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Year-End Rush to Use It or Lose It Leads to Bad Government Spending

By Jeffrey Sparshott

U.S. government agencies face use-it-or-lose-it budget rules each fiscal year. They either spend the funds Congress has allocated or return them to the Treasury.



Bloomberg News

The result? Not just more spending, but often bad spending, according to [a new paper](#) published by the **National Bureau of Economic Research**.

Monday is the last day of the federal government's fiscal year. Of course, it isn't yet clear when Congress will fund the 2014 fiscal year. But even when the process proceeds normally, it appears to lead to a less-than-ideal use of taxpayer funds.

The paper, by **Harvard University's Jeffrey Liebman** and the **University of Chicago's Neale Mahoney**, supplants anecdotal evidence on spending with hard data.

First, the authors examined contract-level information on 14.6 million purchases, totaling \$2.6 trillion in government expenditures, from 2004 to 2009. That shows timing: spending in the last week of the year is almost five times higher than the average week during the rest of the year.

Next, they checked the performance of 686 major information-technology projects, accounting for \$130 billion in spending. That offers an assessment of the project.

"These data show a sharp drop-off in quality at the end of the year. Projects that originate in the last week of the fiscal year have 2.2 to 5.6 times higher odds of having a lower quality score," Messrs. Liebman and Mahoney said.

That could be due to a lack of competitive bidding or the use of cost-reimbursement rather than fixed-cost pricing during an end-of-year rush.

The authors offer a solution: allow agencies to roll over unused funding into the subsequent fiscal year.

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