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# Federal Courthouse Construction: Process, Recent Projects, and Funding Options

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## Federal Courthouse Construction: Process, Recent Projects, and Funding Options

The federal courthouse construction program is jointly administered by the Administrative Office of the U.S. Courts (AOUSC) and the General Services Administration (GSA). Broadly understood, the AOUSC identifies and prioritizes courtroom space needs and then works with GSA to build, lease, buy, or renovate the requisite facilities. When new construction is the chosen alternative, AOUSC and GSA oversee different aspects of a four-stage process for completing the project.

In the planning stage, AOUSC identifies courtroom space needs through its Asset Management Planning (AMP) tool. Under the AMP, the AOUSC develops a Long-Range Facilities Plan (LRFP), which documents courthouse conditions and existing or anticipated space deficiencies, and recommends strategies for improving or acquiring the needed space. Using information from the LRFP, the AOUSC assigns each courthouse a Facilities Benefit Assessment (FBA) score, which represents the adequacy of the building's physical conditions, space functionality, and security, among other standards. Courthouse projects are then prioritized through an Urgency Evaluation (UE), which takes into account a facility's FBA score as well as the number of judges in the facility without chambers or courtrooms and the projected increase in cases heard there. The judiciary includes the projects with the highest UE scores on its annual list of Capital Priority Projects (CPP).

During the next stage (program development), GSA conducts a feasibility study and requests congressional authorization for specific projects. A feasibility study examines several possible housing alternatives and recommends a "preferred" alternative, which is the option that best fulfills the housing criteria established in the planning stage. Once GSA and the AOUSC agree on the preferred alternative, GSA submits a design prospectus to the House Committee on Transportation and Infrastructure (T&I) and the Senate Committee on Environment and Public Works (EPW). The design prospectus generally includes a plan for acquiring a specific site and hiring a firm to perform the design of the new courthouse. If each committee separately passes a resolution authorizing the design prospectus, then the plan contained within the prospectus may proceed once it receives appropriations.

When Congress provides GSA with funding for the design prospectus, the project enters the design phase. During this phase, GSA acquires the site for the new courthouse and works with the AOUSC to select an architectural and engineering (A&E) firm to complete the design. When the design plan is complete, GSA submits a second prospectus to T&I and EPW to authorize funding for the construction of the facility. Once each committee approves the prospectus and appropriators provide funding, GSA oversees the project to completion.

Congress provides GSA with courthouse construction funding through the Financial Services and General Government (FSGG) appropriations bill. Courthouse construction is primarily through revenue in the Federal Buildings Fund (FBF). The FBF is a revolving fund that collects rent payments from agencies that lease space through GSA and expends that revenue as directed by Congress for GSA's real property projects. Congress provided about \$1.67 billion for new courthouses between FY2012 and FY2021, which fully funded the construction of 11 courthouses and partially funded the construction of two others. Many other courthouse projects remain unfunded.

There are options for increasing the amount of funding available for courthouse construction beyond additional FSGG appropriations. Appropriators could permit GSA to obligate the entire balance of the FBF in a given fiscal year rather than just a portion of it, as has often been the case in the past decade. GSA could potentially utilize its public-private partnership authority to enter into agreements with private investors who might build new courthouse space in exchange for the opportunity to utilize federal land or buildings in a manner that generates a profit. Another option might be to establish a federal capital revolving fund that would provide the full, upfront cost of new construction projects—including courthouses—and permit agencies to repay the fund in installments over a period of years.

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# Overview of the Courthouse Construction Program

Federal courts are located in more than 750 government-owned and leased properties across the nation.<sup>1</sup> Federal courthouses provide space for U.S. district, appellate, and bankruptcy judges, as well as judicial administrative offices and non-court-related tenants.<sup>2</sup> Within the judiciary, the Administrative Office of the U.S. Courts (AOUSC) provides a range of program support services to the federal courts, including capital-planning.<sup>3</sup> The AOUSC does not have the authority to acquire real property and is required by law to work through the General Services Administration (GSA) to lease, build, or purchase courthouse space.<sup>4</sup> The AOUSC and GSA, therefore, administer the federal courthouse construction program jointly.

This report examines the four phases of building a new federal courthouse:

1. **Planning.** The judiciary evaluates its courthouse needs through its Asset Management Planning (AMP) process and transmits them to GSA.
2. **Program Development.** GSA develops a housing plan based on the space needs identified through the AMP process and seeks funding for the design phase.
3. **Design.** GSA selects a design firm to produce a more definite cost estimate and submits a prospectus to Congress to authorize construction funding for the project.
4. **Construction.** GSA awards a contract to build the new courthouse.

It is not uncommon for a courthouse to take seven years to complete once the planning phase has been initiated.<sup>5</sup>

## Phase 1: Planning

Since 2008, the judiciary has utilized the AMP capital-planning tool to identify and prioritize its courthouse space needs.<sup>6</sup> The AMP process produces three planning documents: a Long-Range Facilities Plan (LRFP), a Facility Benefit Assessment (FBA), and an Urgency Evaluation (UE).

### Long-Range Facilities Plan (LRFP)

The AMP process begins with the development of an LRFP for each of the 94 federal judicial districts.<sup>7</sup> The LRFP documents the physical conditions of the district's existing courthouses and identifies any space deficiencies.<sup>8</sup> It also includes recommendations for housing strategies to

<sup>1</sup> Administrative Office of the U.S. Courts, *The Federal Court System in the United States*, 2016, p. 44, <https://www.uscourts.gov/sites/default/files/federalcourtsystemintheus.pdf>.

<sup>2</sup> U.S. Government Accountability Office (GAO), *Federal Courthouses: Recommended Construction Projects Should Be Evaluated Under New Capital-Planning Process*, GAO-13-263, April 2013, p. 4, <https://www.gao.gov/assets/gao-13-263.pdf>.

<sup>3</sup> AOUSC, *The Federal Court System in the United States*, p. 40.

<sup>4</sup> Title 28, Section 462, of the *U.S. Code* directs the GSA administrator to provide the accommodations that the director of the AOUSC requests.

<sup>5</sup> Judicial Conference of the United States (JCUS), *U.S. Courts Design Guide*, revised March 2021, p. 2-5, [https://www.uscourts.gov/sites/default/files/u.s.\\_courts\\_design\\_guide\\_2021.pdf](https://www.uscourts.gov/sites/default/files/u.s._courts_design_guide_2021.pdf).

<sup>6</sup> GAO, *Federal Courthouses*, p. 5.

<sup>7</sup> GAO, *Federal Courthouses*, p. 5.

<sup>8</sup> JCUS, *U.S. Courts Design Guide*, p. 2-8.

address poor building conditions or a lack of needed space, such as constructing a new courthouse, building an annex to an existing courthouse, or renovating a courthouse that needs repairs and modernization.<sup>9</sup>

### **Facility Benefit Assessment (FBA)**

The judiciary then uses the information from the LRFPs and develops an FBA score for each existing courthouse.<sup>10</sup> The FBA score is based on factors grouped in four weighted categories:<sup>11</sup>

1. building condition (30%),
2. space functionality (30%),
3. security (25%), and
4. space standards (15%).

If courtrooms and chambers are located in multiple facilities, a city-wide benefits assessment is produced that incorporates the individual FBAs for each facility.<sup>12</sup>

### **Urgency Evaluation (UE)**

Courthouse needs identified through the LRFP and scored under the FBA are then prioritized on a “worst first” basis through a UE ranking.<sup>13</sup> The UE matrix uses four weighted factors to determine which locations have the most urgent space needs:<sup>14</sup>

1. FBA score (40%),
2. judges without chambers (30%),
3. judges without courtrooms based on courtroom sharing policies (20%), and
4. projected caseload growth (10%).

The judiciary identifies the courthouse locations with the highest UE ranks in its Courthouse Project Priorities (CPP) list, which is part of its annual budget justification.<sup>15</sup> The CPP consists of two parts. Part I identifies its construction priorities for the coming fiscal year, and Part II identifies out-year construction priorities.<sup>16</sup> Projects remain on Part I until they are fully funded, at which time they are removed from the list. Part II projects are reprioritized annually and are moved to Part I in order of UE ranking—provided the required feasibility studies have been completed, as discussed in the following section.<sup>17</sup> The Judicial Conference, which oversees the AOUSC, considers for approval the projects listed in Part I and Part II of the CPP each year.<sup>18</sup> The CPP does not include the construction of federal buildings that jointly house U.S.

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<sup>9</sup> GAO, *Federal Courthouses*, p. 5.

<sup>10</sup> JCUS, *The Judiciary FY2022 Congressional Budget Justification*, February 2021, p. 14.7, [https://www.uscourts.gov/sites/default/files/courthouse\\_construction\\_fy\\_2022\\_0.pdf](https://www.uscourts.gov/sites/default/files/courthouse_construction_fy_2022_0.pdf).

<sup>11</sup> JCUS, *The Judiciary FY2022 Congressional Budget Justification*, p. 14.8.

<sup>12</sup> GAO, *Federal Courthouses*, p. 33.

<sup>13</sup> JCUS, *The Judiciary FY2022 Congressional Budget Justification*, p. 14.5.

<sup>14</sup> JCUS, *The Judiciary FY2022 Congressional Budget Justification*, p. 14.5.

<sup>15</sup> JCUS, *The Judiciary FY2022 Congressional Budget Justification*, p. 14.1.

<sup>16</sup> JCUS, *The Judiciary FY2022 Congressional Budget Justification*, p. 14.1.

<sup>17</sup> JCUS, *The Judiciary FY2022 Congressional Budget Justification*, p. 14.6.

<sup>18</sup> JCUS, *U.S. Courts Design Guide*, p. 2-8.

courthouses and other federal agencies.<sup>19</sup> GSA seeks authorization and funding for joint courthouse-office building projects—which are relatively few in number—through the same process as it does stand-alone courthouses listed on the CPP.

## **Phase 2: Program Development**

The program development phase produces two documents: a housing plan that identifies a range of options for meeting the judiciary’s space needs, called a feasibility study, and a request for Congress to authorize funding for the project’s next phase, called a design prospectus.

### **Feasibility Study**

Once a project is listed on the CPP, GSA develops an initial housing plan called a feasibility study.<sup>20</sup> GSA first assembles a feasibility study team consisting of GSA and judiciary staff to confirm the project’s requirements.<sup>21</sup> The team then selects a consulting architect or planner to develop and evaluate housing alternatives that meet those requirements.<sup>22</sup> From the viable alternatives, GSA recommends a preferred alternative and, with AOUSC approval, further develops an initial design and construction plan for it.<sup>23</sup> The preferred alternative’s plan is to address a range of factors, including:

- site acquisition,
- building systems,
- tenant support services,
- security,
- court electronic systems, and
- telecommunications.<sup>24</sup>

The feasibility study provides an implementation strategy for the preferred alternative, including a project schedule and a cost estimate.<sup>25</sup>

### **Design Prospectus**

When the feasibility study is complete, GSA’s Office of Real Property Asset Management prepares and submits a design prospectus to Congress.<sup>26</sup> By law, GSA must submit a prospectus to two committees—the Senate Committee on Environment and Public Works (EPW) and the House Committee on Transportation and Infrastructure (T&I)—for approval when a real property proposal exceeds a certain threshold.<sup>27</sup> For FY2022 the prospectus threshold for construction, alteration, and lease projects is \$3.095 million.<sup>28</sup> EPW and T&I must each pass a resolution

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<sup>19</sup> JCUS, *The Judiciary FY2022 Congressional Budget Justification*, p. 14.1.

<sup>20</sup> GSA, *Feasibility Study Phase*, p. 54, [https://www.gsa.gov/cdnstatic/Feasibility\\_Study\\_Phase.pdf](https://www.gsa.gov/cdnstatic/Feasibility_Study_Phase.pdf).

<sup>21</sup> GSA, *Feasibility Study Phase*, p. 54.

<sup>22</sup> JCUS, *U.S. Courts Design Guide*, p. 2-9.

<sup>23</sup> JCUS, *U.S. Courts Design Guide*, p. 2-9.

<sup>24</sup> JCUS, *U.S. Courts Design Guide*, p. 2-9.

<sup>25</sup> JCUS, *U.S. Courts Design Guide*, p. 2-9.

<sup>26</sup> GSA, *Feasibility Study Phase*, p. 54.

<sup>27</sup> 40 U.S.C. §3307.

<sup>28</sup> GSA, *GSA Annual Prospectus Thresholds*, <https://www.gsa.gov/real-estate/design-construction/gsa-annual->

approving the project's design prospectus if the project is to be considered for appropriations.<sup>29</sup> The resolutions need only pass at the committee level and do not proceed to the floor for consideration by the full House or Senate. Major construction projects, such as new courthouses, often require two prospectus submissions: one for the design phase (including site acquisition) and one for the build phase.<sup>30</sup> If EPW and T&I each pass a resolution approving of a prospectus, the project is eligible for funding and may proceed once it receives appropriations. Courthouse design and construction funding is provided to GSA through the annual Financial Services and General Government appropriations bill or other supplemental funding bills.

### **Phase 3: Design Phase**

When the design prospectus has been funded, GSA acquires the preferred site and works with the judiciary to select architectural and engineering consultants to design the courthouse.<sup>31</sup> The selection of these services must follow the requirements of Title 40, Sections 1101-1104, of the *U.S. Code*.<sup>32</sup>

During the design phase, GSA and the courts work with the consulting firm to develop a detailed plan for constructing the new courthouse. The plan should include clear goals as well as an implementation strategy that describes important steps in the execution of those goals, such as:

- project milestones;
- funding sources;
- uncertainties or risks that may affect project delivery;
- construction phases;
- swing space needs;
- stakeholder consultations; and
- strategies for meeting environmental, historical preservation, and urban development requirements.<sup>33</sup>

The plan should also include a detailed budget that takes into account the potential for cost escalation, market conditions, and unique locality factors.<sup>34</sup>

When the design plan is complete, GSA uses it to develop a construction prospectus, which it submits to EPW and T&I for approval under the same process the design prospectus followed.

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prospectus-thresholds.

<sup>29</sup> 40 U.S.C. §3307.

<sup>30</sup> GSA, *Site Selection Guide*, p. 26, [https://www.gsa.gov/cdnstatic/GSA\\_Site\\_Selection\\_Guide\\_R2-sY2-i\\_0Z5RDZ-i34K-pR.pdf](https://www.gsa.gov/cdnstatic/GSA_Site_Selection_Guide_R2-sY2-i_0Z5RDZ-i34K-pR.pdf).

<sup>31</sup> *Ibid.*

<sup>32</sup> The Brooks Act of 1972 (P.L. 92-582) established these requirements.

<sup>33</sup> GSA, *Program Development Study Phase*, p. 116, [https://www.gsa.gov/cdnstatic/Program\\_Development\\_Study\\_Phase.pdf](https://www.gsa.gov/cdnstatic/Program_Development_Study_Phase.pdf).

<sup>34</sup> JCUS, *U.S. Courts Design Guide*, p. 2-12.

## Phase 4: Construction

Construction may begin once the construction prospectus has been approved and funded. In some cases, Congress may provide partial funding for a new courthouse in a given fiscal year. It is not necessary for GSA to submit an additional prospectus to obtain the remainder of the funding.

## Courthouse Construction Funding

When GSA was initially established by the Federal Property and Administrative Services Act of 1949, it was authorized to receive direct appropriations to fund all of its real property activities, including the construction of federal buildings.<sup>35</sup> In an effort to provide a more predictable source of revenue for its operating and capital expenses, the Public Buildings Act Amendments of 1972 established the Federal Buildings Fund (FBF) within GSA.<sup>36</sup> The FBF was designed as a revolving fund: GSA charges federal agencies rent, and their payments are deposited into the FBF. GSA then uses those funds, as directed by Congress, for its real property activities.

Congress, through the Financial Services and General Government appropriations bill, sets annual limits on the amount of revenue that may be expended from each of the real property accounts within the FBF, known as limitations on the availability of revenue. These limits are, in effect, allocations of rental revenue GSA collects. The FBF accounts for which Congress specifies limitations include the following:

- **Construction and Acquisition** funds the purchase or construction of new facilities, as well as major extensions to existing buildings.
- **Repairs and Alterations (R&A)** funds repairs and alterations of existing buildings, including the associated design and construction services.
- **Rental of Space** funds leases with privately owned space or buildings on behalf of other federal agencies.
- **Building Operations** funds day-to-day building services, such as cleaning, utilities, and maintenance.<sup>37</sup>

In addition to the amounts allocated through the limitations on revenue, Congress may appropriate additional funds for various accounts within the FBF, although this is not common.

## Courthouse Construction Funding, FY2012-FY2021

Within the Construction and Acquisition account, Congress allocates funding, through limitations of revenue, for the purchase and construction of space used for a range of purposes, including laboratories, warehouses, courthouses, and office buildings. New construction projects therefore compete for funding each year. Congress allocated approximately \$1.67 billion for the construction of new courthouses from FY2012 through FY2021.<sup>38</sup> **Table 1** shows the total amount of funding provided for courthouse construction each fiscal year.

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<sup>35</sup> P.L. 81-152.

<sup>36</sup> P.L. 92-312. 40 U.S.C. § 592.

<sup>37</sup> Additional accounts may exist in some years if appropriators provide funding for non-recurring expenditures, such as emergency funding to repair buildings after a natural disaster.

<sup>38</sup> JCUS, *The Judiciary FY2022 Congressional Budget Justification*, pp. 14.1-14.5.

**Table 1. Courthouse Construction Funding by Year, FY2012-FY2021**

In millions of dollars

Fiscal Year	Amount
FY2012	\$0.0
FY2013	\$0.0
FY2014	\$0.0
FY2015	\$0.0
FY2016	\$1,000.0
FY2017	\$0.0
FY2018	\$437.3
FY2019	\$0.0
FY2020	\$0.0
FY2021	\$230.0
<b>Total</b>	<b>\$1,667.3</b>

**Source:** Judicial Conference of the United States, *The Judiciary FY2022 Congressional Budget Justification*, February 2021, pp. 14.1-14.5, [https://www.uscourts.gov/sites/default/files/courthouse\\_construction\\_fy\\_2022\\_0.pdf](https://www.uscourts.gov/sites/default/files/courthouse_construction_fy_2022_0.pdf).

**Notes:** FY2016 funding included \$52.7 million for the acquisition and construction of two joint U.S. courthouses and federal buildings, one in Rutland, VT (\$12.6 million), and one in Greenville, MS (\$40.1 million).

The total funding level identified in **Table 1** fully funded the construction of 11 new courthouses and partially funded the construction of two others. Funding was also provided for the construction and acquisition of two joint courthouse/federal building projects. **Table 2** shows the amount of funding provided for courthouse construction, FY2012-FY2021, by location, fiscal year, and funding status.

**Table 2. Courthouse Construction Funding by Location FY2012-FY2021**

In millions of dollars

Location	Fiscal Year	Amount	Funding Status
Nashville, TN	FY2016	\$167.5	Complete
Toledo, OH	FY2016	\$97.8	Complete
Charlotte, NC	FY2016	\$156.2	Complete
Des Moines, IA	FY2016	\$136.6	Complete
Greenville, SC	FY2016	\$94.0	Complete
Anniston, AL	FY2016	\$38.2	Complete
Savannah, GA	FY2016	\$95.5	Complete
San Antonio, TX	FY2016	\$132.6	Complete
Harrisburg, PA	FY2016/FY2018	\$166.7	Complete
Greenville, MS	FY2016	\$40.1	Complete
Rutland, VT	FY2016	\$12.6	Complete
Huntsville, AL	FY2018	\$110.0	Complete
Ft. Lauderdale, FL	FY2018	\$190.1	Complete

Location	Fiscal Year	Amount	Funding Status
Hartford, CT	FY2021	\$135.5	Partial
Chattanooga, TN	FY2021	\$94.5	Partial

**Source:** U.S. General Services Administration, *GSA FY2016 Courthouse Investment Plan*, pp. 1-2, <https://www.gsa.gov/cdnstatic/CourthouseSpendPlanBreakdown.pdf>; Judicial Conference of the United States, *The Judiciary FY2022 Congressional Budget Justification*, February 2021, pp. 14.1-14.5, [https://www.uscourts.gov/sites/default/files/courthouse\\_construction\\_fy\\_2022\\_0.pdf](https://www.uscourts.gov/sites/default/files/courthouse_construction_fy_2022_0.pdf).

**Notes:** Greenville, MS, and Rutland, VT, projects are joint U.S. courthouses and federal buildings.

For FY2022, the judiciary requested \$199.5 million to complete the construction of a new courthouse in Hartford, CT, and \$94.6 million to complete the construction of a new courthouse in Chattanooga, TN.<sup>39</sup> The judiciary also requested \$262.2 million for the design and construction of an annex to the Clemente Ruiz-Nazario U.S. Courthouse and Federico Degetau Federal Building in San Juan, PR.<sup>40</sup> In 2018, the building was determined to be structurally deficient and at high risk of damage from seismic activity.<sup>41</sup>

## Courthouse Construction Funding Options

### Zero Balance Authority

Additional funding for courthouse construction might be available through unobligated revenue carried over each year in the FBF. GSA does not automatically have the authority to spend the FBF’s full balance each year. If Congress does not set GSA’s limitations equal to revenue—providing “zero balance authority”—then any unexpended funds are added to the FBF’s balance and carried forward to the following fiscal year. For example, at the beginning of FY2011, the FBF had a starting balance of \$1.032 billion, which represented unobligated funds from prior fiscal years.<sup>42</sup> When added to the \$8.841 billion in anticipated rent deposits,<sup>43</sup> the FBF had \$9.873 billion available for appropriation that year. President Obama requested \$9.154 billion for FY2011, and enacted appropriations totaled \$7.659 billion.<sup>44</sup> The difference between total available resources (\$9.873 billion) and the enacted limitations (\$7.659 billion) became the FBF’s starting balance in FY2012 (\$2.214 billion).<sup>45</sup>

Based on data provided by GSA, the FBF received \$6.537 billion less than GSA requested for its Construction and Acquisition and R&A accounts from FY2010 to FY2019.<sup>46</sup> When capital investment funding is less than the revenue available, the resulting unobligated funds are retained in the FBF and carried over to the starting balance of the subsequent fiscal year. The sharpest period of growth began in FY2007, when the FBF had a starting balance of \$56 million, to

<sup>39</sup> JCUS, *The Judiciary FY2022 Congressional Budget Justification*, pp. 14.1-14.5.

<sup>40</sup> JCUS, *The Judiciary FY2022 Congressional Budget Justification*, pp. 14.1-14.5.

<sup>41</sup> JCUS, *The Judiciary FY2022 Congressional Budget Justification*, pp. 14.1-14.5.

<sup>42</sup> GAO, *Federal Buildings Fund: Improved Transparency and Long-Term Plan Needed to Clarify Capital Funding Priorities*, GAO-12-646, July 2012, p. 6, <https://www.gao.gov/products/GAO-12-646>.

<sup>43</sup> GAO, *Federal Buildings Fund*, p. 6.

<sup>44</sup> GAO, *Federal Buildings Fund*, p. 6.

<sup>45</sup> GAO, *Federal Buildings Fund*, p. 6. GSA had an additional \$25 million deposited into the FBF prior to the start of FY2012 that is not reflected in the starting balance for that year.

<sup>46</sup> Data were provided by the GSA.

FY2012, when the starting balance was \$2.239 billion.<sup>47</sup> Congress has the option of allocating additional funds to courthouse projects by setting higher limitations of revenue on the FBF.

## **Public-Private Partnerships**

Congress may consider expanding courthouse construction through GSA's Public Private Partnership (PPP) authority. A PPP is an agreement whereby a nonfederal partner acquires the right to use a real property owned or controlled by a federal agency—typically through a long-term lease—in exchange for redeveloping or renovating that property. The nonfederal partner is usually in the private sector, although nonprofits and state and local governments are not prohibited from entering into PPPs with GSA. Whether implemented for redevelopment or renovation, the contributions of each partner are generally the same: The federal government provides real property—buildings, space within buildings, land, or structures—and the nonfederal partner provides capital for improvements or construction.

Nonfederal partners with access to capital and real property expertise may be able to find ways to monetize assets that the government cannot, and Congress has shown interest in utilizing PPPs for real property acquisition.<sup>48</sup>

While PPPs could represent an opportunity for GSA to build courthouses without investing additional capital, there are potential concerns. PPPs can be complicated arrangements requiring knowledge of a range of disciplines: real property, architecture, civil engineering, contracting, and law, to name a few. An agency that lacks a staff with expertise in those disciplines may be at risk of entering into an agreement that does not represent the best value for the government. GSA officials acknowledged in 2016 that “negotiating successful public private partnerships requires unique expertise and organizational experience” that they lack.<sup>49</sup> In addition, PPPs sometimes fall through when the private sector partner sets a value on the federal property at significantly less than the independent appraisal obtained by GSA.<sup>50</sup> The value of the property is central to establishing the terms of the PPP contract—different market values will generate different internal rates of return and alter cost-benefit ratios for capital investments. Generally, a lower market value makes it harder for the nonfederal partner to generate enough revenue to make the project worthwhile.

## **Federal Capital Revolving Fund**

GSA's capital investment accounts—R&A and Construction and Acquisition—compete with each other for limited FBF funding. Given that many new construction projects cost hundreds of millions of dollars, the number of such projects that can be funded in a single fiscal year is limited. One policy option that has been proposed by both GSA and Congress would be to create a capital investment fund that would provide agencies with full, up-front funding for major construction and acquisition projects, including courthouses. Under capital scoring rules, an agency may not enter into a contract to build or purchase space unless it has sufficient capital on

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<sup>47</sup> GAO, *Federal Buildings Fund*, p. 6.

<sup>48</sup> On September 29, 2019, Rep. Greg Pence introduced H.R. 4485, the Public Private Partnerships for Prosperity Act, which would have directed GSA to (1) acquire building space through a PPP pilot program, (2) review and evaluate the PPPs executed under the program, and (3) make recommendations for expanding use of PPPs.

<sup>49</sup> GAO, *Federal Real Property: Public Private Partnerships Have a Limited Role in Disposal and Management of Unneeded Property*, GAO-16-776R, August 2016, p. 3, <https://www.gao.gov/assets/680/679352>.

<sup>50</sup> GAO, *Federal Real Property*, p. 9.

hand to pay for the entire cost of the project.<sup>51</sup> This differs from operational lease scoring, where agencies are required only to have enough funding to cover one year of rent prior to entering into a contract.<sup>52</sup>

GSA proposed a capital investment fund in its FY2021 budget justification.<sup>53</sup> The proposed federal capital revolving fund (FCRF) would fund civilian agency capital projects of at least \$250 million.<sup>54</sup> The FCRF, which would be managed by GSA, would provide the project's capital upfront, and agencies would have up to 15 years to repay the fund in equal annual installments.<sup>55</sup> In this way, agencies would avoid triggering the capital asset scoring rules, as the FCRF would meet the up-front funding requirements on their behalf. The FY2021 budget justification sought an initial appropriation of \$10 billion.<sup>56</sup> The proposal did not provide details on how projects would be selected for funding.

The Federal Capital Revolving Fund Act of 2021 (S. 1926) would also establish a fund to cover the up-front costs of large-scale construction projects. The FCRF proposed in S. 1926 would mirror the GSA proposal in that it would

- place the GSA administrator in charge of managing payments to and from the fund,
- require an initial fund capitalization of \$10 billion,
- permit financing of projects with an estimated cost of at least \$250 million, and
- allow repayment over a 15-year period.

S. 1926 provides additional details on how projects would be chosen for funding. The bill would establish a two-track project submission process: one for agencies with the statutory authority to acquire real property and one for those without it. An agency that currently possesses this authority would submit a request for FCRF funding to the House and Senate appropriations committees and to any other committees that must approve its space acquisition proposals. The request must include a description of the facility, the project's estimated cost, and a schedule for completion of the acquisition.

An agency that does not have independent real property acquisition authority would submit a project plan—with a facility description, cost estimate, and schedule for completion—to the administrator of GSA and GSA's committees of jurisdiction: EPW and T&I. If the administrator approves the plan, GSA would submit a notice of approval and a detailed project proposal, known as a prospectus, to EPW and T&I. The prospectus must include the information required by Title 40, Section 3307, of the *U.S. Code*. If each committee passes a resolution approving the prospectus, then the project has funding authorization.

The bill states that a funding request submitted through either track is “approved” if Congress passes legislation that (1) approves the project and the transfer of funds from the FCRF to the

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<sup>51</sup> U.S. Office of Management and Budget (OMB), *Circular A-11: Preparation, Submission, and Execution of the Budget, Appendix B*, December 2019, pp. 1-11, <https://www.whitehouse.gov/wp-content/uploads/2018/06/a11.pdf>.

<sup>52</sup> OMB, *Circular A-11*, pp. 1-11.

<sup>53</sup> GSA, *FY 2021 Congressional Justification*, February 2020, p. 14, <https://www.gsa.gov/cdnstatic/GSA%20FY%202021%20Congressional%20Justification.pdf>.

<sup>54</sup> OMB, *Fiscal Year 2021 Budget of the United States Government*, February 2020, p. 75, [https://www.whitehouse.gov/wp-content/uploads/2020/02/spec\\_fy21.pdf](https://www.whitehouse.gov/wp-content/uploads/2020/02/spec_fy21.pdf).

<sup>55</sup> OMB, *Fiscal Year 2021 Budget of the United States Government*, p. 75.

<sup>56</sup> OMB, *Fiscal Year 2021 Budget of the United States Government*, p. 75.

agency and (2) provides an appropriation equal to the amount of the agency's first installment payment back to the FCRF.

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