Congressional Research Service
Informing the legislative debate since 1914

TESTIMONY

Statement of

Dominick A. Fiorentino
Analyst in Government Organization and Management

Before

Appropriations Committee
Financial Services and General Government Subcommittee
U.S. House of Representatives

Hearing on

"Oversight Hearing - The Economy Act"

September 15, 2026

Congressional Research Service
https://crsreports.congress.gov
TE10125

Chairman Joyce, Ranking Member Hoyer, Members of the Committee. My name is Dominick Fiorentino, and I am an Analyst in Government Organization and Management for the Congressional Research Service (CRS). Thank you on behalf of CRS for this opportunity to discuss the Economy Act.

As requested, this statement provides an overview of the Economy Act, including its legislative history, conditions on its use, current documentation and reporting requirements, and potential issues for congressional consideration.

The Economy Act of 1932, as amended, authorizes federal agencies (the requesting agency) to place an order for goods or services provided directly from other agencies (the servicing agency) or use the contracts or contracting operations of other agencies. The Economy Act applies in certain contexts when there is no other more specific statutory authority available to the servicing agency to provide interagency work or goods,[1] such as the General Services Administration (GSA) Federal Supply Schedule (FSS) or Multiple Award Schedule (MAS) programs,[2] information technology government-wide acquisition contracts (GWACs),[3] or statutorily authorized revolving funds.[4] Transactions subject to the Economy Act are types of *expenditure transfers* "between appropriation and fund accounts, which represent payments, repayments, or receipts for goods or services furnished or to be furnished."[5]

Legislative History of the Economy Act

Prior to 1932, there was no government-wide statutory authority for federal agencies to provide work, services, or materials to other federal agencies on a reimbursable basis. A 1920 statute provided government-wide authority for requesting agencies to transfer appropriations in advance of performance "for direct expenditure" by the servicing agency.[6] Additionally, there were some agency-specific statutes authorizing interagency transactions, such as a 1926 provision directing agencies ordering goods or services from the Navy to pay the actual cost of the order to the Navy's working fund.[7]

In 1930, legislation to provide more general interagency transaction authority was introduced[8] and later reintroduced in 1932 as part of a larger legislative measure to reduce government spending during the Great Depression.[9] This legislation from 1932 amended the 1920 statute with the intent that broader interagency authority might enable agencies to save money by relying on existing contracts between other agencies and private companies when procuring goods or services and generate economies of scale by

[1] 48 C.F.R. §17.502-2(b).

[2] 40 U.S.C. §501.

[3] 40 U.S.C. §11302(e).

[4] The Government Accountability Office (GAO) defines *revolving fund* as "a fund established by Congress to finance a cycle of businesslike operations through amounts received by the fund." See GAO, *Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP, September 2005, p. 88, https://www.gao.gov/products/gao-05-734sp (hereinafter GAO, *Glossary*, GAO-05-734SP).

[5] See GAO, *Glossary*, GAO-05-734SP, p. 95.

[6] An Act Making appropriations for fortifications and other works of defense, for the armament thereof, and for the procurement of heavy ordnance for trial and service, for the fiscal year ending June 30, 1921, and for other purposes (P.L. 66-214; 41 Stat. 613 (1920)).

[7] An Act making appropriations for the Navy Department and the naval service for the fiscal year ending June 30, 1927, and for other purposes (P.L. 69-264; 44 Stat. 591, 605 (1926)).

[8] A Bill Authorizing any executive department or independent establishment to do work for any other executive department or independent establishment and prescribing the method of payment therefore (H.R. 10199, 71st Cong., 2nd sess. (1930)).

[9] A Bill To effect economies in the National Government (H.R. 11597, 72nd Cong., 1st sess. (1932)).

reducing redundant activities of various government agencies.[10] The House Select Committee on Economy reported favorably on the bill:

> It frequently happens that one department may need certain services which it cannot advantageously perform for itself. Where such services can be furnished by another department at a less cost [sic] or more conveniently, the department needing such services should have the privilege of calling upon any department of the Government that is equipped to provide such services.[11]

The provision, under the title "Interdepartmental Work," became law on June 30, 1932, as Section 601 of the Legislative Branch Appropriation Act for 1933, which became popularly known as the "Economy Act."[12]

Subsequent Developments: 1942 to 2008

The Economy Act originally applied only to *direct or unassisted acquisition*,[13] authorizing agency heads to use other agencies' existing contracts to obtain goods or services whenever doing so was more convenient and cheaper than contracting out. The act was amended in 1942 to allow other agencies to perform contracting services, also known as *indirect or assisted acquisition*,[14] for certain defense-related agencies.[15] A later amendment, in 1982, authorized any agency to perform contracting services for any other agency.[16]

In the early 1990s, alleged misuse of the Economy Act resulted in a report by the Subcommittee on Oversight of Government Management of the Senate Committee on Governmental Affairs that investigated contract *off-loading*, defined by the report as

> when one agency (the "requesting agency") buys goods or services under a contract entered and administered by another agency (the "contracting agency").[17]

The report noted that the Economy Act authorizes such off-loads, and when used appropriately, an off-load could result in government savings. However, in the subcommittee's view, inadequate guidance in the Federal Acquisition Regulation (FAR) on an off-load's appropriate use had resulted in agencies using off-loads "to avoid competition, to circumvent limitations on spending expiring funds, and to avoid audits

---

[10] For example, see House debate, *Congressional Record*, vol. 75, part 8 (April 30, 1932), p. 9348.

[11] U.S. Congress, House Select Committee on Economy, *To Effect Economies in the National Government*, report to accompany H.R. 11597, 72nd Cong., 1st sess., H.Rept. 72-1126, April 25, 1932, p. 15.

[12] Legislative Branch Appropriation Act for 1933 (P.L. 72-212, §601; 47 Stat. 417 (1932), codified, as amended, at 31 U.S.C. §§1535, 1536).

[13] The Federal Acquisition Regulation (FAR) defines *direct acquisition* as "a type of interagency acquisition where a requesting agency places an order directly against a servicing agency's indefinite-delivery contract. The servicing agency manages the indefinite-delivery contract but does not participate in the placement or administration of an order." See 48 C.F.R. §2.101.

[14] The FAR defines *assisted acquisition* as "a type of interagency acquisition where a servicing agency performs acquisition activities on a requesting agency's behalf, such as awarding and administering a contract, task order, or delivery order." See 48 C.F.R. §2.101.

[15] An Act to Amend Section 7(a) of the Act of May 21, 1920 (P.L. 77-670; 56 Stat. 661 (1942)). The defense-related agencies included the War, Navy, and Treasury Departments; Civil Aeronautics Administration; and Maritime Commission. The Economy Act was itself an amendment to the act of May 21, 1920, which is why the 1942 statute references amendments to the 1920 act.

[16] An Act to Amend the Economy Act to Provide That All Departments and Agencies May Obtain Materials or Services from Other Agencies by Contract, and for Other Purposes (P.L. 97-332; 96 Stat. 1622 (1982)).

[17] U.S. Congress, Senate Committee on Governmental Affairs, *Off-Loading: The Abuse of Inter-Agency Contracting to Avoid Competition and Oversight Requirements*, committee print, prepared by the Subcommittee on Oversight of Government Management, 103rd Cong., 2nd sess., S. Prt. 103-61, p. 1 (hereinafter Senate Committee on Governmental Affairs, *Off-Loading*, S. Prt. 103-61).

and contract oversight."[18] To limit these perceived abuses, the report recommended FAR changes to limit the use of off-loading.[19]

Congress passed Section 844 of the FY1994 National Defense Authorization Act (NDAA) for military procurements (enacted into law shortly before the subcommittee report's publication)[20] and Section 1074 of the Federal Acquisition Streamlining Act of 1994 for nonmilitary procurements.[21] Both of these provisions required the FAR to be updated to

- permit interagency contracting only if the servicing agency (1) has an existing contract for the good or service, (2) is better qualified to enter into or administer the contracts, or (3) is authorized by law to provide the good or service;
- require authorized agency officials to approve such purchases in advance, and
- prohibit agency payments exceeding actual or estimated costs.

Finally, the Government Accountability Office (GAO) had for several years identified the management of interagency contracting as a high-risk area involving the Department of Defense.[22] Section 865 of the FY2009 NDAA required that the FAR be updated to require that all interagency acquisitions include a written agreement "assigning responsibility for the administration and management of the contract."[23] Additionally, the law required the Office of Management and Budget to submit a report to Congress "on interagency acquisitions, including their frequency of use, management controls, cost-effectiveness, and savings generated."[24]

The 1993, 1994, and 2008 statutory requirements for interagency acquisitions are currently implemented in Part 17.5 of the FAR.[25] The Economy Act, as currently amended, is codified at Title 31, Sections 1535 and 1536, of the *United States Code.*[26]

Economy Act Requirements and Conditions

According to GAO, the Economy Act applies to agencies in each of the three branches of the federal government.[27] It authorizes intra-agency as well as interagency transactions, as the statute states that "the head of an agency or major organizational unit within an agency may place an order with a major organizational unit within the same agency or another agency."[28] An agency's ability to enter into interagency transactions using the Economy Act is subject to the following conditions.

---

[18] Senate Committee on Governmental Affairs, *Off-Loading*, S. Prt. 103-61, p. 1.

[19] Senate Committee on Governmental Affairs, *Off-Loading*, S. Prt. 103-61, pp. 44-46.

[20] National Defense Authorization Act for Fiscal Year 1994 (P.L. 103-160, §844; 107 Stat. 1547 (1993)).

[21] Federal Acquisition Streamlining Act of 1994 (P.L. 103-355, §1074; 108 Stat. 3271 (1994)).

[22] For example, see GAO, *DOD's High-Risk Areas: Actions Needed to Reduce Vulnerabilities and Improve Business Outcomes*, GAO-09-460T, March 12, 2009, https://www.gao.gov/assets/gao-09-460t.pdf.

[23] Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 (P.L. 110-417, §865(b); 112 Stat. 4550 (2008)).

[24] P.L. 110-417, §865(a); 112 Stat. 4550 (2008). For the Office and Management and Budget (OMB) report to Congress, see OMB, *Report of Congress on Interagency Acquisitions*, August 26, 2010, https://obamawhitehouse.archives.gov/sites/default/files/omb/procurement/reports/IA_Report_2010-08-24.pdf.

[25] 48 C.F.R. §17.5.

[26] 31 U.S.C. §§1535, 1536.

[27] GAO, *Principles of Federal Appropriations Law*, 3rd ed., vol. III, GAO-08-978SP, September 2008, p. 12-31.

[28] 31 U.S.C. §1535(a).

- The requesting agency or organizational unit must have funds available.[29] This refers to both the amount of funds appropriated to an agency as well as the purpose for which they are available.[30] The Economy Act does not permit an agency to use another agency to circumvent any legal limitations on the use of its appropriated funds.[31]
- The head of the requesting agency or organizational unit must determine that the order is in the best interests of the United States.[32]
- The servicing agency must be able to provide the goods or services requested.[33] This generally does not require that the servicing agency have the goods or services on hand, as the agency may procure additional supplies or add personnel provided that the services or goods rendered are within the scope of the agency's normal activities.[34]
- The head of the requesting agency or organizational unit must determine that the goods or services cannot be provided as conveniently or cheaply by a private contractor.[35]

Under the Economy Act, the agencies involved in an interagency transaction may decide to use one of two types of authorized forms of payment: advance or reimbursement.[36] Advance payment is often based on cost estimates. As a result, after the servicing agency's actual cost of providing a good or service is known, the advanced amounts must be adjusted to ensure payment to the servicing agency of actual costs only.[37] The Economy Act requires prompt payment by the requesting agency.[38]

Written Agreements

Orders placed under the Economy Act obligate an appropriation of the requesting agency.[39] While the Economy Act itself does not expressly require that the requesting and servicing agencies enter into a written agreement, GAO has derived such a requirement from "common sense and the recording statute."[40] For Economy Act transactions, this written agreement usually takes the form of an interagency agreement (IAA). GAO guidance recommends that IAAs contain the legal authority for the agreement, terms and conditions of performance, the cost of performance, mode of payment, any special requirements, and approvals by appropriate officials.[41] Department of Treasury policies and procedures require that agencies use for their IAAs Treasury Form 7600A and Treasury Form 7600B, entered

[29] 31 U.S.C. §1535(a)(1).

[30] 31 U.S.C. §1301. This is referred to as the Purpose Statute.

[31] GAO, *Principles of Federal Appropriations Law*, 3rd ed., vol. III, p. 12-26.

[32] 31 U.S.C. §1535(a)(2).

[33] 31 U.S.C. §1535(a)(3).

[34] GAO, *Principles of Federal Appropriations Law*, 3rd ed., vol. III, p. 12-27.

[35] 31 U.S.C. §1535(a)(4).

[36] 31 U.S.C. §1535(b) and 31 U.S.C. §1536(a).

[37] GAO, *Principles of Federal Appropriations Law*, 3rd ed., vol. III, p. 12-34.

[38] 31 U.S.C. §1535(b).

[39] 31 U.S.C. §1535(d).

[40] GAO, *Principles of Federal Appropriations Law*, 3rd ed., vol. III, p. 12-30. Codified at 31 U.S.C. §1501(a), the recording statute requires an agency to record an obligation against available appropriations when supported by "a binding agreement" between two agencies.

[41] GAO, *Policy and Procedures Manual for Guidance of Federal Agencies*, Title 7, §2.4-C.2(e), May 1993, p. 7.2-11.

electronically via the government-wide G-Invoicing system.[42] Agencies may have additional policies and procedures about the use and documentation of IAAs.[43]

Federal Acquisition Regulation Requirements

Economy Act agreements are subject to the FAR when the transaction results in one agency using another agency's procurement contract to acquire goods or services. If the agreement "does not result in a contract or an order, then the FAR does not apply."[44] The FAR requires that each Economy Act order be supported by a determination and findings (D&F) document. The D&F must

> (i) State that use of an interagency acquisition is in the best interest of the Government;
>
> (ii) State that the supplies or services cannot be obtained as conveniently or economically by contracting directly with a private source; and
>
> (iii) Include a statement that at least one of the following circumstances applies:
>
>> (A) The acquisition will appropriately be made under an existing contract of the servicing agency, entered into before placement of the order, to meet the requirements of the servicing agency for the same or similar supplies or services.
>>
>> (B) The servicing agency has the capability or expertise to enter into a contract for such supplies or services that is not available within the requesting agency.
>>
>> (C) The servicing agency is specifically authorized by law or regulation to purchase such supplies or services on behalf of other agencies.[45]

For each transaction, the D&F is maintained in the contract file,[46] but these documents are not made publicly available as a matter of course. For assisted acquisitions, "the servicing agency and the requesting agency shall also both sign a written interagency agreement that establishes the general terms and conditions governing the relationship between the parties, including roles and responsibilities for acquisition planning, contract execution, and administration and management of the contract(s) or order(s)."[47]

Reporting Requirements

While the Economy Act provides agencies with the flexibility to enter into agreements with other agencies to engage in a wide variety of activities, the lack of uniform reporting requirements may make congressional oversight over agency activities challenging. There is no government-wide data on agency use of the Economy Act, nor is there a government-wide requirement that agencies report on their use of the Economy Act to Congress. Agencies document their use of the Economy Act via IAAs and on D&Fs when the interagency acquisition is subject to the FAR, but this documentation is internal to the agency.

---

[42] Department of the Treasury (Treasury), Bureau of the Fiscal Service (BFS), *Treasury Financial Manual*, Chapter 4700, Appendix 8, https://tfx.treasury.gov/media/51/download?inline. Per Treasury, "G-Invoicing is the long-term solution for federal entities to manage their intra-governmental (IGT) Buy/Sell transactions." See Treasury, BFS, "Intra-governmental Transactions (IGT)," https://fiscal.treasury.gov/accounting/intragov.

[43] For example, see Department of Interior, Fish and Wildlife Service, "Interagency and Intra-Departmental Agreements Where the Service Is the Buyer," October 31, 2023, https://www.fws.gov/policy-library/260fw10.

[44] 48 C.F.R. §17.502-2(a).

[45] 48 C.F.R. §17.502-2(c)(1).

[46] 48 C.F.R. §4.803.

[47] 48 C.F.R. §17-502-1(a)(1)(i).

There are agency-specific congressional reporting requirements related to Economy Act transactions. For example, beginning in FY2013, Economy Act reimbursements in all agencies funded by the Agriculture, Rural Development, Food and Drug Administration, and Related Agency Appropriations Act (Agriculture Appropriations Act) were made subject to the same restrictions as transfers and reprogramming of funds absent advance congressional notification.[48] This provision has been included in each subsequent Agriculture Appropriations Act.[49] Specifically, unless both the House and Senate Committees on Appropriation are notified at least 30 days in advance, agencies funded by the bill are prohibited from obligating funds though reimbursements authorized by the Economy Act, if the obligation

> (1) creates new programs; (2) eliminates a program, project, or activity; (3) increases funds or personnel by any means for any project or activity for which funds have been denied or restricted; (4) relocates an office or employees; (5) reorganizes offices, programs, or activities; or (6) contracts out or privatizes any functions or activities presently performed by Federal employees.[50]

Agency Uses of the Economy Act

Apart from the general conditions described previously, the Economy Act does not expressly define the variety of "goods and services" that it authorizes one agency to order from another. Given the absence of a general reporting requirement, there are no authoritative data sources on how agencies use the Economy Act. Examples of categories of work that agencies have performed under the Economy Act are described below.

- Interagency acquisitions are procedures by which an agency needing supplies or services obtains them from another agency by an assisted acquisition or a direct acquisition.[51] For example, the Defense Assisted Acquisition Cell (DA2) was established during the COVID-19 pandemic and used the Economy Act to provide acquisition assistance on behalf of and in coordination with interagency partners, such as the Department of Health and Human Services and the Federal Emergency Management Agency.[52]
- Agencies share expertise across the government by detailing personnel. For example, GSA's digital services teams provided technical experts, software engineers, and data scientists to other agencies and used Economy Act authorities to charge partner agencies for services rendered.[53]
- Agencies use the statute to manage property. For example, the Maritime Administration (MARAD) leveraged the Department of the Navy's ship recycling expertise, using the Economy Act to fund the Navy's cost of disposing of MARAD vessels.[54]
- Shared services are business functions that are provided for consumption by multiple organizations within or between federal agencies. Agencies use Economy Act authorities

[48] Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-6, Division A, Title VII, §726; 127 Stat. 229 (2013)). For more information about restrictions on reprogramming absent congressional notification, see CRS Report R47600, *Transfer and Reprogramming of Appropriations: An Overview*, by Taylor N. Riccard and Dominick A. Fiorentino.

[49] For the most recent version, see Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026 (P.L. 119-37, Division B, Title VII, §716; 139 Stat. 544 (2025)).

[50] P.L. 119-37, Division B, Title VII, §716; 139 Stat. 544 (2025).

[51] 48 C.F.R. §2.101.

[52] Department of Defense, "Defense Assisted Acquisition Cell (DA2)," https://www.acq.osd.mil/asda/jrac/da2/index.html.

[53] CRS Report R47722, *Overview of the General Services Administration: Acquisition Services and Real Property Management*, by Dominick A. Fiorentino and Garrett Hatch.

[54] U.S. Department of Transportation, Maritime Administration, *Report to Congress on the Progress of the Vessel Disposal Program*, January 2007, https://www.maritime.dot.gov/sites/marad.dot.gov/files/docs/about-us/foia/4151/january2007reporttocongress.pdf.

to make certain services available to other agencies (e.g., financial management or human services) on a fee-for-service basis. OMB Memorandum M-19-16, *Centralized Mission Support Capabilities for the Federal Government*,[55] established a process to designate that specific agencies form Quality Management Support Offices (QSMOs) for select mission support functions.[56]

- Agencies have performed certain services on behalf of other agencies. For example, in 2025, the Department of Education entered into an IAA with the Department of Labor (DOL) that cited the Economy Act as well as other statutory authorities. Under the IAA, the Employment and Training Administration within DOL is to perform certain activities "in coordination with and subject to the supervision of the Department of Education."[57]

Issues for Congress

Given the limited visibility over agency use of the Economy Act, Congress may consider options that would limit the use of these transactions in certain circumstances or create new reporting or transparency requirements. Congress may consider the following options.

- Like the aforementioned reporting requirements in the Agriculture Appropriations Act, Congress could institute a requirement making all Economy Act transactions subject to the same limitations and notification requirements as a reprogramming or transfer of funds.
- Congress may consider limiting the use of Economy Act transactions above a certain threshold (either expressed as a dollar amount or as a percentage of the requesting agency's appropriation) unless the agency provides advance notification to Congress.
- Congress may consider requiring agencies to provide all IAAs to Congress. Alternatively, if providing all IAAs would be too burdensome on agencies or result in too many reports for Congress to feasibly review, Congress may consider requiring that only IAAs obligating funds above a certain threshold be provided.
- Congress may consider requiring the establishment of a database, either publicly accessible or accessible to Congress, that captures all Economy Act transactions, along with certain summary-level data about each transaction.

[55] OMB, *Centralized Mission Support Capabilities for the Federal Government*, Memorandum M-19-16, April 26, 2019, https://www.whitehouse.gov/wp-content/uploads/2019/04/M-19-16.pdf.

[56] General Services Administration, Unified Shared Services Management, "Quality Service Management Offices (QSMOs)," https://ussm.gsa.gov/qsmo/.

[57] Department of Education, "Interagency Agreement Between the U.S. Department of Education and U.S. Department of Labor Relating to the Office of Elementary and Secondary Education (OESE)," September 30, 2025, https://www.ed.gov/media/document/ed-and-dol-interagency-agreement-elementary-and-secondary-education-partnership-updated-050126-113000.pdf. This interagency agreement contains a February 23, 2026, addendum that amended some of its terms.

Alternatively, restricting agency use of the Economy Act could result in service disruptions, and implementing new reporting requirements could be burdensome for agencies, for Congress, or for both. For this reason, Congress may choose to retain current agency flexibilities and existing reporting requirements.

Disclaimer