CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 15, 2009

H.R. 2495
Federal Real Property Disposal Enhancement Act of 2009

As ordered reported by the House Committee on Oversight and Government Reform on September 10, 2009, including a subsequent amendment provided to CBO on September 23, 2009

SUMMARY

H.R. 2495 would amend the Federal Property and Administrative Services Act (Property Act) to facilitate the disposal of federal property. CBO estimates that enacting the bill would reduce net direct spending by $15 million over the 2010-2019 period and increase spending subject to appropriation by $10 million over the 2010-2014 period.

H.R. 2495 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. 2495 is shown in the following table. The costs of this legislation fall within budget function 800 (general government) and all budget functions that contain landholding agencies.

	By Fiscal Year, in Millions of Dollars											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
CHANGES IN DIRECT SPENDING												
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
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	2	2	2	2	2	0	0	0	0	0	10	10
Estimated Outlays	2	2	2	2	2	0	0	0	0	0	10	10

Note: * = less than $500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 2495 will be enacted near the start of fiscal year 2010, that the necessary funds will be provided for each year, and that spending will follow historical patterns for similar programs.

H.R. 2495 would amend the Property Act, which governs the disposition of most federal real property. That act requires the General Services Administration (GSA) to first offer excess federal property to other federal agencies, then to state and 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 sales to cover costs such as auction fees and appraisals. In 2008, GSA spent about $4 million for those purposes. The remaining net proceeds from property sales, typically $20 million to $30 million per year, are deposited in the Treasury as offsetting receipts (a credit against direct spending).

H.R. 2495 would change the current disposal process for surplus federal property by allowing GSA to retain and spend, without further appropriation, a larger share of the proceeds from property sales to pay for the direct and indirect costs associated with property disposal. Eligible expenses would include market research, analyses of costs and benefits, and other activities to identify and prepare properties for disposal that have not yet been declared excess. Net proceeds from sales after deducting those expenses would be available, subject to future appropriation, for other property management activities.

Other provisions in H.R. 2495 would require additional reports on agencies' real property holdings and create a two-year demonstration program for the demolition of unneeded federal buildings.

Although there is no comprehensive information about the amount of surplus property held by the federal government, the Government Accountability Office (GAO) has reported that many federal agencies hold real property that could be used or sold to generate revenue for the government. According to GAO, administrative complexity and high transactions costs continue to hamper efforts by some agencies to dispose of excess and underutilized properties. Net receipts from the sale of surplus federal property are limited for several reasons:

- Much of the surplus property disposed of under current law is conveyed without reimbursement (such as conveyances to local organizations for the benefit of homeless individuals);

- Many federal agencies lack appropriated funds to initiate the disposal process;

- Some agencies have little incentive to maximize the income they receive from property sales because they cannot retain and spend any of those receipts to expedite such transactions or for other activities; and

- Some of the largest landholding agencies have unique authorities (such as enhanced-use leases) to accept payments for leasing federal properties. Using that authority is often more advantageous to agencies than disposing of surplus properties.

Direct Spending

Based on information from GSA and other landholding agencies, CBO estimates that enacting H.R. 2495 would increase direct spending, beginning in 2010, by $1 million to $2 million annually, totaling $15 million over the 2010-2019 period, as GSA would spend proceeds from property sales that would occur under current law to help agencies identify and prepare additional properties for disposal. That spending would generate additional net receipts to the Treasury as more properties are sold beyond the sales anticipated under current law. CBO estimates that offsetting receipts earned from additional sales under the legislation would total about $30 million over the 2011-2019 period. Thus, enacting the legislation would reduce net direct spending by about $15 million over the 2010-2019 period.

Under H.R. 2495, GSA would work with agencies to make more properties available for disposal than would be available under current law. CBO expects that impact would be modest because we assume that 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 disposal services to leverage value from underused or surplus real property. In addition, any new properties that would be made available for disposal under the bill would still need to be evaluated as candidates for a public benefit conveyance—such as shelters for the homeless, or for educational or recreational uses—before those properties could be offered for sale.

Spending Subject to Appropriation

Over the 2010-2014 period, the legislation would require agencies to develop and report on estimates of the market value of the government's real property assets as well as the value of surplus property, maintenance costs, and operating costs. According to GSA, while some of that information is currently collected by government agencies, the costs to provide estimates of the market value of all federal property would be large if formal assessments were obtained for each property. CBO expects that GSA would rely on data currently available to estimate market values; however, we estimate that expanding the content of current reports concerning the government's real property assets would cost $1 million to $2 million a year for the next five years, assuming the availability of appropriated funds.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2495 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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