



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 16, 2004

S. 346

A bill to amend the Office of Federal Procurement Policy Act to establish a governmentwide policy requiring competition in certain executive agency procurements, and for other purposes

As ordered reported by the Senate Committee on Governmental Affairs on June 2, 2004

SUMMARY

S. 346 would authorize the Attorney General to establish a Federal Enhanced In-Prison Vocational Assessment and Training Program in all federal institutions. Based on information from the Federal Bureau of Prisons, CBO estimates that implementing this enhanced program would cost nearly \$150 million over the 2005-2009 period to increase the number of inmates who participate in vocational training and to expand the services provided by the program.

The bill also would amend the laws governing the operations of the Federal Prison Industries (FPI), a government-owned corporation that produces goods and services for the federal government with prison labor. S. 346 would eliminate a requirement that federal agencies purchase products from FPI if products are available to meet the agencies' needs and the cost would not exceed current market prices. Such products include office furniture, textiles, vehicle tags, and fiber optics. CBO expects that the FPI's sales to the federal government would decrease under the bill and have a negligible effect on net spending by FPI because sales proceeds and operating costs of the FPI would both be lower under the bill.

S. 346 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the amendment is shown in the following table. The cost of this legislation falls within budget function 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars				
	2005	2005	2006	2007	2008

CHANGES IN SPENDING SUBJECT TO APPROPRIATION

Spending on Enhanced Vocational Assessment and Training

Estimated Authorization Level	29	30	30	31	31
Estimated Outlays	26	29	30	31	31

BASIS OF ESTIMATE

CBO assumes that the bill will be enacted near the beginning of fiscal year 2005 and that the necessary amounts will be appropriated for each year. We estimate that implementing the Enhanced In-Prison Vocational Assessment and Training Program authorized in section 4 of S. 346 would cost nearly \$150 million over the 2005-2009 period. Depending on how much the operations of the FPI are reduced under the bill, implementing this legislation could increase the need for discretionary appropriations for security costs.

Enhanced In-Prison Vocational Assessment and Training

Section 10 would authorize the Attorney General to establish a Federal Enhanced In-Prison Vocational Assessment and Training Program in all federal institutions. Federal institutions currently participate in vocational assessment and training programs, and we assume that the program that would be authorized by the amendment would be an expanded version of the current program. Based on information from the Department of Justice (DOJ), CBO estimates that implementing the bill would cost about \$30 million each year over the 2005-2009 period to increase the number of inmates who participate in the training and to expand the services provided by the program.

Discretionary Security Costs and FPI Spending

S. 346 would eliminate the requirement for federal agencies to purchase goods and services from FPI. Based on information from the DOJ and major federal customers of FPI, we expect that FPI's total sales to the federal government would decrease under the bill. Because of the reduction in federal sales, CBO expects there would be a corresponding reduction in the number of inmates employed by FPI.

Because CBO expects that the demand for FPI goods and services would decline under S. 346, FPI would provide security for fewer inmates during work hours. The costs of FPI operations, including security, are directly financed from the sale of its goods and services. No discretionary costs are incurred to provide security to prisoners participating in FPI programs during work hours. CBO expects that implementing S. 346 would increase the need for additional officers to provide security to inmates no longer working for FPI under the bill. The cost of additional security personnel would depend on the extent to which agencies no longer procure products and services from FPI, the size of the new FPI donation program that would be established under the bill, and the number of security personnel currently working for FPI that would eventually be hired by the Federal Bureau of Prisons. FPI estimates that the value of the security service it currently provides is about \$110 million a year.

The cost to FPI to produce products for the federal government is currently funded entirely by collections from the agencies that purchase FPI products. CBO estimates that the total amount collected by FPI would decrease over the five-year period under the proposed legislation as agencies procure fewer FPI products. But that reduction in collections would be offset by a reduction in the cost to produce such products. Therefore, CBO estimates that enacting this legislation would result in no significant net change in FPI's spending for each year.

ESTIMATED INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 346 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO COST ESTIMATE

On September 17, 2003, CBO transmitted a cost estimate for H.R. 1829, the Federal Prison Industries Competition in Contracting Act of 2003, as ordered reported by the House Committee on the Judiciary on July 25, 2003. That legislation would authorize the appropriation of specific amounts for an FPI donation program, an Enhanced Vocational Assessment and Training Program, and a Cognitive Abilities Assessment Demonstration Program. Under H.R. 1829, the requirement to purchase products from FPI would be reduced over the next several years, and the share of the federal market that FPI holds for the products and services it provides would be limited to 20 percent and 5 percent, respectively. CBO expects that, under H.R. 1829, there would be a corresponding reduction in the number of inmates employed by FPI and guarded by FPI security officers. CBO estimated that

implementing H.R. 1829 would cost \$177 million over the five-year period for salaries and benefits of security officers that would be paid from discretionary appropriations.

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