



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Revised December 1, 2016

H.R. 6004 **MGT Act**

As passed by the U.S. House of Representatives on September 22, 2016

SUMMARY

H.R. 6004 would establish new budget accounts to fund efforts to modernize government information technology (IT) systems. New accounts would include a working capital fund at each major agency that would be used to retire and replace older IT systems and a single government-wide technology and modernization fund to update federal IT systems and make them more secure. H.R. 6004 also would establish a board of managers to oversee, evaluate, make recommendations, and monitor federal IT spending.

CBO estimates that implementing this legislation would cost \$9 billion over the 2017-2021 period, assuming appropriation of the necessary amounts. CBO also estimates that enacting H.R. 6004 would increase direct spending by \$3 billion over the 2017-2019 period because it would allow agencies to spend previously appropriated funds that would otherwise lapse. Because enacting the legislation would increase direct spending, pay-as-you-go procedures apply. Enacting H.R. 6004 would not affect revenues.

CBO estimates that enacting H.R. 6004 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 6004 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 effects of H.R. 6004 are shown in the following table. The costs of this legislation fall within all budget functions that contain government IT spending.

	By Fiscal Year, in Billions of Dollars					2017- 2021
	2017	2018	2019	2020	2021	
INCREASES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	3	3	3	3	12
Estimated Outlays	0	1	2	3	3	9
INCREASES IN DIRECT SPENDING						
Estimated Budget Authority	3	0	0	0	0	3
Estimated Outlays	1	1	1	0	0	3

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 6004 will be enacted near the end of calendar year 2016, that the necessary amounts will be appropriated each year, and that spending will follow historical spending patterns for similar investments in IT.

Spending Subject to Appropriation

The federal government spends about \$90 billion annually on IT investments. The Federal Government's IT Dashboard indicates that 70 percent of that spending is for operations and maintenance and about 20 percent is for modernization and enhancement.

CBO expects that modernizing the entire federal IT infrastructure would take many years, would require that many obsolete or outdated systems continue to be used and maintained until they are replaced, and would cost many billions of dollars to fully accomplish. The total costs of such a comprehensive effort is uncertain and would depend on how the Administration proposes to implement the directive, how much money is provided, and when those funds are provided. The President proposed to provide \$3 billion in the 2016 budget to begin this modernization effort. CBO expects that increasing annual IT spending by that amount would allow the federal government to make significant progress on modernizing existing IT systems and would cost \$12 billion over the 2017-2021 period, \$9 billion of which would be subject to appropriation under the terms of this act.

Direct Spending

Section 3 would establish a working capital fund for IT and would allow federal agencies to transfer funds that were appropriated for other purposes into that fund. Based on an

analysis of discretionary funds that were unobligated and unspent over the 2012-2016 period, CBO expects that about \$6 billion would be available to transfer to the IT working capital fund. Amounts transferred would remain available for obligation for three years after the transfer; CBO expects agencies would transfer to this new fund appropriated amounts that would otherwise lapse. Extending the period of availability for funds that are already appropriated would be a reappropriation and considered to be direct spending. Because agencies would probably want to keep some of those balances for unexpected expenses, CBO estimates that half of that amount would be transferred and used by federal agencies for IT investments over the next two years, increasing direct spending by \$3 billion over the next three years.

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. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 6004, as passed by the U.S. House of Representatives on September 22, 2016

	By Fiscal Year, in Billions of Dollars											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026
NET INCREASE OR DECREASE (-) IN THE [ON-BUDGET] DEFICIT												
Statutory Pay-As-You-Go Impact	1	1	1	0	0	0	0	0	0	0	3	3

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 6004 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 6004 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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