

# END-OF-YEAR BINGE SPENDING

## QUICK STATS

- ✘ **CONFERENCE:** Spending
- ✘ **TEAM:** Government-wide
- **FUMBLE:** End-of-year spending binge
- **HOW TO RECOVER THE BALL:** Pass timely appropriations bills and test rollover authority through a pilot program

September does not only mark the start of football season. It also marks the last month of the fiscal year. It is the time of year when federal agency and department officials face the “use it or lose it” dilemma, in which they either spend any remaining money in their budget or return the excess funds to Treasury. Unsurprisingly the data show that “use it” is the favored choice.

Federal agency spending rates are generally higher at the end of the year. Government-wide, between 2003 and 2013, “16.9 percent of obligated contract expenditures occurred during the month of September – more than twice what we would expect if spending were split evenly over 12 months at 8.3 percent per month.”<sup>282</sup> The worst offender is State, which spent on average 37.8 percent of its budget in September, more than quadruple what the average spend-out rate should be.

As part of the September shop-till-you-drop spree, State purchased a \$1 million granite sculpture for its London Embassy, spent nearly \$20,000 for books that were used as Christmas gifts, \$1.5 million worth of furniture, \$26,315 worth of North Face parkas, and \$5 million for custom handcrafted stemware.<sup>283</sup> During congressional testimony, a former State employee recounted how a facility manager needed four flower pots for an African embassy but instead ordered a truck full of pots because he wanted to spend excess money in his facilities budget. The four flower pots were put in their proper place while the rest “were unloaded and placed out of sight behind a

building where they were left to slowly crumble in the blazing African sun.”<sup>284</sup> Remember, all of this is to avoid returning the funds to the U.S. Treasury, which would save the federal government from spending additional tax dollars collected from hard-working American families.

State is not the only agency with an affinity for binge spending at the end of the year. For example, an IG report on FY 2014 Appalachian Regional Commission grants found that 75 percent of funds were awarded in the last quarter of the fiscal year, including 44 percent in September.<sup>285</sup> A recent report conducted by the DOL IG determined that 44 percent (\$212.8 million) of the National Emergency Grants distributed between July 2011 and June 2014 were awarded at the last minute in order to avoid expiration of funds.<sup>286</sup>

The spike in year-end spending cannot be completely attributable to the “use it or lose it” phenomenon. However, the inclination to spend available funds and protect a department’s budgetary base is real—and so are the wasteful consequences.

## RECOVERY

Spending money to avoid losing it is a huge disservice to American taxpayers. Congress should work with federal agencies and departments to disincentivize this binge spending. The first step is for Congress to adopt a budget in a timely fashion so all agencies and departments can expect funding consistency.

Second, Congress should adopt a trial program for select agencies that would allow carryover of funding so instead of binge spending at the end of the fiscal year, the agency knows it will continue to have that funding through the

following year. Finally, Congress should also continue its oversight functions by requiring justifications for extraordinary spending in the final months of each fiscal year.

***For more information, please visit:***

[Mercatus Center: Curbing the Surge in Year-End Federal Government Spending](#)

[Washington Examiner: Federal bureaucracies go on end-of-year spending sprees to avoid budget cuts](#)

[DOL: ETA Needs to Improve Awarding of Year-End National Emergency Grants](#)