CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 16, 2013

H.R. 328
Excess Federal Building and Property Disposal Act of 2013

As ordered reported by the House Committee on Oversight and Government Reform on March 20, 2013

SUMMARY

H.R. 328 would amend the Federal Property and Administrative Services Act (Property Act) to provide the General Services Administration (GSA) new authorities aimed at facilitating the disposal of federal real property. In addition, the legislation would establish a five-year pilot program with a goal of expediting the disposal of excess and surplus federal property.

CBO estimates that enacting the bill would increase direct spending by $20 million over the 2014-2023 period because it would authorize GSA to spend proceeds from the sale of federal property that are expected to be collected, but not spent, under current law. Because the legislation would affect direct spending, pay-as-you-go procedures apply. In addition, CBO estimates that, assuming the availability of appropriated funds, implementing H.R. 328 would cost $2 million over the 2012-2018 period for additional administrative and reporting costs related to property disposal. Enacting H.R. 328 would not affect revenues.

H.R. 328 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 328 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											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
CHANGES IN DIRECT SPENDING [a]												
Estimated Budget Authority	2	2	2	2	2	2	2	2	2	2	10	20
Estimated Outlays	2	2	2	2	2	2	2	2	2	2	10	20

a. In addition to the costs shown above, CBO estimates that implementing H.R. 328 would cost $2 million over the 2014-2018 period for administrative and reporting costs related to property disposal, assuming the availability of appropriated funds.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 328 will be enacted late in 2013.

Direct Spending

Under the Property Act, GSA currently manages the disposal of surplus federal property for most agencies. The act allows GSA to spend 12 percent of any proceeds from the sale of federal buildings to cover its direct costs related to preparing the property for sale; such costs include auction fees and the cost of obtaining appraisals. The remaining proceeds from surplus property sales are deposited in the Treasury as offsetting receipts and, for the most part, cannot be spent without further appropriation. Under current law, CBO estimates that GSA’s net receipts from the sale of surplus federal property total about $20 million per year.

Under H.R. 328, GSA would be allowed to spend additional proceeds from property sales to pay for the indirect costs related to preparing properties for sale. Such costs would include market research, cost/benefit analyses, and other costs to identify and prepare properties for disposal that have not yet been declared excess to the government’s needs. The legislation would not cap the portion of sales proceeds that could be spent on indirect costs. CBO estimates that authorizing GSA to spend additional proceeds from property sales to pay for such indirect costs would increase direct spending by $2 million a year from the receipts from property sales anticipated to occur under current law. The increase in spending could be as much as $20 million a year, however, depending on how GSA would use this new authority.

The legislation would also establish a five-year pilot program and authorize the expedited disposal of certain excess and surplus federal property. The Director of the General Services Administration, in consultation with the Office of Management and Budget (OMB) and using recommendations from affected agencies, would be required to identify 15 federal properties to be disposed of through this new program. Additional properties would be added to the program as properties were sold, and the program would terminate five years after enactment.

Based on an analysis of information from GAO, OMB, GSA, and other federal landholding agencies, CBO expects that little additional property would be sold under this pilot program for several reasons:

- First, many of the largest federal agencies that manage significant numbers of properties would probably opt to continue using their enhanced-use leasing authorities rather than GSA's property disposition services to leverage value from underused real property;

- Second, any additional properties that would be made available for disposal under the bill would first have to be evaluated for, and could be used as, public benefit conveyances—for homeless shelters or for educational or recreational uses—rather than being offered for sale; and

- Third, since June 2010, the President has already directed agencies to accelerate efforts to dispose of unneeded property, reduce facility operating costs, and adopt more efficient real estate management practices. It is not clear how the pilot program authorized in the bill would significantly accelerate disposal efforts beyond what would occur under current law.

For those reasons, CBO expects that gross proceeds from federal property sales would not increase significantly under this pilot program, and this cost estimate incorporates no increase in such proceeds. However, if the new pilot program and new spending authority to cover indirect costs related to property sales were to result in a 10 percent increase in sales proceeds, that amount would be sufficient to offset CBO's estimate of new direct spending under the bill.

Spending Subject to Appropriation

H.R. 328 would require GSA and GAO to prepare additional reports and would require GSA to improve its database of federal property. Those requirements would include the creation within one year of an online, searchable database of federal real property for use by federal agencies and the public. CBO estimates that implementing those provisions would increase the workloads of GSA and other agencies. Based on information from GSA and some landholding agencies, CBO estimates that those activities would cost $2 million over the 2014-2018 period, assuming availability of appropriated funds.

Better information about federal real property holdings, in conjunction with additional funds for GSA to dispose of surplus facilities, could result in additional property disposals, thus reducing the need for annual appropriations to operate and maintain those facilities. On one hand, GAO has reported that operation and maintenance costs typically account for between 60 percent and 85 percent of the lifetime costs of owning a building. On the other hand, GAO has also reported that the Federal Real Property Profile (the single comprehensive inventory system that contains data on all federal real property assets) often overstates a property's condition and annual operating costs. Those uncertainties make it impossible to estimate potential savings from disposing of property.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table. Enacting the legislation would have no effect on revenues.

CBO Estimate of Pay-As-You-Go Effects for H.R. 328, the Excess Federal Building and Property Disposal Act of 2013, as ordered reported by the House Committee on Oversight and Government Reform on March 20, 2013

	By Fiscal Year, in Millions of Dollars												
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2013-2018	2013-2023
	NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	2	2	2	2	2	2	2	2	2	2	10	20

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 328 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATE PREPARED BY

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