CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 15, 2005

H.R. 3134
Federal Real Property Disposal Pilot Program and Management Improvement Act of 2005

As ordered reported by the House Committee on Government Reform on November26, 2005

SUMMARY

H.R. 3134 would establish a Federal Real Property Disposal Pilot Program to sell excess, surplus, and underutilized federal property for cash. In addition, the legislation would codify and expand Executive Order 13327—Federal Real Property Asset Management. That order created a Federal Real Property Council, established senior real property officers, and expanded the contents of the government's real property inventory database.

CBO estimates that enacting the bill would increase direct spending by about $5 million in 2006, by $37 million over the 2006-2010 period, and by $40 million over the 2006-2015 period. H.R. 3134 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA), but could make it more expensive for some state and local governments to acquire federal land.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3134 is shown in the following table. The costs of this legislation fall within budget functions 050 (national defense) and 800 (general government).

	By Fiscal Year, In Millions of Dollars									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN DIRECT SPENDING										
Estimated Budget Authority	5	8	8	8	8	3	0	0	0	0
Estimated Outlays	5	8	8	8	8	3	0	0	0	0

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted early in calendar year 2006. Enacting H.R. 3134 would increase direct spending by an estimated $40 million over the 2006-2015 period. The bill also could affect discretionary spending, but CBO estimates that any such change would be small—at least in the near term.

Direct Spending

H.R. 3134 would amend the Federal Property and Administrative Services Act, which governs the disposition of most federal properties. That act, and other statutes that govern real estate transactions of specific agencies and programs, generally require agencies to allocate excess property to other public purposes before offering it for sale. As a result, in most years, only a small portion of excess federal property is typically sold. The remaining properties are transferred to public agencies and institutions through public benefit conveyances. The net proceeds from such sales are deposited in the Treasury as offsetting receipts. Under current law, proceeds from such transactions usually cannot be spent without further Congressional action. CBO estimate that, under current law, offsetting receipts from sales of surplus property governmentwide will total about $40 million a year.

The legislation would establish a five-year pilot program to allow the expedited disposal of excess, surplus, or underutilized federal property. The Director of the Office of Management and Budget (OMB), in consultation with the Federal Real Property Council and with the approval of the General Services Administration (GSA), would be required to select a minimum of five federal properties annually to participate in the program—which would terminate upon the disposal of 100 properties, or five years after enactment, whichever occurs first.

Under H.R. 3134, federal property could be sold only if the federal government receives at least 90 percent of the property's fair market value. In addition, the costs to prepare a

property for sale could not exceed 25 percent of the property's fair market value unless approved by OMB. Proceeds from such sales would be divided among several accounts: 80 percent would be deposited in the Treasury as miscellaneous receipts, while 10 percent would be retained by the agency affected by the sale, 5 percent would be returned to the local taxing jurisdiction where the property is located, and the remaining 5 percent of sales proceeds would be retained by a newly established Federal Real Property Pilot Program Fund to facilitate the disposal of additional federal properties.

Currently, approximately 30 federal landholding agencies control real property assets worldwide valued at over $325 billion. The Department of Defense, the Department of Veterans Affairs, the U.S. Postal Service, and GSA hold the majority of those facilities. Although, H.R. 3134 would expedite the property disposal process, any properties that are offered for sale under the pilot program would be evaluated for a possible public benefit conveyance such as a shelter for the homeless, educational use, or a recreational use just as required under current law before properties are offered for sale.

Under current law, CBO estimates that governmentwide receipts from the sale of surplus property will total about $40 million per year. Under the proposed legislation, an agency could retain and spend 10 percent from the sale of its excess, surplus, or underutilized property. However, given the requirement that all properties would be evaluated for possible public benefit conveyance and the pilot program's five-year authority, CBO expects that this bill would not significantly increase the number of properties sold above the number anticipated under current law. Therefore, allowing agencies, the Federal Real Property Council, and local jurisdictions to retain and spend 20 percent of the proceeds from federal property sales would result in a net cost. Thus, we estimate that the use of proceeds under the bill from the future sale of surplus property would increase direct spending by $40 million over the five-year pilot period (starting in 2006 and finishing in early 2011).

Spending Subject to Appropriation

Sales of excess, surplus, and underutilized property could lead to a small reduction in the need for appropriated funds to pay for improvement and maintenance of properties. Because the backlog of repair and renovation work for federal buildings is estimated to cost between $6 billion and $7 billion, CBO estimates that such savings would not be significant over the next five years.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3134 contains no intergovernmental or private-sector mandates as defined in UMRA. By waiving sections 550 and 553 of title 40 of the U.S. Code, and section 501 of the McKinney-Vento Homeless Assistance Act, enacting the bill could make it more expensive for some state and local governments to purchase certain federal properties.

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