



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 12, 2011

H.R. 690 **Federal Trade Commission and National Gallery of Art Facility Consolidation, Savings, and Efficiency Act of 2011**

*As ordered reported by the House Committee on Transportation and Infrastructure
on February 16, 2011*

SUMMARY

H.R. 690 would require the Administrator of the General Services Administration (GSA) to transfer the headquarters building of the Federal Trade Commission (FTC) to the National Gallery of Art (NGA). Employees of the FTC would be relocated to another building.

CBO estimates that implementing H.R. 690 would cost \$270 million over the 2012-2016 period, assuming appropriation of the necessary funds. That cost is net of savings from ending certain NGA leases. After 2016, net costs or savings from implementing the bill are uncertain.

Enacting the bill could affect direct spending; therefore, pay-as-you-go procedures apply. However, CBO estimates that any increase in direct spending under the bill would be negligible. Enacting H.R. 690 would not affect revenues.

H.R. 690 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 690 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					2012- 2016
	2012	2013	2014	2015	2016	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
National Gallery of Art						
Estimated Authorization Level	0	0	0	5	*	5
Estimated Outlays	0	0	0	5	*	5
Federal Trade Commission						
Estimated Authorization Level	0	300	0	10	5	315
Estimated Outlays	0	10	40	110	105	265
Total Changes						
Estimated Authorization Level	0	300	0	15	5	320
Estimated Outlays	0	10	40	115	105	270

Note: * = less than \$500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted late in fiscal year 2011, that the necessary funds will be provided for each year, and that spending will follow historical patterns for similar projects.

H.R. 690 would direct GSA (the administrator of the FTC headquarters building) to transfer that building to the NGA by December 31, 2014. The building would be renamed the North Building of the National Gallery of Art. Under this bill, after the transfer, the FTC would be relocated to another government-owned site. Assuming appropriation of the necessary funds, CBO estimates that implementing H.R. 690 would cost \$270 million over the 2012-2016 period, mostly for construction of a new building to accommodate employees of the FTC. Those costs are net of savings from terminating certain leases currently being paid by the NGA. (Those savings are estimated at \$14 million through 2016.)

That estimate assumes that all FTC employees would be consolidated into a single government-owned site. Costs to relocate the FTC could be lower if existing government-owned space could be found to accommodate the agency or if existing FTC headquarters staff were reassigned to multiple work sites. Alternatively, if suitable government-owned space could not be located or purchased, GSA might pursue a long-term lease of a privately owned facility. In that case, costs would be greater than presented in this estimate.

After 2016, the net budgetary impact of implementing the bill is uncertain. Whether the NGA could raise sufficient private donations to pay for the costs of modifying the FTC building to display and store artwork and provide office space is unknown. (No funds would be authorized to be appropriated for this purpose—thus, no costs to renovate the building are included in this cost estimate.) The total amount of savings after 2016 that could be realized from terminating certain lease agreements for the NGA and the FTC is also unknown because it is unclear how long those agreements will continue under current law.

National Gallery of Art

The NGA is housed primarily in two buildings on the Mall (the West and East Buildings) that were presented as gifts to the United States from private donors in 1941 and 1978. The NGA currently has two leases for office space and a service agreement to store artwork. According to the NGA, more space will be needed in the future to accommodate additional administrative staff and to display and store additional artwork.

Under the bill, after transfer of the building from the FTC to the NGA, all initial costs of remodeling, renovating, and reconstructing it would be funded by private donations. The NGA estimates that it would cost at least \$150 million to modify the structure, mostly to create new areas to display art; those costs do not include other improvements to the area, such as a tunnel from the new facility to the East and West Buildings. Gallery staff expect that some of the existing space in the FTC building could be used soon after the building is transferred (in 2015) for administrative offices; thus, initial renovation work would focus on creating new display areas.

Based on information from the NGA, CBO estimates that the costs to modify the building would occur after 2016. Although H.R. 690 states that initial modification costs may not come from appropriated funds, it is unclear whether the agency could attract sufficient donations from private individuals to cover those costs. Since the original buildings were donated to the NGA, all renovations and repairs to those facilities have been completed with appropriated funds. For example, the NGA is midway through a large renovation project that was begun in 1999 and has involved more than \$140 million worth of improvements, primarily to the West Building. The NGA is also working on an \$85 million project to repair the exterior marble veneer of the East Building. Both projects are being undertaken using appropriated funds. (Funds to purchase and maintain artwork, as well as to cover the costs of certain special programs, are provided through private donations.)

CBO expects that the NGA would move some of its administrative staff into the FTC building in 2015 and begin the redesign process. In addition, we expect that, in order to preserve the historic details of the building, any significant renovations to the building would take a few years. Thus, we estimate that implementing the legislation would cost

the NGA about \$20 million over the 2015-2016 period, primarily for moving costs, initial design work, and office equipment. Those costs would be offset beginning in 2015 by savings from ending two of the NGA's leases for administrative office space. Those leases cost about \$7 million annually and could be terminated around 2015 if the NGA were able to use the FTC building for administrative offices without significant modifications. On balance, CBO estimates that net costs to the NGA would total about \$5 million over the next five years, assuming appropriation of the necessary funds.

Federal Trade Commission

H.R. 690 would direct GSA to relocate employees from the current FTC headquarters building to other government-owned facilities. The legislation specifically identifies two possible locations; however, according to GSA, the Department of Health and Human Services, the Architect of the Capitol, and GSA are currently slated to occupy those locations.

Information from GSA indicates that there is currently not enough vacant space in a government-owned facility in the District of Columbia to accommodate an agency the size of the FTC; therefore, CBO expects that a new building would have to be built, purchased, or leased to serve as the FTC headquarters.

Building inventory information from GSA shows that the agency leases more office building space in the District of Columbia than it owns. Minimizing the cost of long-term building leases demands that GSA aggressively pursue strategies to make optimal use of federally owned buildings. Under the Federal Trade Commission Act, the FTC headquarters must be located in the District of Columbia. (The FTC currently leases two facilities to accommodate employees that cannot be housed in its headquarters space. Those leases cost about \$14 million annually.) If GSA chose to move the FTC into government-owned office space in the District of Columbia that is already in use, those employees would in turn need to be moved to federally owned or leased space elsewhere in the Washington region at an additional cost.

Purchasing or constructing buildings for permanent federal use is more cost-effective than entering into long-term leases; therefore, CBO assumes that GSA would choose to build or buy the FTC a new headquarters building. Based on information from GSA, the cost of constructing a facility large enough to accommodate the FTC (including the current headquarters and leased space) in the District of Columbia would be around \$300 million. The exact cost would depend on the specific site chosen, the ultimate size of the building, and the specialized needs of the FTC (including administrative and courtroom space). Over the 2013-2016 period, CBO estimates that GSA would spend about \$265 million, primarily to design and begin initial construction and to lease space until the new facility is completed. CBO estimates that it would cost at least \$65 million

after 2016 to continue short-term leases, complete construction, and move the FTC to the new building. At that point, leases could be terminated, saving \$14 million annually.

The cost to relocate the FTC headquarters could be higher or lower than the amount presented in this cost estimate. If the FTC employees could be accommodated in an existing federally owned facility (or multiple facilities) in the District of Columbia without displacing other federal employees, implementing H.R. 690 would cost considerably less. However, costs could also be higher if GSA were to enter into a long-term lease of a private building to house the FTC.

Federal budget accounting rules include specific guidelines that are used to determine when the government is leasing a facility for temporary use versus when the government is essentially purchasing a facility to meet a long-term need via a leasing agreement. Such agreements are known as lease-purchase contracts. Funds to execute federal lease-purchase contracts receive a special budgetary treatment: when the government enters into lease-purchase contracts, the present value of all expected future lease payments is required to be provided in an appropriations act before entering into such an agreement. Because lease payments for privately owned facilities include charges to recover the costs of financing the acquisition of such buildings, the cost of acquiring a facility for federal use via a long-term lease agreement is typically more than an outright cash purchase or the cost of building a new facility.

Offsetting Savings

To cover some of the costs of implementing H.R. 690, section 5 of the legislation would authorize GSA to use up to \$25 million of unobligated balances that may remain from appropriations made in previous years for the construction of a federal courthouse in Salt Lake City, Utah. Appropriations for that courthouse totaled \$211 million. Based on information from GSA, CBO expects that following completion of the courthouse, remaining unobligated balances will be negligible. Therefore, we estimate that this provision would have no significant impact on direct spending.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. H.R. 690 could affect direct spending from the use of unobligated balances from the Federal Buildings Fund; therefore, pay-as-you-go procedures apply. CBO estimates, however, that any increase in direct spending would be negligible.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 690 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Spending: Matthew Pickford

Impact on State, Local, and Tribal Governments: Melissa Merrell

Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Theresa Gullo

Deputy Assistant Director for Budget Analysis