CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 24, 1998

H.R. 4244
Federal Procurement System Performance Measurement and Acquisition Workforce Training Act of 1998

As ordered reported by the House Committee on Government Reform and Oversight on July 23, 1998

SUMMARY

H.R. 4244 would amend the Office of Federal Procurement Policy Act to require agencies to measure and report on the performance of their procurement systems and to ensure that employees in procurement positions are properly trained and educated. In addition, the bill would require agencies to identify and report on activities that could be performed by the private sector. It also would require the Defense Commissary Agency (DCA) to sell scanner data to a private firm under a contract that is currently in dispute. Finally, the bill would temporarily exempt certain contracts of the Federal Employees Health Benefits Program (FEHBP) from accounting standards established by the Cost Accounting Standards (CAS) Board of the Office of Management and Budget (OMB).

To pay for some of the costs to provide governmentwide training to personnel in acquisition positions, the legislation would authorize OMB to transfer from certain appropriated accounts of federal agencies as much as $30 million annually in unobligated funds. CBO estimates that implementing this authority would increase spending by about $14 million in fiscal year 2000, $20 million in each of fiscal years 2001 and 2002, and $25 million, on average, each year thereafter. Because the spending would not depend on additional appropriation action, pay-as-you-go procedures would apply. In addition, CBO estimates that exempting certain FEHBP contracts from the standards of the CAS Board would increase direct spending by a total of about $3 million over fiscal years 2000 and 2001.

H.R. 4244 also would necessitate an increase in discretionary spending for agencies to measure and report on the performance of their procurement systems, share in the cost to provide health insurance to active workers, train and educate employees in acquisition positions, pay for the certification of procurement employees, and identify and report on activities that could be performed by the private sector. In total, CBO estimates that, subject

to the availability of appropriated funds, implementing these provisions would cost agencies $16 million over the 1999-2003 period. To the extent that it results in an acquisition workforce that is better trained and more educated, the bill could eventually result in more effective use of appropriated funds to procure goods and services. CBO, however, has no basis for estimating the potential savings from such improvements.

H.R. 4244 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.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4244 is shown in the following table. The costs of this legislation fall within several budget functions.

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	15	22	26	25	25
Estimated Outlays	0	0	16	21	20	25
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	2	-11	-2	7	22
Estimated Outlays	0	2	-10	-3	6	21

Direct Spending

CBO estimates implementing H.R. 4244 would increase direct spending by a total of about $82 million over the 1999-2003 period, with most of that estimated increase resulting from the use of unobligated balances to fund the cost of training civilian personnel in acquisition positions.

Funding for Governmentwide Acquisition Training. Section 107 of the bill would authorize OMB to transfer unobligated balances available to agencies for salaries and other operating expenses for use in administering governmentwide training and education. The funds would be made available to the Office of Federal Procurement Policy (OFPP) and would remain available until expended. The bill would limit the amount transferred each

year to the lesser of either 20 percent of the unobligated balances available to each agency or $30 million.

By allowing OFPP to use certain unobligated funds from agencies, H.R. 4244 would result in a net increase in outlays. While some of the funds transferred to OFPP under the bill might be spent under current law, we expect that agencies would primarily transfer balances that they otherwise would not spend. For instance, for the 24 agencies covered by the Chief Financial Officers Act, more than $1.2 billion in funds appropriated for salaries and other operating expenses lapsed at the end of fiscal year 1997. Under H.R. 4244, only $150 million in unobligated funds would need to be available each year in order for OMB to transfer the maximum amount of $30 million to the training fund (20 percent of $150 million).

Allowing sufficient time for OFPP, the General Services Administration, and other agencies to establish procedures and requirements for training the additional acquisition personnel, CBO estimates that enacting the legislation would lead to an increase in direct spending outlays of $14 million in fiscal year 2000, $20 million in each of fiscal years 2001 and 2002, and $25 million, on average, each year thereafter. These amounts are net of any spending that would occur anyway under current law. Because we expect that the first transfer of unobligated balances would occur at the end of fiscal year 1999, we estimate that outlays from such funds would not begin until fiscal year 2000.

Delay of Cost Accounting Standards for Certain FEHBP Contracts. Section 302 would exempt certain health insurance carriers contracting with the FEHBP from complying with cost accounting standards established under the Office of Federal Procurement Policy Act until six months after the CAS Board Review Panel issues a report to the Congress. Under current law, the Office of Personnel Management (OPM), which administers the FEHBP and negotiates contracts with qualified carriers, instructs carriers to comply with CAS to the maximum extent practicable. CBO assumes that the panel's report will be released in mid-1999, and that the bill would therefore allow a moratorium on the application of CAS to FEHBP contracts to be in effect through the end of calendar year 1999.

Temporarily exempting plans from the application of the CAS provisions under review by the panel would have a negligible effect on both the costs incurred by health plans and the federal costs of the FEHBP. By the end of calendar year 1999, CBO assumes—under current law—that OPM and the plans would reach an agreement over those provisions, through their ongoing negotiations or through the waiver process, which would correspond to the recommendations issued by the panel. However, the moratorium also would relax CAS standards for certain accounting practices and would likely result in the reporting of higher administrative costs by plans to OPM than under current law.

As a result, CBO believes that the moratorium would increase federal costs for the FEHBP by allowing higher administrative costs to be incorporated into premium rates for calendar year 2000. CBO estimates the provision would increase federal costs by a total of $5 million in fiscal years 2000 and 2001. About one-half of the increase would be for payments of the federal share of the health insurance premiums for annuitants in the FEHBP, which are considered direct spending. The remainder would be for agency payments for premiums for active workers, which are subject to appropriation. Thus, CBO estimates that the moratorium would increase direct spending for annuitants' FEHBP benefits by $2 million in fiscal year 2000 and by $1 million in fiscal year 2001. The provision's corresponding effect on discretionary spending is discussed below.

Amendment of Savings Provision of Clinger-Cohen Act. H.R. 4244 also would amend the savings provision established under the Clinger-Cohen Act, which provided that procurement orders in protest at the time of enactment would continue to be heard and decided by GSA's Board of Contract Appeals. The amendment by H.R. 4244 would affect a group of protests involving the Defense Commissary Agency, a component of DoD. Specifically, the bill would require DCA to sell scanner data to a private entity. Under a contract previously entered into but terminated by DCA, the agency would receive support services and cash in exchange for the data. The original award by DCA was appealed by several companies, and DCA subsequently withdrew the award after determining that the solicitation for bids was inadequate to meet its needs. Whether a contract still exists between DCA and the winning bidder is still in dispute. According to DCA, which is selling the data to several companies on an interim basis, it would receive more money for the scanner data under a new round of bids than it would under the terms of the contract in the dispute. Thus, requiring performance under the original contract would decrease collections to DCA from the sale of the data. However, because DCA can retain and spend the proceeds of the sale without further appropriation action, CBO estimates the provision would have no net effect on direct spending. Requiring that DCA carry out the contract could result in savings if DCA would otherwise be found liable for having terminated the original contract without proper compensation. CBO has no basis for estimating any potential savings that could arise from avoiding the payment of damages that might result from the contract dispute.

Spending Subject to Appropriation

In addition to its effects on direct spending, H.R. 4244 also would affect the discretionary costs for a variety of activities related to procurement. In total, CBO estimates that, subject to the availability of appropriated funds, these costs would increase discretionary spending by $16 million over the 1999-2003 period. That estimate reflects the fact that some training costs would be funded under the bill by the transfer of unobligated balances. In addition, to the extent that it results in an acquisition workforce that is better trained and more educated,

the bill could eventually result in a more effective procurement process. CBO, however, has no basis for estimating the potential savings from such improvements.

Acquisition Workforce Training and Education. H.R. 4244 would broaden the mandatory training and education requirements of the Office of Federal Procurement Policy Act to cover other civilian employees involved in acquisitions, such as managers who oversee contracts and engineers and other personnel involved in executing the contracts. (Mandatory training is only required for contract specialists and purchasing agents. Civilian agencies report employing about 10,000 individuals in these positions.) Based on information provided by the Federal Acquisition Institute (FAI) and OMB, CBO estimates that broadening the requirement to all individuals involved in acquisition duties could result in agencies having to provide training and education to an additional 50,000 employees. (The FAI is an entity within the General Services Administration that provides support to civilian agencies in recruiting, hiring, and training procurement personnel.) Using an estimated average training cost of $1,000 per employee, CBO estimates that implementing the provision would eventually increase annual training costs at civilian agencies by around $50 million. (The Department of Defense (DoD) receives close to $100 million each year to provide training to its employees, and CBO estimates that no additional amounts would be required for DoD training under H.R. 4244.)

Based on information provided by the FAI, CBO estimates that civilian agencies currently spend between $10 million and $15 million a year to train and educate their procurement personnel. In addition, according to the FAI, it receives about $2 million each year. Thus, with an annual transfer of $30 million in unobligated balances, about half could be used to cover the roughly $15 million that civilian agencies currently spend on training and education, including the costs of the FAI. The remaining $15 million in transferred balances could be used to cover a portion of the added training costs, leaving $35 million to be covered by additional appropriations, once the program is fully implemented.

On balance, CBO estimates that the use of direct spending for current training and education requirements would initially decrease discretionary outlays at federal agencies by about $14 million in fiscal year 2000. For fiscal year 2001, we estimate the provisions would result in a net decrease in discretionary outlays of $6 million, with new spending of $9 million on acquisition training offset by a reduction of $15 million for current training. Finally, for fiscal years 2002 and 2003, CBO estimates that the these provisions would result in a net increase in discretionary outlays of $4 million and $19 million, respectively.

Delay of Cost Accounting Standards for Certain FEHBP Contracts. In addition to its impact on direct spending, delaying the application of cost accounting standards for certain FEHBP contracts also would increase agency contributions toward the health insurance premiums for active employees. CBO estimates that implementing this provision would

increase discretionary costs by about $2 million in fiscal year 2000 and by about $1 million in fiscal year 2001.

Certification of Employees in Procurement Positions. H.R. 4244 would authorize agencies to pay for the membership of its employees in procurement-related professional associations and for the cost to certify the proficiency of such employees. Currently, agencies can obtain an organizational membership, but cannot pay for employees to join the associations. Because the fees for certification and membership are minimal, CBO estimates that implementing this authority would increase annual costs at agencies by less than $1 million, beginning in fiscal year 1999.

Performance Measures for Federal Procurement. The bill also would require the OFPP to establish a system for agencies to assess the results of their procurement systems and for those agencies that obligate more than one-half of their appropriated funds for procurement items to report annually on such results. According to OMB, the OFPP already has developed a set of performance measures that agencies are using to assess the results of their procurement systems, and some agencies include specific measures of performance in the plans they file under the Government Performance and Results Act (GPRA). CBO estimates that, at most, three agencies would be required to report on their plans because they obligate more than 50 percent of their appropriated funds for procurement items—DoD, the Department of Energy, and the National Aeronautics and Space Administration. We estimate that the additional annual costs would not be significant.

Federal Activities Inventory Reform. Title II would require federal agencies to identify and list agency activities that could be performed by the private sector. The title would require that the lists be made available to the public for inspection, and it would allow private-sector entities, agency employees, and certain labor organizations to challenge the lists. CBO estimates that enacting these provisions would result in no significant annual cost to the federal government. Under OMB Circular No. A-76, agencies are already required to maintain and annually update a baseline inventory of all in-house activities that could be performed by the private sector. In addition, the circular requires them to make the lists available to the public upon request. Thus, these provisions would largely codify current administrative policy.

Other Impacts. Additional provisions of H.R. 4244 would affect discretionary costs at agencies, including new requirements for reporting and oversight. In total, CBO estimates that these provisions would increase annual costs by less than $1 million, beginning in fiscal year 1999.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	0	16	21	20	25	25	25	25	25	25
Changes in receipts	Not applicable										

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4244 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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