

Bonuses for Cost-Cutters Act of 2015 (S. 1378)

Bonuses for Cost-Cutters:

Building introduced on current federal law which allows an agency's inspector general to pay bonuses up to \$10,000 of savings realized when a federal employee identifies waste, fraud, or mismanagement of funds; Senator Paul and Senator Warner's Bonuses for Cost-Cutters Act on 2015 would:

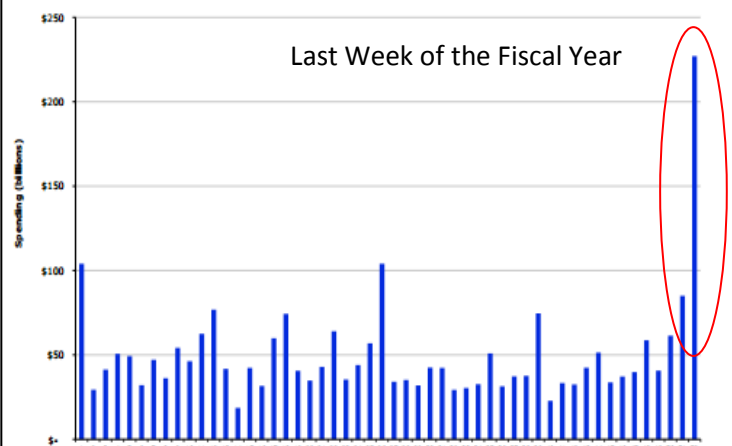
- Allow employees to qualify for these bonuses if they identify unneeded or surplus funds;
- Ensure that 90% of the savings automatically be directed to deficit reduction;
- Allow agencies to apply any remainder toward other agency priorities (subject to current law); and
- Require that agency CFOs certify that agency effectiveness would not be compromised.

Federal employees are on the front lines of federal spending. Rewarding those employees for saving taxpayer money will create a personal incentive to counter the current end-of-year rush to exhaust all funds.

"Spending in the last week of the year is 4.9 times higher than the rest-of-the-year weekly average...quality scores for year-end projects are 2.2 to 5.6 times more likely to be below the central value [lower quality].¹"

- "Use it or lose it," is a well-known problem where government **agencies race to spend unused budget authority before it expires** at the end of a fiscal year.
- Several recent academic studies, using government contracting data have confirmed this phenomenon. One study published by the National Bureau of Economic Research (NBER) found that **as end-of-year spending ramps up, the quality of purchases goes down.**
- The same NBER study even found that as the fiscal year expires, **money shifts from government offices in the Eastern Time Zone to the Pacific Time Zone to gain three extra hours for last minute spending.**

Figure 1: Federal Contracting by Week, Pooled 2004 to 2009 FPDS



Source: *Do Expiring Budgets Lead to Wasteful Year End Spending?*
(Cited Below)

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¹ *Do Expiring Budgets Lead to Wasteful Year-End Spending? Evidence from Federal Procurement*; Liebman, Jeffrey, & Mahoney, Neale; National Bureau of Economic Research; September 2013