CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 21, 2017

S. 1761
Intelligence Authorization Act for Fiscal Year 2018

As reported by the Senate Select Committee on Intelligence on August 18, 2017

SUMMARY

S. 1761 would authorize appropriations for fiscal year 2018 for intelligence activities of the U.S. government, the Intelligence Community Management Account (ICMA), and the Central Intelligence Agency Retirement and Disability System (CIARDS). The bill also would create or modify other programs across the intelligence community and provide higher rates of pay to certain employees across the entire federal government.

CBO does not provide estimates for classified programs; therefore, this estimate addresses only the unclassified aspects of the bill. In addition, CBO cannot provide estimates for certain provisions in the unclassified portion of the bill because they concern classified programs. Finally, we are not able, at this time, to estimate the cost of a provision that would increase the pay rates for employees of the federal government who work in cyber security. On that limited basis, CBO estimates that implementing the unclassified provisions of the bill would cost $562 million over the 2018-2022 period, subject to appropriation of the specified and estimated amounts.

In addition, enacting the bill also would affect spending by agencies not funded through annual appropriations; therefore, pay-as-you-go procedures apply. CBO estimates that any net increase in spending by those agencies would be insignificant over the 2018-2027 period. Enacting S. 1761 would not affect revenues.

CBO estimates that enacting S. 1761 would not significantly increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

S. 1761 would impose intergovernmental mandates, as defined in the Unfunded Mandates Reform Act (UMRA), on state, local, and tribal governments by preempting information disclosure laws that would otherwise require governmental agencies participating in the program to disclose information about those activities, such as the sharing of cybersecurity information. Although the preemption would limit the application of state and local laws and regulations, CBO estimates that the preemptions

would impose no duty on state or local governments that would result in additional spending or a loss of revenues.

S. 1761 contains no private-sector mandates as defined in UMRA.

ESTIMATED COSTS TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of S. 1761 are shown in the following table. The costs of this legislation fall within budget function 050 (national defense).

	By Fiscal Year, in Millions of Dollars						
	2017	2018	2019	2020	2021	2022	2017-2022
INCREASES IN SPENDING SUBJECT TO APPROPRIATION							
Intelligence Community Management Account							
Authorization Level	0	550	0	0	0	0	550
Estimated Outlays	0	358	154	19	8	3	542
Security Energy Infrastructure							
Authorization Level	0	12	0	0	0	0	12
Estimated Outlays	0	4	6	2	0	0	12
Special Rates of Pay							
Estimated Authorization Level	0	*	1	1	2	2	7
Estimated Outlays	0	*	1	1	2	2	7
Security Clearances							
Estimated Authorization Level	0	1	*	*	*	*	1
Estimated Outlays	0	1	*	*	*	*	1
Total Increases							
Estimated Authorization Level	0	563	1	1	2	2	570
Estimated Outlays	0	363	161	22	10	5	562

Notes: In addition to the budgetary effects shown above, enacting S. 1761 would have an insignificant effect on direct spending over the 2018-2027 period.

Components may not sum to totals because of rounding; * = between zero and $500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1761 will be enacted near the beginning of fiscal year 2018. Outlays are based on historical spending patterns for existing or similar programs.

Spending Subject to Appropriation

Assuming appropriation of the specified and estimated amounts, CBO estimates that implementing the bill would cost $562 million over the 2018-2022 period.

Intelligence Community Management Account. Section 104 would authorize the appropriation of $550 million for fiscal year 2018 for the ICMA. That amount is about 7 percent higher (or $35 million) than the amount appropriated for that account for fiscal year 2017. The ICMA is the principal source of funding for the Office of the Director of National Intelligence (DNI) and for managing the intelligence agencies. CBO estimates that implementing section 104 would cost $542 million over the 2018-2022 period.

Securing Energy Infrastructure. Title V of the bill would authorize the appropriation of $10 million for the Department of Energy (DOE) to carry out a pilot program to identify security weaknesses in critical infrastructure (for example, power generation, transmission, and distribution systems) that could result in a debilitating effect on national security, economic security, public health, or safety. DOE, in partnership with participating owners and operators of such infrastructure, would research, develop, test and implement technologies and standards that could be used to defend those assets.

Title V also would authorize the appropriation of $2 million for DOE to establish a working group to evaluate the technologies and standards developed during the pilot program. The working group also would be required to develop a national engineering strategy to be used to defend the nation’s critical infrastructure from security vulnerabilities.

CBO estimates that implementing title V of the bill would cost $12 million over the 2018-2022 period.

Special Rates of Pay. Section 303 would authorize the Director of the National Security Agency (NSA) to establish higher pay rates for employees who carry out the cyber mission of the agency. In general, the rates of pay established under that authority could not exceed the rate of basic pay for level II of the Executive Schedule ($187,000, in 2017); however, in certain circumstances, up to 100 NSA employees at any given time could receive up to the rate of basic pay for the Vice President of the United States ($240,100, in 2017).

Based on an analysis of information made available by the Department of Defense, CBO estimates that about two to three dozen employees would receive an average of $15,000 more in compensation in fiscal year 2018 under this provision. That amount reflects our expectation that the new pay rates would go into effect on April 1, 2018, which would allow NSA time to develop and apply those higher rates of pay. After taking into consideration yearly pay increases and the expectation that NSA would expand its use of this authority over time, CBO estimates that by 2022 the average increase in annual compensation would be about $32,500 and the number of NSA employees paid under this authority would double. Thus, CBO estimates that implementing higher pay rates for those NSA employees would cost $7 million over the 2018-2022 period.

Section 303 would similarly increase the maximum rate that the Office of Personnel Management (OPM) could allow all federal agencies to pay to employees who are carrying out a cyber mission. At this time, CBO is unable to estimate the cost of this provision because the number of federal employees who would qualify for those higher rates (and the amounts each would receive) would depend on future regulations promulgated by OPM and on the extent to which agencies would take advantage of those policies. Based on an analysis of occupational and salary data for federal employees, CBO has identified up to roughly 1,000 federal positions that could benefit from this provision, depending on agency action. If increases in compensation were similar to those estimated above for NSA employees, the costs of implementing section 303 over the 2018-2022 period could total as much as $100 million. If OPM adopted a less expansive definition of which positions would be affected and if agencies exercised this authority sparingly, the costs of implementing this section could be much lower.

In addition to the increases in spending subject to appropriation described above, pay for federal employees whose salaries are not funded through annual appropriations could also increase and those increases would be considered direct spending. Those costs are discussed below under the heading, “Direct Spending.”

Security Clearances. Section 402 would require DNI to provide security clearances up to the level of top secret to the chief election official of each state, U.S. territory, and the District of Columbia. Those election officials may also designate one additional individual to receive a security clearance. Once those clearances are issued, DNI would be required to share classified information with chief election officials and their designees regarding threats to their election systems and the integrity of their election processes.

CBO cannot determine the appropriate clearance level that DNI would deem necessary in order to share the information required by this section. As of the date of this estimate, DNI has not provided the requested information. Absent that information, CBO expects that all clearances would be issued at the top secret level and that DNI would initially sponsor a total of 112 clearances. Using the 2017 billing rates of the National

Background Investigations Bureau to conduct background investigations ($5,389 for a top secret clearance) and after taking into consideration turnover in positions eligible for clearances, CBO estimates that it would cost $1 million for DNI to provide top secret clearances to election officials over the 2018-2022 period. The costs would be less if DNI determines that a secret clearance would be sufficient.

Direct Spending

Two provisions in S. 1761 would affect direct spending.

Special Rates of Pay. Section 303 would increase the maximum rate of pay OPM could establish for special rates of pay for employees who perform cyber missions in all federal agencies. Spending on salaries by agencies not funded through annual appropriations is considered direct spending. However, because those agencies are able to increase the fees that provide their funding as necessary to cover their costs, CBO estimates that the net increase in spending from those agencies adopting higher rates of pay for their cyber employees would be insignificant over the 2018-2027 period. (More information is provided above under the heading, “Spending Subject to Appropriation.”)

Central Intelligence Agency Retirement and Disability System. Section 201 would authorize the appropriation of $514 million for CIARDS for fiscal year 2018 to maintain the proper funding level for operating that retirement and disability system. Appropriations to CIARDS are treated as direct spending in the budget and are projected to continue at the authorized level in CBO’s baseline pursuant to section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985. Therefore, CBO does not ascribe any additional cost to this provision.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting S. 1761 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1761 would impose intergovernmental mandates, as defined in UMRA, on state, local, and tribal governments by preempting information disclosure laws that would otherwise require governmental agencies participating in the program to disclose information about those activities, such as the sharing of cybersecurity information. Although the preemption would limit the application of state and local laws and regulations, CBO estimates that the preemptions would impose no duty on state or local governments that would result in additional spending or a loss of revenues.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 1761 contains no private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On July 18, 2017, CBO transmitted a cost estimate for H.R. 3180, the Intelligence Authorization Act for Fiscal Year 2018, as ordered reported by the House Permanent Select Committee on Intelligence on July 13, 2017. The differences in the estimated costs reflect the differences in the underlying bills.

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