



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 12, 2007

### **H.R. 1362**

#### **Accountability in Contracting Act**

*As ordered reported by the House Committee on Oversight and Government Reform  
on March 8, 2007*

#### **SUMMARY**

H.R. 1362 would amend federal contracting rules. Specifically the legislation would require federal agencies to limit the length of noncompetitive contracts and limit the use of sole-source and cost-reimbursement contracts when possible. H.R. 1362 also would authorize an increase in funds used to pay for contract oversight, planning, and administration equal to 1 percent of the value of an agency's contracts. The legislation would require various reports to the Congress on noncompetitive contracts and contractor overcharges and amend employment restrictions on federal procurement officials.

CBO estimates that implementing H.R. 1362 would cost \$20 billion over the 2008-2012 period, assuming appropriation of the necessary amounts to provide additional resources for contract oversight, planning, and administration. That estimate does not include any costs or savings that could result from implementing the legislation's provisions regarding the use of noncompetitive and cost-reimbursement contracts. CBO has no basis for estimating any costs or savings for those provisions. Enacting the bill could affect revenues by increasing collections of civil penalties, but CBO estimates that any increase in revenue collection would not be significant. Enacting the bill would not affect direct spending.

H.R. 1362 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

H.R. 1362 would impose a private-sector mandate, as defined in UMRA, on certain former federal officials that were substantially involved in the awarding of contracts. CBO expects that the direct cost of complying with the mandate would fall well below the annual threshold for private-sector mandates (\$131 million in 2007, adjusted annually for inflation).

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1362 is shown in the following table. The cost of this legislation falls within all budget functions that provide contract funding.

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	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
<b>SPENDING SUBJECT TO APPROPRIATION</b>					
Estimated Authorization Level	4,000	4,070	4,145	4,220	4,295
Estimated Outlays	3,440	3,900	4,090	4,165	4,240

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## BASIS OF ESTIMATE

H.R. 1362 would amend federal contracting rules and authorize the appropriation of additional funds for contract oversight, planning, and administration. CBO estimates that implementing H.R. 1362 would cost about \$20 billion over the 2008-2012 period, assuming appropriation of the necessary funds. For this estimate, CBO assumes that the bill will be enacted before the start of fiscal year 2008 and that spending will follow historical patterns for contract oversight activity.

### Spending Subject to Appropriation

**Contract Oversight.** Section 203 would authorize the appropriation of additional funds for contract oversight, planning, and administration equivalent to 1 percent of the value of contract awards. Those funds would be used for hiring and training of acquisition workforce personnel, as well as contract planning, administration, and oversight. Based on information from the General Services Administration, CBO estimates that federal government awards contracts with a value of about \$400 billion annually. Thus, CBO estimates that implementing H.R. 1362 would require additional appropriations of about \$4 billion annually (with adjustments for inflation). As a result, we estimate a cost of about \$20 billion over the 2008-2012 period, assuming appropriation of the necessary amounts, and that the value of federal contracts increases at the rate of anticipated inflation.

**Federal Contracting Rules.** H.R. 1362 would amend various contracting rules regarding the use of noncompetitive, sole-source, and cost-reimbursement contracts by the federal government. This would include restrictions on the contract period for noncompetitive contracts and limiting the use of sole-source and cost-reimbursement contracts.

The provisions of the legislation that would impose restrictions on the length of noncompetitive contracts and limit the use of sole-source and cost-reimbursement contracts could increase costs for contract administration, but could also result in the use of other types of contract procurements that may lower costs to the government. CBO has no basis for estimating the net impact on the budget of those provisions. The circumstances involving the use of cost-reimbursement and noncompetitive contracts by federal agencies and the potential to use other types of contracts in those situations is often unique. At this time, CBO does not have sufficient information relating to the use of noncompetitive and cost-reimbursement contracts to determine the magnitude of any cost or savings that could result from implementing H.R. 1362.

**Other Provisions.** The legislation also would require federal agencies to report to the Congress on noncompetitive and contractor overcharges. In addition, H.R. 1362 would require reviews and reports by the Government Accountability Office on the use of federal contracts. H.R. 1362 would amend employment restrictions on federal procurement officials. Based on the cost of similar activities, CBO estimates that those provisions would increase federal administrative costs by a few million dollars a year.

## **Revenues**

Enacting H.R. 1362 could affect federal revenues as a result of new civil penalties for violations of procurement employment restrictions. Collections of civil penalties are recorded in the budget as revenues. CBO estimates, however, that any change in revenues that would result from enacting the bill would not be significant.

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

H.R. 1362 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

## **ESTIMATE IMPACT ON THE PRIVATE SECTOR**

H.R. 1362 would impose a private-sector mandate, as defined in UMRA, on certain former federal officials that were substantially involved in government contracts awarded in excess of \$10 million. The bill would expand an existing one-year restriction that would prohibit those officials from accepting compensation as an employee, officer, director, or consultant from contractors receiving such awards. The mandate would apply to those officials that leave government service after March 31, 2007, but before the date of enactment. The cost of the mandate would be the potential loss of net income resulting from the restriction on those former federal officials. Because the bill would limit the restriction on compensation to apply to lines of business directly related to the awarded contract, CBO expects the direct cost of complying with the mandate would be minimal and would fall below the annual threshold established in UMRA (\$131 million in 2007, adjusted annually for inflation).

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