



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 14, 2014

H.R. 2751
Commonsense Construction Contracting Act of 2013

As ordered reported by the House Committee on Small Business on March 5, 2014

H.R. 2751 would prohibit federal agencies from purchasing design or construction services using online, dynamic auctions—often referred to as reverse auctions. In a traditional auction a buyer with the highest bid wins the right to purchase an object. In a reverse auction a buyer seeking a good or service solicits bids, multiple sellers offer bids, and the seller with the lowest bid wins the competition. The legislation would prohibit a specific type of reverse auction for construction and design procurements, specifically those done in a real-time auction on the Internet among a group of sellers with the option to submit revised bids during the auction.

CBO reviewed information on the use of reverse auctions in government procurement contracts by the Army Corps of Engineers, the General Services Administration, and the Government Accountability Office. In general, those offices have found that reverse auctions are not suitable for complex contracts like design and constructive services. Those agencies have found that using this type of reverse auction in such complex procurements does not consistently result in lower procurement cost than would result from other methods such as sealed bids or negotiated procurements. CBO estimates that implementing H.R. 2751 would not require agencies to make a significant change in their typical contracting process and thus would not have a significant effect on the federal budget.

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 be negligible. Enacting H.R. 2751 would not affect revenues.

H.R. 2751 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.

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