Congressional Budget Office
Cost Estimate

April 26, 2022

At a Glance

S. 2793, SMART Leasing Act

As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on November 3, 2021

By Fiscal Year, Millions of Dollars	2022	2022-2026	2022-2031
Direct Spending (Outlays)	*	60	65
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	*	60	65
Spending Subject to Appropriation (Outlays)	0	*	not estimated

Statutory pay-as-you-go procedures apply?	**Yes**	**Mandate Effects**	
		Contains intergovernmental mandate?	**No**
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2032?	**No**	Contains private-sector mandate?	**No**

* = between zero and $500,000.

The bill would

- Authorize the General Services Administration to create a pilot program allowing the agency to enter into enhanced-use leases (EULs) with private parties for underused, non-excess property

Estimated budgetary effects would mainly stem from

- Use of third-party financing to construct or renovate certain federal facilities under EULs

Areas of significant uncertainty include

- Estimating the value of investments and extent of government use of facilities constructed by third parties under EUL agreements

Detailed estimate begins on the next page.

Bill Summary

S. 2793 would establish a pilot program under which the General Services Administration (GSA) could enter into long-term, enhanced-use leases (EULs) for certain underused, non-excess federal property. The bill also would require GSA to submit annual progress reports to the Congress.

Estimated Federal Cost

The estimated budgetary effect of S. 2793 is shown in Table 1. The costs of the legislation fall within budget functions 800 (general government) and other budget functions that contain landholding agencies.

**Table 1.
Estimated Budgetary Effects of S. 2793**

	By Fiscal Year, Millions of Dollars											
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2026	2022-2031
	Increases in Direct Spending											
Estimated Budget Authority	5	30	30	0	0	0	0	0	0	0	65	65
Estimated Outlays	*	15	20	15	10	5	0	0	0	0	60	65

* = between zero and $500,000.

CBO estimates that discretionary costs stemming from requirements for GSA to prepare annual reports for the Congress would be less than $500,000 over the 2022-2026 period.

Basis of Estimate

For this estimate, CBO assumes that the bill will be enacted late in fiscal year 2022.

Background

The budgetary treatment of transactions financed by third parties depends on the extent and nature of federal support. In CBO's view, transactions supported entirely by private entities would not be recorded in the federal budget because the total costs of those activities would be borne by nonfederal entities.[1] Some projects established under EULs, however, are effectively governmental and subject to federal control, either because of their location on federal land or because federal agencies would be the primary or major users of the services supported by those facilities. Those transactions would be recorded in the federal budget.

1. See Congressional Budget Office, *Third-Party Financing of Federal Projects* (June 2005), www.cbo.gov/publication/16554.

When a third party recovers at least a portion of their investments through contracts with government agencies to use specialized facilities, CBO considers such financing to be similar to an agency using federal borrowing authority to improve physical infrastructure. Because governmental funds would be used to develop and construct those facilities, CBO believes that full cost of long-term commitments that obligate the government to make payments in future years should be recorded in the budget as direct spending.[2]

Direct Spending

S. 2793 would establish a pilot program allowing GSA to enter into EULs with private parties to lease underused, non-excess federal property at fair market value. The program would allow GSA to collect payments and use those proceeds to cover lease-related costs and to fund property maintenance and capital improvements. Under the bill, GSA could enter up to six 15-year EUL agreements annually through the end of fiscal year 2024. Because CBO assumes that enactment would be late in fiscal year 2022, we expect that only one EUL agreement would be entered into in that year.

The Departments of Defense and Veterans Affairs, the National Aeronautics and Space Administration, and the National Oceanographic and Atmospheric Administration are among the federal agencies that currently have some form of EUL authority. Using information from a review of relevant agreements, CBO expects that the EULs authorized under S. 2793 would allow third parties to, for instance, build new facilities or renovate existing ones, establish new energy production facilities, or construct facilities for other specialized uses.

CBO cannot predict how the government might use or benefit from new projects or the extent to which GSA and other agencies it supports would use the new EUL authority. Further, little comprehensive information about the value of underused federal assets is available. Using information about EUL activity under current law and the comparatively short 15-year term of the proposed leases, CBO expects that the value of facilities constructed or leased under the pilot authority would average roughly $5 million per lease. On that basis, CBO estimates that enacting S. 2793 would increase direct spending by $65 million over the 2022-2031 period.

Spending Subject to Appropriation

S. 2793 would require GSA to provide annual reports to the Congress that provide information on the types of leases entered into and how funds received under the program were used. The final report, due September 30, 2024, would include GSA's recommendation on whether the pilot program should be continued. CBO estimates the costs to prepare those reports would be insignificant.

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2. See Congressional Budget Office, *How CBO Determines Whether to Classify an Activity as Governmental When Estimating Its Budgetary Effects* (June 2017), www.cbo.gov/publication/52803.

Uncertainty

Direct spending under S. 2793 could be higher or lower than CBO's estimate because of the following sources of uncertainty:

- CBO cannot foretell the value of third parties' investments in facilities that would be leased under the pilot program. Generally, investments of higher value would increase the potential for direct spending.
- CBO cannot predict with certainty whether or how the government would use facilities constructed by third parties under EULs. If the government is the primary user of the services provided by a facility, and thus serves as the main source from which a third party would recover its investment, the government's share of indirect financing for and benefits from that project would be higher, resulting in greater direct spending. However, if the federal government makes little or no use of the services provided by a facility, the net effect on direct spending could be much less.

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 Table 1.

Increase in Long-Term Deficits

CBO estimates that enacting S. 2793 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2032.

Mandates: None.

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