



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 9, 1997

H.R. 404

A bill to amend the Federal Property and Administrative Services Act of 1949 to authorize the transfer to state and local governments of certain surplus property for use for a law enforcement or fire and rescue purpose

As ordered reported by the House Committee on Government Reform and Oversight on September 30, 1997

H.R. 404 would authorize the General Services Administration (GSA) to transfer surplus real and related property at no cost to state governments for use by law enforcement or fire and rescue services. Because enacting this legislation would increase direct spending by reducing the amount of offsetting receipts from the sale of federal real property, pay-as-you-go procedures would apply. Although we do not know which properties the federal government would convey as a result of this legislation, based on the number and value of federal properties previously transferred to state and local governments, CBO estimates that the amount of forgone receipts from enacting H.R. 404 would total between \$10 million and \$15 million over the 1998-2002 period. If the inventory of excess and surplus properties at GSA increases significantly over that of recent years, the amount of forgone receipts could be higher than \$15 million over the next five years. H.R. 404 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995.

Under the Federal Property and Administrative Services Act, which governs the disposal of most federal real property, GSA first offers property excess to the needs of an agency to other federal agencies. If no further federal interest exists in the property, it is declared surplus to the needs of the federal government. GSA has several options for disposing of surplus property including: (1) transferring the property to a state or local government or to an eligible nonprofit organization at little or no cost under several restricted “public purpose” uses, (2) negotiating a sale with a state or local government, or (3) selling the property to the public under competitive bidding procedures.

H.R. 404 would add law enforcement and fire and rescue to the list of authorized public purpose programs, which currently includes education, public health, correctional facilities, public parks and recreation areas, and public airports. Under the public purpose program,

eligible recipients must seek a sponsoring agency, which then works with GSA in determining the property's "highest and best use." With the exception of properties conveyed under Title V of the Stewart B. McKinney Homeless Assistance Act, GSA has the final say in determining whether a property is to be sold or conveyed under a public purpose authority; however, in most cases, properties approved as meeting a recognized public purpose are transferred to the requesting entity.

CBO is aware of only one piece of surplus property that H.R. 404 would immediately affect if enacted. Riverside County in California is currently leasing—at no cost—365 acres of property at the March Air Force Base, which became available as a result of actions by Base Realignment and Closure Commission in July 1993. The state of California would like to acquire the property and use it for the training of fire, rescue, and police officers. That use was approved by the March Joint Powers Authority (MJPA)—the local redevelopment agency—under its "Master Reuse Plan" for the surplus property and is supported by the Air Force. Under H.R. 404, the property would likely be transferred to the state. Based on information provided by the MJPA, we expect that the property eventually could be sold, but that any sale would probably not occur before fiscal year 2008. Further, since the Department of Defense has the authority to retain and use, without further appropriation action, any receipts generated from the sale of base closure properties, any sale of such properties would have no net effect on direct spending over time.

In general, CBO expects that adding law enforcement and fire and rescue to the list of eligible activities would result in additional requests by state and local governments for transfers of surplus property. In some instances, we expect that GSA would transfer property that would have been conveyed anyway under one of the existing public purpose uses. In fiscal year 1996, GSA transferred 46 properties with an estimated value of \$137 million to state and local governments and eligible nonprofit organizations. In other instances, we anticipate that properties that would have been sold under existing law would instead be conveyed at no cost, resulting in an increase in direct spending. Because most sales of surplus property take a year or more to complete, enacting the bill is unlikely to have a significant budgetary impact in 1998. CBO expects that enacting the bill would result in transferring several additional properties to state governments over the subsequent four years, resulting in a loss of offsetting receipts averaging about \$3 million a year.

The CBO staff contact for this estimate is John R. Righter. This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.