



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

May 8, 2008

**H.R. 5787**  
**Federal Real Property Disposal Enhancement Act of 2008**  
*As ordered reported by the House Committee on Oversight and Government Reform  
on May 1, 2008*

**SUMMARY**

H.R. 5787 would amend the Federal Property and Administrative Services Act (Property Act) to give the General Services Administration (GSA) new authorities to help facilitate the disposal of federal property. CBO estimates that enacting the bill would reduce net direct spending by \$15 million over the 2009-2018 period. The bill would not affect revenues.

H.R. 5787 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. 5787 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											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-2013	2009-2018
<b>DIRECT SPENDING</b>												
Estimated Budget Authority	*	-1	-1	-1	-2	-2	-2	-2	-2	-2	-5	-15
Estimated Outlays	*	-1	-1	-1	-2	-2	-2	-2	-2	-2	-5	-15

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

## **BASIS OF ESTIMATE**

Enacting H.R. 5787 would increase both direct spending and offsetting receipts (a credit against direct spending) by making it easier for federal agencies to dispose of federal property. For this estimate, CBO assumes that the bill will be enacted near the end of 2008.

### **Property Disposal Under Current Law**

Under the Property Act, GSA manages the disposal of surplus federal property for most agencies. That act requires GSA to first offer excess property to other federal agencies, then, at discounts of up to 100 percent, to state or local governments and nonprofit organizations before selling the property through a competitive bidding process. The act also allows GSA to retain 12 percent of the proceeds from such sales to cover its direct costs, such as auction fees and appraisals. (In fiscal year 2007, GSA used about \$4 million for those purposes). The remaining net proceeds (currently about \$20 million per year) are deposited in the Treasury as offsetting receipts.

The current federal property program generates only modest proceeds for several reasons. First, much of the surplus property disposed of under current law is conveyed without reimbursement (under authorities such as homeless conveyances). Second, property sales, and thus receipts, are limited because many federal agencies lack appropriated funds to initiate the disposal process. In addition, some agencies have little incentive to maximize the income they receive from property sales because they cannot retain any of those receipts to expedite such transactions or for other activities. (Some agencies, however, can retain the proceeds of enhanced-use leases for property improvements.)

### **Property Disposal Under H.R. 5787**

H.R. 5787 would address some of the problems with the current disposal process for federal property by allowing GSA to retain and use additional proceeds from property sales to help pay for the direct and indirect costs of other agencies' disposal activities. Activities include additional market research, cost/benefit analyses, and other activities to identify and prepare properties for disposal that have not yet been declared excess. Net proceeds from sales under the bill would be available, subject to future appropriation, for other property management activities.

## **Estimated Impact on the Federal Government**

Based on information from GSA and some landholding agencies, CBO estimates that enacting H.R. 5787 would increase direct spending, beginning in 2009, by about \$2 million annually as GSA uses proceeds from existing property sales to help other agencies identify and prepare new properties for disposal. Additional receipts would be generated as those new properties are sold, and those receipts (estimated to total about \$4 million annually) would eventually offset the additional costs. Because proceeds from the new sales would lag spending by several months, the net impact of the bill in 2009 would be negligible. CBO estimates that offsetting receipts earned from additional sales under the legislation would total about \$35 million over the 2009-2018 period; additional spending would total an estimated \$20 million.

CBO expects that GSA would work with agencies using the new authorities provided in this bill to make more properties available for disposal than they could under existing law. The impact would be modest, however, because we assume that many of the largest federal agencies that manage significant numbers of properties would likely opt to continue using their enhanced-use leasing authorities rather than GSA's services to leverage value from underused real property. In addition, any new properties that would be made available for disposal under the bill would still have to be evaluated for possible public benefit conveyances—for shelter for the homeless, or for educational or recreational uses—before those properties could be offered for sale. Consequently, CBO expects that the number of properties sold for cash under this bill would be relatively small.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 5787 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill would benefit state, local, and tribal governments by requiring federal agencies to make additional property available to those entities before they offer it for sale.

**ESTIMATE PREPARED BY:**

Federal Costs: Matthew Pickford

Impact on State, Local, and Tribal Governments: Elizabeth Cove

Impact on the Private Sector: Paige Piper/Bach

**ESTIMATE APPROVED BY:**

Theresa Gullo

Deputy Assistant Director for Budget Analysis