



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 12, 2005

S. 457

Purchase Card Waste Elimination Act of 2005

*As ordered reported by the Senate Committee on Homeland Security
and Governmental Affairs on June 22, 2005*

S. 457 would direct the Office of Management and Budget (OMB) to issue guidance to all executive branch agencies on the use of purchase cards (a purchase card is a credit card issued by a commercial bank for the federal government to purchase goods and services). Under the bill, OMB would review all cardholder practices and require agencies to submit reports that assess the compliance with the new guidelines. The legislation also would require the General Services Administration (GSA) to improve its efforts to secure discounts with vendors using purchase cards. Finally, the bill would require GSA to work with the Internal Revenue Service (IRS) and Financial Management Service (FMS) to develop procedures to implement the Federal Payment Levy Program (FPLP) to purchase card payments.

Enacting S. 457 could result in budget savings, but CBO cannot estimate the likely amounts of such savings, if any. Achieving the goals of this legislation by reducing wasteful and fraudulent agency purchases and obtaining discounts from retailers would reduce federal spending, assuming amounts provided in appropriation acts would be correspondingly diminished. S. 457 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

Most of the provisions of S. 457 would expand the current practices of the federal government regarding purchase card usage. Agencies must actively manage charge-card programs by establishing policies and procedures, oversight, and pursue violations of authorized card use. This includes individual agencies and GSA providing purchase-card training and obtaining discounts from major purchase-card vendors.

The Government Accountability Office (GAO) estimates that discounts of \$300 million a year could be available to the Departments of Defense, Veterans Affairs, Agriculture, Justice, Interior, and Transportation if those agencies could obtain 10 percent discounts from frequently used vendors. Such negotiated discounts are frequently obtained under current

law, and CBO has no basis to predict whether the goals of the legislation would be met by more negotiations with such vendors, better guidelines for the use of purchase cards, and more careful monitoring of their use.

Another purpose of the legislation is to integrate purchase cards into the FPLP. Under FPLP, the IRS can collect overdue taxes through a continuous levy of up to 100 percent on certain federal payments. GAO estimates that federal contractors currently owe several billion dollars in unpaid taxes. Based on information from FMS, OMB, and GSA, however, CBO expects any additional collections under S. 457 would likely be insignificant—at least in the near term—because of unresolved operational and privacy issues related to integrating purchase cards into the FPLP.

The CBO staff contact for this estimate is Matthew Pickford. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.