



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 24, 2006

### **H.R. 2965** **Federal Prison Industries Competition in Contracting Act of 2006**

*As ordered reported by the House Committee on the Judiciary on July 12, 2006,  
with a subsequent amendment provided to CBO on July 21, 2006*

#### **SUMMARY**

H.R. 2965 would amend the laws that authorize the Federal Prison Industries (FPI), a government-owned corporation that produces goods and services for the federal government with prison labor. Under current law, most federal agencies are required to award purchase contracts to FPI on a noncompetitive basis if FPI has products 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. Under H.R. 2965, this requirement to award noncompetitive purchase contracts to FPI would be phased out over the 2007-2012 period.

The bill would authorize the appropriation of \$357 million over the 2007-2011 period for new FPI programs. In addition, CBO expects that additional amounts would be needed to pay for security costs at federal prisons. Assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 2965 would cost \$445 million over the 2007-2011 period. Federal agencies might be able to purchase some goods and services less expensively because of the added contracting flexibility the bill would provide, but CBO has no basis for estimating such savings. The bill would have no significant effect on net direct spending by FPI, CBO estimates.

H.R. 2965 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the cost to state, local, and tribal governments for complying with this mandate would be insignificant and well below the threshold established in the act (\$64 million in 2006, adjusted for inflation). The bill contains no new private-sector mandates.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2965 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				
	2007	2008	2009	2010	2011
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>					
Enhanced Vocational Assessment and Training					
Authorization Level	0	75	75	75	75
Estimated Outlays	0	66	75	75	75
FPI Public Service and Donation Programs					
Authorization Level	0	12	12	12	12
Estimated Outlays	0	12	12	12	12
Cognitive Abilities Assessment Demonstration Program					
Authorization Level	0	3	3	3	0
Estimated Outlays	0	2	3	3	1
Additional Security Costs					
Estimated Authorization Level	4	5	21	32	38
Estimated Outlays	4	5	20	31	37
Total Changes					
Estimated Authorization Level	4	95	111	122	125
Estimated Outlays	4	85	110	121	125

## BASIS OF ESTIMATE

CBO assumes that the proposed legislation will be enacted near the beginning of fiscal year 2007 and that the authorized amounts will be appropriated for each year. We estimate that implementing the programs specifically authorized by H.R. 2965 would cost \$348 million over the 2007-2011 period. In addition, CBO estimates that implementing H.R. 2965 would cost the Bureau of Prisons \$4 million in 2007 and nearly \$100 million over the 2007-2011 period for additional security officers to supervise inmates who would no longer be working as a result of implementing this legislation.

## **Enhanced In-Prison Vocational Assessment and Training**

The bill would authorize the Attorney General to establish a Federal Enhanced In-Prison Vocational Assessment and Training Program in federal institutions and would authorize the appropriation of \$75 million a year beginning in fiscal year 2008 for this program. Assuming the appropriation of the specified amounts, CBO estimates that the enhanced program would cost \$291 million over the 2007-2011 period.

## **FPI Public Service and Donation Programs**

The legislation would authorize the Attorney General to establish a new FPI program in federal prisons that, subject to appropriation of the necessary amounts, would produce goods to be donated to nonprofit organizations instead of being offered for purchase to the federal government. In addition, FPI would be authorized to contract with nonprofit organizations and certain public entities for the use of inmate labor to provide charitable services. The bill would authorize the appropriation of \$12 million for fiscal year 2008 and \$48 million over the 2008-2011 period for these programs.

## **Cognitive Abilities Assessment Demonstration Program**

Section 10 would authorize the appropriation of \$3 million for each of the fiscal years 2008, 2009, and 2010 for the Bureau of Prisons to establish a Cognitive Abilities Assessment Demonstration Program in 12 federal institutions. The project would assess inmates' cognitive abilities and perceptual skills to determine what rehabilitative activities would be most successful. CBO estimates that this provision would cost \$9 million over the 2007-2011 period, assuming the appropriation of the authorized amounts.

## **Additional Security Costs**

H.R. 2965 would phase out the requirement for federal agencies to purchase products and services from FPI. During the next five years, CBO expects that FPI's total sales to the federal government would decrease by about 25 percent, assuming that FPI would succeed in selling some products and services under competitive bidding procurements.

The bill would limit FPI's sales to federal agencies to 20 percent of the governmentwide purchases of the kinds of products FPI produces and 5 percent of the kinds of services it provides—regardless of whether the government purchase contracts are awarded on a noncompetitive or competitive basis. The legislation, however, would authorize FPI's board

of directors to allow FPI a greater market share if an agency has requested additional products or services or if necessary to sustain inmates' work levels. CBO expects that few inmates would lose work over the next five years as a result of this restriction on FPI's market share because we expect that the board would try to maintain the number of inmates working for FPI.

Because of the reduction in federal sales, CBO expects that there would be a corresponding reduction in the number of inmates employed by FPI. Currently, no funds appropriated to the Bureau of Prisons are used to provide security to prisoners participating in FPI programs during work hours because this security is provided by FPI. Based on information from the Department of Justice about the number of prison security personnel needed to guard the prison population, CBO estimates that an additional 50 security officers would be needed in fiscal year 2007 to secure prisoners no longer working for FPI; that number would grow to more than 400 by 2011. CBO estimates that providing additional security officers would cost \$4 million in 2007 and nearly \$100 million over the five-year period.

### **Changes in FPI's Direct Spending**

CBO estimates that, under the bill, total receipts collected by FPI would decrease over the five-year period 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 direct spending for each year.

### **Impact on Other Federal Agencies**

The bill would phase out current requirements that federal agencies purchase certain products and services from FPI on a noncompetitive basis. That change might enable agencies to acquire some products or services less expensively through a competitive procurement process. In recent years, agencies have purchased \$800 million to \$900 million worth of goods and services from FPI. CBO has no basis for estimating the savings that might result, but they would likely be a small percentage of the total sales.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

H.R. 2965 contains an intergovernmental mandate as defined in UMRA because it would require most work programs in state and local prisons that provide services in interstate commerce to obtain federal certification in order to continue operating after September 2010 or after the end of their current contract. CBO estimates that the administrative cost to obtain this certification would be insignificant and well below the threshold established in UMRA (\$64 million in 2007, adjusted annually for inflation). This bill would impose no other significant costs on state, local, or tribal governments.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

This bill contains no new private-sector mandates as defined in UMRA.

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