



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 26, 2010

H.R. 553 **Reducing Over-Classification Act**

*As ordered reported by the Senate Committee on Homeland Security
and Governmental Affairs on November 4, 2009*

SUMMARY

H.R. 553 would make several changes to current law designed to promote the sharing of homeland security information with state, local, tribal, and private-sector entities. CBO estimates that implementing the bill would cost \$22 million over the 2011-2015 period, assuming the appropriation of the estimated amounts.

Enacting this legislation would not affect direct spending or revenues; therefore, pay-as-you-go procedures would not apply.

H.R. 553 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. 553 is shown in the following table. The costs of this legislation fall within budget functions 050 (national defense) and 800 (general government).

	By Fiscal Year, in Millions of Dollars					
	2011	2012	2013	2014	2015	2011-2015
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Classified Information Advisory Officer						
Estimated Authorization Level	2	2	2	2	2	10
Estimated Outlays	1	2	2	2	2	9
Inspectors General Evaluations						
Estimated Authorization Level	3	3	3	3	1	13
Estimated Outlays	3	3	3	3	1	13
Total Changes						
Estimated Authorization Level	5	5	5	5	3	23
Estimated Outlays	4	5	5	5	3	22

BASIS OF ESTIMATE

For this estimate, CBO assumes the legislation will be enacted near the beginning of fiscal year 2011, that the estimated amounts will be provided annually near the start each fiscal year, and that outlays will follow historical patterns for similar and existing programs.

Classified Information Advisory Officer

Section 3 would establish the position of Classified Information Advisory Officer within the Department of Homeland Security (DHS). The new position would be tasked with developing a program to train the personnel of state, local, tribal, and private-sector entities in the appropriate use of classified information. The training program also would cover the procedures that such entities can use to challenge the classification designation of certain information and the means by which their employees may apply for security clearances.

DHS operates a similar outreach program dealing with cyber security. Based on the amounts requested for that program for 2011, CBO estimates that implementing this section would cost \$9 million over the 2011-2015 period, assuming appropriation of the necessary amounts.

Inspectors General Evaluations

Section 6 of the bill would require that at least annually until December 31, 2014, the inspectors general of those federal departments or agencies of the United States that originate classified information conduct an evaluation of their agencies' implementation of the applicable classification guidelines. According to information from the Information Security Oversight Office, this provision could require up to 50 evaluations annually.

Under Executive Order 13526, signed by the President on December 29, 2009, agencies that originate or handle classified information are required to establish and maintain self-inspection programs. Integrating the requirements of the bill with the programs established pursuant to Executive Order 13526 could help to reduce the costs of complying with the requirements of this provision. However, since this provision also would require that the inspectors general report on each evaluation conducted, implementing it would most likely require additional staff across the federal government. Based on the number of federal entities that originate classified information, and after adjusting for the potential that some inspectors general represent multiple federal entities, CBO estimates that implementing this provision would cost \$13 million over the 2011-2015 period, assuming appropriation of the necessary amounts.

Unclassified Intelligence Products for State, Local, and Tribal Governments

Section 5 would require the Interagency Threat Assessment and Coordination Group (ITACG), when it determines that certain nonfederal entities could benefit from an intelligence product, to recommend that DHS provide a version of that product, classified at the lowest level possible, to such entities. In addition, this section also would require DHS to report annually on the instances in which ITACG recommended the creation of an intelligence product and the DHS response to such recommendation.

Although the bill would create a new mechanism for ITACG to make recommendations to DHS on intelligence products that would benefit nonfederal entities, the ITACG currently works with DHS to produce intelligence products, such as the Roll Call Release, which is distributed to "street level" law enforcement officers. In addition, DHS is currently tasked with providing homeland security and terrorism information to nonfederal entities. For that purpose, DHS has installed the Homeland Secure Data Network—which allows DHS to share classified information with state and local governments—at 33 intelligence fusion centers nationwide. Based on those factors and input from the staff of the Program Manager of the Information Sharing Environment at DHS, CBO estimates that the cost of implementing this provision would not be significant in any year and would be primarily related to the reporting requirements imposed by the bill.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 553 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Jason Wheelock

Impact on State, Local, and Tribal Governments: Melissa Merrell

Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Theresa Gullo

Deputy Assistant Director for Budget Analysis