



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 25, 2014

H.R. 1232 **Federal Information Technology Acquisition Reform Act**

*As ordered reported by the Senate Committee on Homeland Security
and Governmental Affairs on June 25, 2014*

SUMMARY

H.R. 1232 would amend the laws governing the procurement and management of information technology (IT) systems throughout the federal government. Specifically, the legislation would expand the existing Federal Data Center Consolidation Initiative to require agencies to inventory their data centers (facilities used to house computer systems and associated components) and to submit plans for optimizing their use. In addition, the bill would increase the authority of federal Chief Information Officers (CIOs), and require reports and analysis by government agencies concerning their IT investments.

CBO estimates that implementing H.R. 1232 would cost \$30 million over the 2015-2019 period, assuming appropriation of the necessary amounts. Although improving the procurement and management of IT systems, including optimizing the use of federal data centers, ultimately could reduce spending, CBO does not expect that there would be any significant savings from implementing this legislation for the next few years.

Enacting the bill could affect direct spending by agencies not funded through annual appropriations; therefore, pay-as-you-go procedures apply. CBO estimates, however, that any net change in spending by those agencies would not be significant. Enacting the bill would not affect revenues.

H.R. 1232 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. 1232 is shown in the following table. The costs of this legislation fall within all budget functions that include funding to purchase information technology.

	By Fiscal Year, in Millions of Dollars					2015- 2019
	2015	2016	2017	2018	2019	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	2	7	7	7	7	30
Estimated Outlays	2	7	7	7	7	30

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1232 will be enacted in late 2014 and that the necessary amounts for implementing the bill will be appropriated for each year.

Administration of Information Management and Procurement

The federal government spends about \$80 billion annually on IT investments. Many provisions of H.R. 1232 would codify and expand upon the government's current practices concerning IT management and procurement. Office of Management and Budget (OMB) memoranda, Presidential directives, Administration initiatives, and other plans have directed federal agencies to improve the oversight of underperforming IT systems, more effectively manage IT costs, address duplicative investments through the IT Dashboard (a system with detailed information on major IT investments by the federal government), hold TechStat reviews (meetings to terminate or turnaround poorly performing federal IT investments), and implement plans to consolidate federal data centers.

H.R. 1232 would require 24 major agencies to submit comprehensive inventories of their IT facilities to OMB as well as plans for phasing out some data centers and optimizing performance at the remaining facilities. Under the bill, agencies also would be required to submit estimates of cost savings from consolidating those facilities. The Government Accountability Office (GAO) would be required to annually review and verify agency efforts in this area and report to the Congress on its findings. In addition, the legislation would expand the role and responsibilities of agency CIOs and expand the analysis needed to justify and report on government-wide IT procurements.

Based on information from selected agencies, OMB, and GAO studies and reports on similar efforts to improve the cost effectiveness of IT spending, CBO expects that the administrative workload of most agencies would increase under H.R. 1232, mostly to prepare additional reports and to conduct more thorough reviews of IT spending. CBO estimates that implementing H.R. 1232 would cost \$7 million a year, assuming appropriation of the necessary amounts.

Savings

The President's Budget for Fiscal Year 2015 reported that agencies have saved about \$1.6 billion through IT reform initiatives in recent years. Some of those savings come from the current Federal Data Center Consolidation Initiative to close up to 40 percent of the 1,200 consolidated data centers by the end of 2015 and from using tools like PortfolioStat reviews to reduce inefficiency, duplication, and unnecessary spending. Because most of the requirements of H.R. 1232 would make incremental changes to the current policies and practices, CBO expects that any additional savings from implementing this bill over the next five years would be small.

PREVIOUS CBO ESTIMATES

On December 6, 2013, CBO transmitted a cost estimate for S. 1611, the Federal Data Center Consolidation Act of 2013, as ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on November 6, 2013. On November 12, 2013, CBO transmitted a cost estimate for H.R. 1232, as ordered reported by the House Committee on Oversight and Government Reform on March 20, 2013. Both S. 1611 and the Senate version of H.R. 1232 contain identical provisions on data center consolidation. Although the House and Senate versions of H.R. 1232 both address the management and procurement of federal IT systems, CBO estimates that the House bill would have a greater cost because it has a larger scope.

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. Enacting the bill could affect direct spending by agencies not funded through annual appropriations; therefore, pay-as-you-go procedures apply. CBO estimates, however, that any net increase in spending by those agencies would not be significant. Enacting the bill would not affect revenues.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1232 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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