center for the historic Strand District of Galveston.

Benefits claimed

The 60-year lease removes GSA's estimated $162,000 per year cost of operating an underused asset. The customhouse also benefits from $1 million that the GHF has invested in restoration and repair work. Finally, the city and Historic Strand District also benefit by the continued use and preservation of one of its most significant buildings.

Source

General Services Administration, Real Property Policysite, Office of Governmentwide Policy, *Best Practices: News and Views on Real Property Policy*, Special Edition, Washington, D.C., December 1999, 17.

Related questions

- Was any cost analysis done to consider having GSA renovate the building and then move federal employees currently leasing elsewhere into the building?
- Has any thought been given to what will happen when the lease expires at the end of the 60-year period?
- What happened to the six employees that had been working in the customhouse?

Maine Lights Program

Financing approach:	Outlease
Capital project:	Maine Lights Program
Department/agency:	Coast Guard

Description of project

With the development of technological aids to navigate merchant and sailing vessels, the need for lighthouses has greatly diminished. The Coast Guard owns many lighthouses that deteriorate without day-to-day upkeep. Moreover, the Coast Guard has become unable to maintain the properties at the standards of the state historic preservation guidelines given the level of funding for repairs and alterations. The Maine Lights Program outleased and divested 28 historic lighthouses to organizations that will ensure the maintenance, repair, and care of these historically significant properties.

Description of financing approach

Under the National Historic Preservation Act, the proceeds of these leases may be used to offset expenses associated with other historic properties owned by the Coast Guard.

Benefits claimed

This program ensures the lighthouses will maintain their historic integrity while allowing the Coast Guard to avoid between $3 to $5 million in annual repair and maintenance costs. Moreover, lease payments defray the costs of other historic preservation efforts.

Source

General Services Administration, Real Property Policysite, Office of Governmentwide Policy, *Best Practices: News and Views on Real Property Policy*, Special Edition, Washington, D.C., December 1999, 5.

U.S. Tariff Building

Financing approach:	Outlease
Capital project:	U.S. Tariff Building
Department/agency:	General Services Administration (GSA)

Description of project

GSA leased the U.S. Tariff Building, which had been vacant for a number of years, to the Kimpton Hotel and Restaurant Group, Inc. (Kimpton Group) for 60 years. The Kimpton Group restored the building, converting it into a luxury hotel that includes restaurants, retail space, and meeting rooms. GSA retains ownership of the 1839-built structure under the National Historic Preservation Act, which encourages adaptive reuse of public buildings that are no longer needed by federal agencies.

Description of financing approach

GSA contributed $5 million to clean the historic building's exterior, repair windows, and install a handicapped accessible elevator. The Kimpton Group paid $32 million to renovate the interior of the building, using the 20 percent federal historic rehabilitation tax credit to finance a portion of the rehabilitation costs.

Benefits claimed

Rents paid to GSA under the lease support the preservation of other historic properties in GSA's inventory. In addition, GSA is relieved of the burden of maintaining an unproductive property. Finally, the restoration contributes to the revitalization of the surrounding neighborhood.

Sources

GSA press releases. *U.S. General Services Administration Signs Lease with Kimpton Group on Tariff Building* (Nov. 23, 1999) and *GSA Celebration for Opening of Hotel Monoco* (July 2002).

Paper issued by the Heritage Consulting Group, 2002; Preservation Online, *Hotel Opens in Historic D.C. Building*, June 13, 2002.

McCormack Post Office-U.S. Courthouse

Financing approach:	Outlease
Capital project:	McCormack Post Office-U.S. Courthouse
Department/agency:	General Services Administration (GSA)

Description of project

In the fall of 1998, the federal courts in Boston relocated from the John W. McCormack Post Office-U.S. Courthouse to the new U.S. Courthouse, leaving a large amount (228,000 square feet) of courtroom and court-related space vacant. The Massachusetts State Trials Courts agreed to a 5-year lease of this space, in "as is" condition, so that it could renovate its own courthouse. With the common functions of the federal and state courts, little build out of space was required.

Description of financing approach

This outlease of space was done under Section 111 of the National Historic Preservation Act, which allow funds from outleasing to be used to preserve historical properties in the GSA inventory.

Benefits claimed

This outlease maintains the viability of a historic asset and ensures a safe and productive work environment for the State Court of Massachusetts.

Source

General Services Administration, Real Property Policysite, Office of Governmentwide Policy, *Best Practices: News and Views on Real Property Policy*, Special Edition, Washington, D.C., December 1999, 5.

Related questions

- Since the 5 years are just about up, what plans does GSA have for this space next? (GSA received $76 million in fiscal year 2002 and $73 million in fiscal year 2003 for major renovations of this building.)
- What specifically were the funds used for (i.e., what "preservation" work was performed other than routine maintenance?)
- Is the post office still located in the building?

Share-In-Savings Contracts

Energy savings performance contracts, a type of share-in-savings contract, finance energy-saving capital improvements for federal facilities without an up-front cost to the government. First authorized in 1986, these share-in-savings contracts have been used to finance hundreds of millions of dollars of energy system upgrades and installations. Federal agencies may enter into contracts for as long as 25 years with contractors who purchase and install new energy systems in federal buildings. Agencies then pay back the contractors for the equipment plus a percentage of the energy costs saved as a result of the more efficient energy systems and relief of in-house maintenance costs. Agencies have some flexibility in determining when they take ownership of the energy systems. When a contract expires, the federal government owns the equipment and retains all of the future savings.

Agencies other than the Department of Defense[1] may retain 50 percent of the energy savings realized from energy savings performance contracts (after paying the contractor). The remaining 50 percent saved is transferred to the Treasury. Savings retained by the agency are available for specified energy and water conservation projects until expended. However, according to one Department of Commerce official, only about 1 per cent of the total energy savings has been split between the agencies and the Treasury thus far. This is because agencies devote most savings to paying off the cost of equipment as soon as possible to reduce financing costs.

Without share-in-savings contracts, Congress would have to appropriate hundreds of millions of dollars today to meet currently required energy consumption standards.[2] Direct purchase of more efficient energy systems would allow all future savings to accrue to the government, rather than paying out a percentage of the savings to private contractors. Also, because a private contractor—which will have a higher cost of capital than the federal government—finances the capital improvements, share-in-savings contracts are likely to be more expensive over the long term than direct federal purchase. There could be an additional cost to the

[1] The Department of Defense is authorized to retain two-thirds of the amount of savings realized from contracted services for energy or water conservation. DOD contracts do not tie the amount of payment to the contractor to the amount of savings realized as a result of the contract activity.

[2] Consumption standards were defined in the Energy Policy Act of 1992 and then updated in Executive Orders 12902 and 13123.

government of reduced tax revenues when contractors maintain ownership of energy equipment that may be amortized. However, such an arrangement usually results in lower interest rates for the cost of equipment, according to a Commerce Department official.

Examples of Energy Savings Performance Contracts include:

- Eisenhower Center;
- Tucson, AZ, Courthouse; and
- Department of Commerce HVAC system upgrade.

Eisenhower Center

Financing approach:	Share-in-savings contract
Capital project:	Eisenhower Center
Department/agency:	General Services Administration, Department of Energy, and National Archives and Records Administration

Description of project and financing approach

The Eisenhower Center is comprised of the Eisenhower family home, Dwight D. Eisenhower Presidential Library, and the Dwight D. Eisenhower Museum. A contractor installed $300,000 of new equipment to provide more efficient management of energy and special lighting with ultra violet lens shielding for archive records protection. The contractor will be reimbursed for the equipment and its financing costs and also receive 50 percent of the energy savings.

Benefits claimed

With no up-front costs to the government, the Eisenhower Center gets a modern energy management and lighting system that will better preserve documents.

Source

General Services Administration, Real Property Policysite, Office of Governmentwide Policy, *Best Practices: News and Views on Real Property Policy*, Special Edition, Washington, D.C., December 1999, 8.

Related questions

- When does ownership of the energy equipment transfer to the government?
- How long does the contract run? Is there a plan for maintenance and repairs when this contract expires?
- How was the contract's value to the government determined? How does this play out in the agency's budget?
- What would it have cost the government to purchase and install the new systems?

Tucson, AZ, Courthouse

Financing approach:	Share-in-savings contract
Capital project:	Tucson, AZ, Courthouse
Department/agency:	General Services Administration (GSA)

Description of project

The General Services Administration awarded an energy savings performance contract for the new Courthouse in Tucson, Arizona before the building was constructed. This is one of the first times that GSA used an energy savings performance contract in the construction of a new facility. The original courthouse plans would have cost more to implement than Congress had appropriated. Thus, GSA was faced with either reducing the size (and functionality) of the building by 1 or 2 floors or finding a way to finance an integral part of the structure outside of the appropriations process.

The winning bidder of the 25-year energy maintenance contract purchased and installed a heating and cooling system that was more efficient than the system in the original building plans. Energy savings were determined according to the kilowatts per hour used by the installed system compared to the energy system that was initially planned for. GSA took ownership of the energy systems along with the rest of the building. Out of the money saved on energy costs, GSA is repaying the contractor for the energy systems and then sharing the money saved on energy costs with the contractor.

Benefits claimed

The energy savings performance contract reduced the initial funds needed to construct the new courthouse.

Source

General Services Administration, Real Property Policysite, Office of Governmentwide Policy, *Best Practices: News and Views on Real Property Policy*, Special Edition, Washington, D.C., December 1999, 9.

Related questions

- When does ownership of the energy equipment transfer to the government?
- How long does the contract run? Is there a plan for maintenance and repairs when this contract expires?

- How was the contract's value to the government determined? How does this play out in the agency's budget?

- What would it have cost the government to purchase and install the new systems?

Heating, Ventilation, and Air Conditioning System Upgrade

Financing approach:	Share-in-savings contract
Capital project:	Heating, ventilation, and air conditioning system upgrade
Department/agency:	Department of Commerce

Description of project and financing approach

The Department of Commerce entered into an agreement with the Potomac Electric Power Company (PEPCO) to improve the heating, ventilation, and air conditioning system, install energy motors, and retrofit chilled water pumps. The project costs will be repaid from future energy savings.

Benefits claimed

Commerce gains a more energy-efficient system without any initial costs to the government.

Source

General Services Administration, Real Property Policysite, Office of Governmentwide Policy, *Best Practices: News and Views on Real Property Policy*, Special Edition, Washington, D.C., 1997, 4.

Related questions

- When does ownership of the energy equipment transfer to the government?
- How long does the contract run? Is there a plan for maintenance and repairs when this contract expires?
- How was the contract's value to the government determined? How does this play out in the agency's budget?
- What would it have cost the government to purchase and install the new systems?

Debt Issuance

The federal government funds its operations in part by borrowing through the issuance of securities to the public. Several federal organizations, such as the Tennessee Valley Authority (TVA), Federal Housing Administration, and Farm Credit System Financial Assistance Corporation issue their own agency debt.

The reasons for issuing debt differ considerably from one agency to another. The predominant issuer of agency debt is TVA. As of the end of 2002, TVA had issued 94 percent of the total debt issued by agencies. TVA uses the borrowings primarily to finance capital expenditures. As a government corporation, TVA operated according to a different set of rules than most federal agencies.

Debt Issuance

Financing Approach:	Debt issuance
Department/Agency:	Tennessee Valley Authority

Description of project

TVA is a wholly-owned U.S. government corporation and the nation's largest public power system. It was created to develop the resources of the Tennessee Valley region in order to strengthen the regional and national economy and national defense by providing (1) an ample supply of power within the region, (2) navigable channels and flood control for the Tennessee River System, and (3) agricultural and industrial development and improved forestry in the region. TVA's operations have typically been divided into the power and nonpower programs. Substantially all TVA revenues and assets are attributable to the power program. TVA is authorized to issue debt and has primarily financed its capital construction by selling bonds and notes to the public. TVA's power program is required to be self-supporting from power revenues and the issuance of debt.

Description of financing approach

During the Korean War and the late 1950s, Congress cut back on public funding for TVA, and in 1959 Congress authorized TVA to sell bonds on the public markets so that it could finance its own power operations. TVA has been working to reduce its debt by buying back its bonds. TVA has reduced its debt balance from $27.7 billion in 1997 to about $25 billion in 2002 through the exchange of lower interest bonds for outstanding higher interest bonds and redeeming other outstanding bonds. TVA continues to buy back its bonds. TVA's borrowing authority is limited to $30 billion.

Benefits claimed

The ability to issue bonds allowed TVA's power system to operate as a business, made it responsible for its own financial operations, and freed the power operations from dependence on congressional appropriations. TVA bonds are backed solely by the revenues of the TVA power system; they are not obligations of the U.S. government, nor are they guaranteed by the government.

Sources

Office of Management and Budget, *Analytical Perspectives*, *Budget of the United States Government*, *Fiscal Year 2004*.

TVA's Fiscal Year 2002 Annual Report.

GAO's Mission

The General Accounting Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through the Internet. GAO's Web site (www.gao.gov) contains abstracts and full-text files of current reports and testimony and an expanding archive of older products. The Web site features a search engine to help you locate documents using key words and phrases. You can print these documents in their entirety, including charts and other graphics.

Each day, GAO issues a list of newly released reports, testimony, and correspondence. GAO posts this list, known as "Today's Reports," on its Web site daily. The list contains links to the full-text document files. To have GAO e-mail this list to you every afternoon, go to www.gao.gov and select "Subscribe to e-mail alerts" under the "Order GAO Products" heading.

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are $2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. General Accounting Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
TDD: (202) 512-2537
Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Public Affairs

Jeff Nelligan, Managing Director, NelliganJ@gao.gov (202) 512-4800
U.S. General Accounting Office, 441 G Street NW, Room 7149
Washington, D.C. 20548

PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548-0001

Official Business
Penalty for Private Use $300

Address Service Requested

Presorted Standard
Postage & Fees Paid
GAO
Permit No. GI00

Full Funding

Incremental Funding

Operating Leases

Retained Fees

Real Property Swaps

Sale Leasebacks

Lease-Leasebacks

Publice Private Partnerships

Outleases

Share-in-Savings Contracts

Debt Issuance