



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 15, 2014

H.R. 4412 **National Aeronautics and Space Administration** **Authorization Act of 2014**

*As ordered reported by the House Committee on Science, Space, and Technology
on April 29, 2014*

SUMMARY

H.R. 4412 would authorize the appropriation of about \$17.6 billion for 2014 for activities of the National Aeronautics and Space Administration (NASA). The amount appropriated to NASA for 2014 is also about \$17.6 billion. For the purpose of this estimate, CBO assumes that no further appropriations will be provided to NASA for fiscal year 2014 and we therefore estimate that no additional discretionary costs would result from enacting H.R. 4412.

CBO estimates that enacting H.R. 4412 would increase direct spending by adding about \$600 million over the 2015-2024 period to outlays for certain NASA contracts. Because the legislation would increase direct spending, pay-as-you-go procedures apply. Enacting the legislation would not affect revenues.

H.R. 4412 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 4412 is shown in the following table. The costs of this legislation fall within budget functions 250 (general science, space, technology) and 400 (transportation).

	By Fiscal Year, in Millions of Dollars					2015-2019
	2015	2016	2017	2018	2019	
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	600	0	0	0	0	600
Estimated Outlays	400	200	0	0	0	600

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 4412 will be enacted near the end of 2014. Appropriations for 2014 have been enacted, and that funding amount is roughly the same as the authorization contained in H.R. 4412. For the purpose of this estimate, CBO assumes there will not be any further appropriations for this fiscal year. As a result, there is no estimated discretionary cost associated with H.R. 4412.

Section 702 addresses how NASA should budget for termination liability in the event contracts for certain programs, including the International Space Station, the Space Launch System, the James Webb Space Telescope, and the Orion crew capsule, are terminated. Based on information provided by NASA, CBO estimates that contracts involving those programs are currently funded at about \$2 billion per year. NASA has obligated but not expended roughly \$600 million under such contracts to cover federal obligations in the event that those contracts are terminated. Those obligations include the federal government’s liability for such items as severance pay, undelivered work, and rent for unexpired leases.

Under the bill, NASA (and its contractors) would be prohibited from reserving any appropriated funds to pay for federal liabilities in the event of a contract termination. Instead, work would proceed under the contract, and all appropriated amounts would be spent to pay for that work.

In most years, few NASA contracts are terminated for any reason.¹ Hence, CBO estimates that provisions in H.R. 4412 prohibiting the reservation of funds for potential termination liability costs would increase outlays because we expect that NASA would spend the roughly \$600 million that it would otherwise reserve for contract termination liabilities. Under the legislation, we expect that those amounts would be spent on ongoing costs to fulfill the terms of those contracts in 2015 and 2016.

1. Government Accountability Office, *NASA Needs to Better Assess Contract Termination Liability Risks and Ensure Constancy in Its Practices*, GAO-11-609R (Washington, DC: July 21, 2011).

However, under H.R. 4412, NASA would still be liable for potential termination liability costs and would not be able to use previously appropriated funds to pay them. In CBO’s view, the bill would create new budget authority equivalent to the potential termination liability, roughly \$600 million. CBO estimates that the chances of spending that amount because of contract termination would be small. Under current law, CBO estimates there is the same small chance that some of the \$600 million previously appropriated for potential termination liability will be spent. Thus, CBO estimates that there would be no change in contract termination costs under the bill.

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. 4412, as ordered reported by the House Committee on Science, Space, and Technology on April 29, 2014

	By Fiscal Year, in Millions of Dollars												2014-	2014-
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2019	2024	
NET INCREASE IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	0	400	200	0	0	0	0	0	0	0	0	600	600	

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4412 contains no intergovernmental or private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On February 18, 2014, CBO transmitted a cost estimate for H.R. 2687, the National Aeronautics and Space Administration Authorization Act of 2013, as ordered reported by the House Committee on Science, Space, and Technology on July 18, 2013. Many provisions in H.R. 2687 are similar to those in H.R. 4412. However, the bills authorize different amounts over different periods (H.R. 2687 would authorize funding for 2015 in addition to 2014) and include several different policy provisions. In addition to the provision prohibiting the reservation of funds for potential termination liability found in H.R. 4412, H.R. 2687 also would prohibit the government from terminating contracts for the specified programs for the convenience of the government. The CBO cost estimates reflect those differences.

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