



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 16, 2007

S. 680

Accountability in Government Contracting Act of 2007

*As ordered reported by the Senate Committee on Homeland Security
and Governmental Affairs on August 1, 2007*

SUMMARY

S. 680 would address federal acquisition practices, amend rules regarding the use of noncompetitive contracts, and impose additional reporting requirements on federal agencies regarding noncompetitive and sole-source contracts. The bill also would authorize appropriations for contract oversight, training, planning, and administration.

Assuming appropriation of the amounts authorized or estimated to be necessary, CBO estimates that implementing the legislation would result in additional discretionary outlays of \$14 million in 2008 and nearly \$70 million over the 2008-2012 period. Implementing the contracting reforms contained in the bill would increase discretionary costs (for contract administration) but also could result in lower procurement costs to the federal government for goods and services. CBO cannot estimate the net effect of those changes in contracting procedures. Any costs or savings realized by federal agencies under the bill would depend on future changes in the level of discretionary appropriations.

In addition, CBO estimates that enacting S. 680 would increase direct spending by \$80 million over the 2008-2012 period and by \$180 million over the 2008-2017 period because it would authorize federal agencies to defer the recording of obligations on certain types of contracts.

S. 680 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 S. 680 is shown in the following table. The cost of this legislation falls within all budget functions.

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Federal Acquisition Workforce					
Estimated Authorization Level	5	5	5	5	5
Estimated Outlays	4	5	5	5	5
Regulations and Reports					
Estimated Authorization Level	12	10	8	8	8
Estimated Outlays	10	10	8	8	8
Total Changes					
Estimated Authorization Level	17	15	13	13	13
Estimated Outlays	14	15	13	13	13
CHANGES IN DIRECT SPENDING ^a					
Delay in Recording Obligations					
Estimated Budget Authority	20	20	20	20	20
Estimated Outlays	0	20	20	20	20

a. CBO estimates that enacting S. 680 would increase direct spending by \$20 million a year over the 2009-2017 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the start of fiscal year 2008, that the amounts authorized or estimated to be necessary will be appropriated for each fiscal year, and that spending will follow historical patterns for similar activities.

Spending Subject to Appropriation

Federal Acquisition Workforce. Title I would authorize the appropriation of \$5 million for each of fiscal years 2008 and 2009 for a new Acquisition Workforce Training Fund. That amount would be used by the General Services Administration (GSA) to train personnel and to establish new procurement positions. CBO estimates that similar amounts would be needed in subsequent years to continue performing those activities. Assuming appropriation of the amounts authorized for 2008 and 2009 and estimated to be necessary for subsequent years for those purposes, we estimate that implementing title I would cost \$4 million in 2008 and \$24 million over the 2008-2012 period.

Regulations and Reports. S. 680 would require government agencies, including the Office of Federal Procurement Policy, GSA, and the Government Accountability Office, to prepare program guidance, regulations, and reports on many types of contracts, including multiple-award contracting, cost-reimbursement contracts, and other acquisition practices. Based on the cost of similar activities, CBO estimates that implementing those provisions would cost \$10 million in 2008 and about \$45 million over the 2008-2012 period, mostly for additional administrative and personnel expenses.

Federal Contracting Rules. S. 680 would amend various rules on using noncompetitive and sole-source contracts, including restrictions on the contract period for noncompetitive contracts and limits on the use of sole-source contracts.

Imposing restrictions on the length of noncompetitive contracts and limiting the use of sole-source contracts could increase the costs of administering contracts but also could lower procurement costs by encouraging the use of other acquisition practices. The circumstances involving the use of such contracts by federal agencies and the potential to use alternative types of contracts in those situations varies greatly. CBO does not have sufficient information relating to the use of such contracts to determine the magnitude of any costs or savings that could result from implementing those provisions.

Direct Spending

CBO estimates that enacting S. 680 would increase direct spending by \$20 million annually because it would authorize executive agencies to enter into contracts for certain types of purchases before receiving appropriations for those acquisitions.

Specifically, the bill would permit agencies to defer recording obligations on task-order and delivery-order contracts until purchase orders for the goods or services have been issued. The new contracting authority authorized by S. 680 could be used with contracts that include federal guarantees for minimum purchases.

Under existing federal contracting practices, agencies record obligations for acquisitions when they enter into contracts. In order to execute such contracts, an agency must have sufficient funds available from current appropriations to liquidate the entire amount of the obligation, including minimum-purchase guarantees, which are contractual obligations of the government.

In contrast, S. 680 would authorize an agency to defer recording obligations for some of the amounts covered by a contract until after that contract has been executed, effectively allowing the agency to incur a contractual obligation in one year and liquidate it with funds appropriated in subsequent years. The ability to pay for current obligations with future appropriations constitutes contract authority, a form of direct spending.

Minimum-purchase guarantees are one type of contractual obligation that could be affected by the bill. The Federal Procurement Data System shows that the federal government awarded contracts that involved task-order or delivery-order provisions worth nearly \$200 billion in 2005 (the most current information available in that system). Many such contracts include minimum-purchase provisions. Although there is no government-wide information on the value of minimum-purchase contracts, CBO estimates that minimum-purchase guarantees account for 1 percent, or \$200 million, of the value of all task-order or delivery-order contracts. The authority to delay recording contract obligations under the bill likely would be used infrequently (because the legislation notes that its use should be restricted to “extraordinary circumstances”). Consequently, CBO estimates that direct spending would increase by \$20 million a year over the 2009-2017 period under this provision of the legislation.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 680 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 ESTIMATES

On March 14, 2007, CBO provided a cost estimate for H.R. 1362, the Accountability in Contracting Act, as ordered reported by House Committee on Armed Services on March 13, 2007. On March 12, 2007, CBO provided a cost estimate for H.R. 1362 as ordered reported by the House Committee on Oversight and Government Reform on March 8, 2007. All three pieces of legislation address government contracting but have different provisions, particularly relating to contract management and deferral of obligations. The House Oversight and Government Reform version of H.R. 1362 would authorize additional appropriations for contract management. The House Armed Services version of H.R. 1362 did not contain that authorization of appropriations. Additionally, neither House version contains provisions on deferring the recording of obligations. Our cost estimates reflect those differences.

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