

RECLAIM UNOBLIGATED FEDERAL FUNDS

Unobligated balances have not yet been committed by contract or other legally binding action by the government at the end of a fiscal year (FY). Federal agencies will carry over nearly \$1.129 trillion in unspent, unobligated balances from 2020 to 2021.¹ With national debt over \$23 trillion, Congress must determine which funds should be rescinded.

BACKGROUND

Federal budget authority is divided into two subcategories (see Figure 1 below for a visual breakdown):²

- **Obligated Balances** are funds designated for a specific payment. The Department of Treasury defines an obligation as a “legally-binding agreement that will result in outlays, immediately or in the future.”³
- **Unobligated Balances** are funds not allocated or committed for a specific purpose. These can be single-year, multi-year, or no-year (i.e., no time restriction) periods available for allocation.

Federal agencies “must return single-year funds to the Treasury if they are unspent in the given year.”⁴ As single-year unobligated balances are “use-it-or-lose-it,” high single-year balances may suggest that agencies are appropriated more money than necessary. In FY2017, the Departments of Justice (DOJ), State, and Health and Human Services (HHS) each had single-year unobligated balances in excess of \$130 million.⁵

Some unobligated funds languish and remain unused for years. The Government Accountability Office, for example, reports that about \$1.6 billion in unobligated balances is available for rescission within the defunct U.S. Enrichment Corporation Fund (USEC). USEC began under the Energy Policy Act of 1992 to provide uranium enrichment services for the government and utilities. USEC was eventually privatized, eliminating the need for government funding.⁶

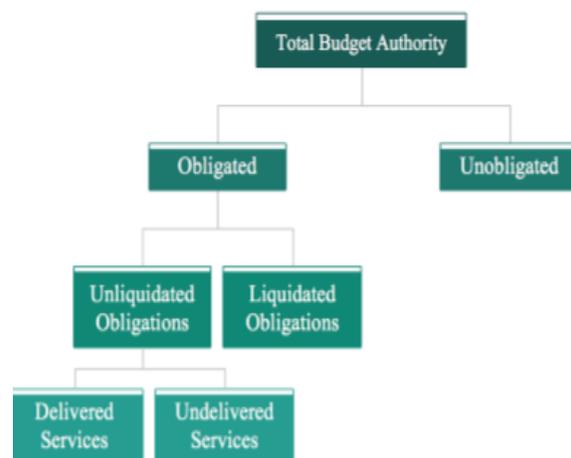
Year-end unobligated balances have remained high, but relatively consistent, ranging from \$957.68 billion in 2017 to an estimated \$1.265 trillion in 2020 according to the Office of Management and Budget (OMB):^{7,8,9}

Quick Take

Federal agencies will carry over an estimated \$1 trillion in unspent, unobligated balances from 2020 to 2021.

Congress should create a government-wide inventory of unobligated balances to determine which funds to rescind to offset soaring federal deficits.

Figure 1: Budget Breakdown Flowchart



Source: Data Lab, *USASpending.gov*

In FY2020, \$1.129 trillion in unobligated balances make up about 38 percent of total unexpended balances carried over from FY2020 to FY2021.^{10,11}

Unobligated balances are generally grouped in the following categories:¹²

- Insurance and other financial reserves: \$651 billion, or 58 percent of the total;
- Programs that require working capital: \$50 billion, or four percent of the total;
- Programs funded by earmarked receipts or dedicated taxes: \$61 billion, or five percent of the total;
- Prefunding of major appropriated entitlements: \$14 billion, or one percent of the total;
- Programs with long lead times to outlay: \$142 billion, or 13 percent of the total; and
- All other programs that account for the remaining \$211 billion.

CONSTITUTIONAL AUTHORITY AND REPUBLICAN PRINCIPLES

The Constitution grants Congress the power to tax and spend.¹³ Congress must be accountable for federal expenditures of taxpayer dollars.

POLICY SOLUTIONS

The Digital Accountability and Transparency (DATA) Act of 2014 requires federal agencies to report unobligated balances from each of their appropriations accounts.¹⁴ Additionally, agency unobligated balances are published in the President's Budget and other government-wide publications.¹⁵ Congress should compile a government-wide inventory of current accounts with unobligated balances to determine which funds may be rescinded to the Treasury.

Please contact Cameron Smith or Kelsey Wall with the Republican Policy Committee at (202) 225-4921 with any questions.

¹Budget of the United States, Balances of Budget Authority, Budget of Fiscal Year 2021, https://www.whitehouse.gov/wp-content/uploads/2020/02/balances_fy21.pdf

² USASpending.gov, Data Lab, *Unspent Funds Across Federal Agencies*, Apr. 30, 2018, <https://datalab.usaspending.gov/data-lab-data/college-playbook/Full-Report.pdf>.

³ Outlays are defined by OMB Circular A-11, Section 20, as a measure of government spending. Generally, outlays refer to expenditures paid out by the federal government. The Congressional Budget Office estimates federal outlays in 2019 totaled over \$4 trillion.

⁴ USASpending.gov, *supra*, note 2.

⁵ *Id.*

⁶ Government Accountability Office, GAO-15-404SP, *Energy: US Enrichment Corporation Fund* (2015), https://www.gao.gov/modules/ereport/handler.php?1=1&m=1&path=/ereport/GAO-15-404SP/data_center_savings/Energy/16_U.S._Enrichment_Corporation_Fund.

⁷ Budget of the United States, *supra*, note 1, Table 2.

⁸ Budget of the United States, *Balances of Budget Authority, Budget of Fiscal Year 2019* Table 2, <https://www.whitehouse.gov/wp-content/uploads/2018/02/balances-fy2019.pdf>.

⁹ Year-end unobligated balances have increased into the trillions of dollars in recent years: \$957.68 billion in 2017; \$1.123 trillion in 2018; \$1.119 trillion in 2019; and an estimated \$1.265 trillion in 2020.

¹⁰ OMB reports \$2.818 trillion in total unexpended balances carried over from FY2019 to FY2020.

¹¹ Budget of the United States, *supra*, note 1.

¹² *Id.*

¹³ U.S. Const. art. I, § 8, cl. 1.

¹⁴ Pub. L. No. 113-101

¹⁵ *Federal Spending Transparency*, Data Lab: Element: Unobligated Balance, <https://fedspendingtransparency.github.io/whitepapers/unobligated-balance/> (last viewed on August 28, 2019).