CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 29, 2003

H.R. 1837
Services Acquisition Reform Act of 2003

As ordered reported by the House Committee on the Judiciary on July 25, 2003

SUMMARY

H.R. 1837 would amend the laws governing how the federal government procures goods and services. The provisions of the bill with the largest budgetary effects would expand the authorized uses of share-in-savings (SIS) contracts by government agencies to procure products and services and establish a fund to train federal personnel in acquisition and contracting positions.

CBO estimates that expanding the use of SIS contracts would increase direct spending by $80 million over the 2004-2008 period and by a total of about $450 million over the 2004-2013 period. Enacting the bill would not affect revenues. In addition, CBO estimates that implementing H.R. 1837 would cost $28 million over the 2004-2008 period for various administrative requirements, including a new advisory panel and council, as well as studies related to procurement issues, assuming appropriation of the necessary amounts.

H.R. 1837 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 H.R. 1837 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CHANGES IN DIRECT SPENDING										
Share-in-Savings Contracts										
Estimated Budget Authority	5	10	25	30	45	60	75	90	100	100
Estimated Outlays	2	6	14	24	34	48	62	77	91	98
CHANGES IN SPENDING SUBJECT TO APPROPRIATION										
Acquisition Workforce Training Program										
Estimated Authorization Level	5	5	5	5	5	6	6	6	6	6
Estimated Outlays	3	5	5	5	5	5	6	6	6	6
Other Costs										
Estimated Authorization Level	1	1	1	1	1	*	*	*	*	*
Estimated Outlays	1	1	1	1	1	*	*	*	*	*
Total Discretionary Costs										
Estimated Authorization Level	6	6	6	6	6	6	6	6	6	6
Estimated Outlays	4	6	6	6	6	5	6	6	6	6

NOTE: * = Less than $500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes H.R. 1837 will be enacted by the end of fiscal year 2003. We assume that the necessary amounts will be appropriated for each year and that outlays will occur at historical rates for similar programs.

Share-in-Savings Contracts

Section 301 would expand the authority for federal agencies to use SIS contracts to acquire goods and services. Currently, the use of those contracts is limited to purchasing information technology. The bill would allow such contracts to be awarded for up to 10 years.

A SIS contract is a contracting and funding strategy whereby a service or product required by an agency is provided by a private firm without full up-front funding. Instead, payment for this service or product is made by spending some of the estimated annual savings generated by the goods or services provided. Under H.R. 1837, agencies would be authorized to enter into SIS contracts without sufficient funds available for the termination cost of the contract if sufficient funds are available for the first year's payment under the contract. The bill would limit the amount of such unfunded termination liability to $10 million per contract (or 50 percent of the termination costs, whichever is less).

Under current law, agencies are authorized to use a limited pilot program to enter into SIS contracts to obtain data and information-processing equipment and services. To date, use of the pilot program has been very limited. Because H.R. 1837 would broaden the potential use of this contracting mechanism, CBO expects that its use would become more widespread as agencies became familiar with it. In the mid-1980s, a similar contracting mechanism, energy-savings performance contracts (ESPCs), was authorized by the Congress. Use of ESPCs has accelerated over time, and today federal agencies enter into around $250 million worth of such contracts a year. Based on the experience with ESPCs, CBO expects that agencies would need a few years to become familiar with SIS contracts before use of that type of contract would become common. We estimate that agencies would agree to acquire about $115 million in goods and services through SIS contracts over the next five years and that obligations for such acquisitions would grow to $425 million over the following five years.

Because both ESPC and SIS contracts authorize agencies to commit federal funds in advance of appropriations, CBO considers the execution of such contracts to be a form of direct spending that should be reflected in the budget when such contracts are entered into and a new government obligation is made. CBO's estimate assumes that outlays would be recorded when the services or equipment are provided (similar to the budgetary treatment of lease-purchases of buildings and facilities).

Spending Subject to Appropriation

CBO estimates that several sections of the bill would affect spending subject to appropriation. The following paragraphs discuss those costs.

Funding for Acquisition Workforce Training Fund. The bill would authorize the establishment of an Acquisition Workforce Training Fund. Under the bill, 5 percent of the fees collected by the General Services Administration (GSA) from other, nondefense agencies that procure goods and services through GSA's governmentwide contracts would be deposited in the new fund. GSA generates most of those fees by charging other federal agencies approximately 1 percent of the cost of purchases made through GSA's supply schedule services and data processing contracts. That fee is designed to recover administrative costs incurred by GSA. In 2002, GSA collected $88 million in fees from agencies other than the Department of Defense. Thus, CBO estimates that the bill would authorize GSA to charge agencies a fee sufficient to establish a $5 million Acquisition

Workforce Training Fund each year, as well as continuing to cover the administrative costs of GSA's governmentwide contracting programs.

Government-Industry Exchange Program. H.R. 1837 would establish an exchange program for certain types of employees between the federal government and private-sector employers to promote acquisition management skills. The bill would allow the exchange of employees for between six months and two years. Private-sector employers could be reimbursed for all or part of their employees' assignment with the federal government. Alternatively, H.R. 1837 would allow federal agencies to accept voluntary employment services from private-sector employees.

Based on information from GSA and the experience of similar exchange programs, CBO expects that few private-sector employers would be willing to part with such employees for extended periods of time. Thus, we estimate that this provision would not result in significant additional costs to the government. Any costs for reimbursing private-sector employers would be subject to the availability of appropriated funds.

Other Costs. H.R. 1837 also would establish a new advisory panel to review procurement policies, a Chief Acquisition Officers Council, and a center of excellence in the Office of Federal Procurement Policy. The bill would require various implementing regulations to be issued by GSA, the Office of Personnel Management, and the Office of Management and Budget. In addition, the bill would require the General Accounting Office to prepare certain studies for the Congress on procurement issues. In total, CBO estimates that preforming those responsibilities would cost $1 million per year over the 2004-2008 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1837 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 ESTIMATE

On May 14, 2003, CBO transmitted a cost estimate for H.R. 1837 as ordered reported by the House Committee on Government Reform on May 8, 2003. The two versions of the bill are similar, and our cost estimates are identical.

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