CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 1, 2013

S. 1398
Federal Real Property Asset Management Reform Act of 2013

As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on July 31, 2013

SUMMARY

S. 1398 would amend the Federal Property and Administrative Services Act (property act) to facilitate the disposal of federal real property. The legislation would expand the duties and responsibilities of the Federal Real Property Council (FRPC), provide new authorities to the General Services Administration (GSA), and establish a five-year pilot program with the goal of expediting the disposal of surplus federal property.

CBO estimates that enacting the bill would increase direct spending by $10 million over the 2014-2023 period because, for five years, it would authorize GSA to spend proceeds from the sale of federal property that are expected to be collected, but not spent, under current law. Because the legislation would affect direct spending, pay-as-you-go procedures apply. In addition, CBO estimates that, assuming the availability of appropriated funds, implementing S. 1398 would cost $3 million over the 2014-2018 period for additional administrative and reporting costs related to property disposal. Enacting S. 1398 would not affect revenues.

S. 1398 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 S. 1398 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					
	2014	2015	2016	2017	2018	2014-2018
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	2	2	2	2	2	10
Estimated Outlays	2	2	2	2	2	10
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	1	*	*	*	*	3
Estimated Outlays	1	*	*	*	*	3

Note: * = less than $500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1398 will be enacted in early 2014, that the necessary funds will be provided for each year, and that spending will follow historical patterns for the affected programs.

Direct Spending

The legislation would establish a five-year program to expedite the disposal of surplus properties. Under that program, up to 200 properties annually could be sold without completing some of the administrative processes and determinations that must occur under current law. Up to 20 percent of the proceeds from those sales would be available to be spent by agencies or provided as grants for the homeless, subject to future appropriation. The Director of the Office of Management and Budget (OMB) would be responsible for identifying the federal properties available for disposal under this expedited program, which would terminate five years after enactment. Under the bill, agencies would be prohibited from acquiring or leasing new property until they have disposed of all of their underutilized property.

Under the property act, GSA currently manages the disposal of surplus federal property for most agencies. The act allows GSA to spend 12 percent of any proceeds from the sale of federal buildings to cover its direct costs related to preparing the property for sale; such costs include auction fees and the cost of obtaining appraisals. The remaining proceeds from surplus property sales are deposited in the Treasury as offsetting receipts and, for the most part, cannot be spent without further appropriation. Under current law, CBO estimates that GSA's net receipts from the sale of surplus federal property will total about $20 million per year.

Under the program that would be established in S. 1398, GSA would be allowed to spend additional proceeds from property sales to pay for the indirect costs related to preparing properties for sale. Such costs would include conducting market research and cost/benefit analyses and other activities to identify and prepare for disposal properties that have not yet been declared excess to the government's needs. The legislation would not cap the portion of sales proceeds that could be spent on indirect costs. CBO estimates that authorizing GSA to spend additional proceeds from property sales to pay for such indirect costs would increase direct spending by $2 million a year from the receipts from property sales anticipated to occur under current law. The increase in spending could be as much as $20 million a year, however, depending on how GSA would use this new authority.

In addition, based on an analysis of information from the Government Accountability Office, OMB, GSA, and other federal landholding agencies, CBO expects that little additional property would be sold under this program. Many of the largest federal agencies that manage significant numbers of properties would probably opt to continue using their enhanced-use-leasing authorities rather than GSA's property disposition services to leverage value from underused real property. The financial incentive that would be provided to non-GSA agencies to participate in the program would not be large. Furthermore, since June 2010, the President has directed agencies to accelerate efforts to dispose of unneeded property, reduce facility operating costs, and adopt more efficient real estate management practices. Thus, it is not clear how the program authorized in the bill would significantly accelerate disposal efforts beyond what will occur under current law.

For those reasons, CBO expects that gross proceeds from federal property sales would not increase significantly under the bill, and this cost estimate incorporates no increase in such proceeds. However, if the new program and new spending authority to cover indirect costs related to property sales were to result in a 10 percent increase in sales proceeds, that amount would be sufficient to offset CBO's estimate of new direct spending under the bill.

Spending Subject to Appropriation

S. 1398 would codify and expand the duties of the FRPC, increase the reporting responsibilities of landholding agencies, and require GSA to improve its database of federal real property. Under the legislation, the FRPC would need to develop new measures to analyze the use of government facilities, a strategy to reduce the need to lease buildings, a list of excess, surplus, and underultized property, as well as a list of properties available for co-locating federal agencies. In addition, agencies would have to report new information, including property sales costs, capital expenditures per building, and the number of federal employees using each facility. Based on information from GSA and some landholding agencies, CBO estimates that implementing those provisions would cost about $3 million over the 2014-2018 period.

Better information about federal real property holdings, in conjunction with additional funds for GSA to dispose of surplus facilities, could result in additional property disposals, thus reducing the need for annual appropriations to operate and maintain those facilities. On one hand, GAO has reported that operation and maintenance costs typically account for between 60 percent and 85 percent of the lifetime costs of owning a building. On the other hand, GAO has also reported that the Federal Real Property Profile (the single comprehensive inventory system that contains data on all federal real property assets) often overstates a property's condition and annual operating costs. Those uncertainties make any estimate of the potential savings from disposing of federal property unreliable.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act 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. Enacting the legislation would have no effect on revenues.

CBO Estimate of Pay-As-You-Go Effects for S. 1398, the Federal Real Property Asset Management Reform Act of 2013, as ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on July 31, 2013

	By Fiscal Year, in Millions of Dollars											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	2	2	2	2	2	0	0	0	0	0	10	10

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1398 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS CBO ESTIMATES

On July 16, 2013, CBO transmitted a cost estimate for H.R. 328, the Excess Federal Building and Property Disposal Act of 2013, as ordered reported by the House Committee on Oversight and Government Reform on March 20, 2013. Both bills are similar in that they deal with the selling of federal property, but they have several different provisions, primarily regarding the length of time for which the new authorities would be granted to GSA. The cost estimates reflect those differences.

ESTIMATE PREPARED BY

Federal Spending: Matthew Pickford
Impact on State, Local, and Tribal Governments: Paige Piper/Bach
Impact on the Private Sector: Elizabeth Cove Delisle

ESTIMATE APPROVED BY

Theresa Gullo
Deputy Assistant Director for Budget Analysis