



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 21, 2009

S. 1064 **Enhanced Oversight of State and Local Economic Recovery Act**

*As ordered reported by the Senate Committee on Homeland Security
and Governmental Affairs on May 6, 2009*

S. 1064 would allow state and local governments to purchase certain goods and services at the same discounted prices charged to the federal government. Eligible purchases under the bill would include those funded through grants provided in Public Law 111-5, the American Recovery and Reinvestment Act (Recovery Act). The legislation also would allow state and local governments to use a portion of their Recovery Act funds to monitor and account for those funds. CBO estimates that enacting S. 1064 would increase offsetting collections and associated spending of fees charged by the General Services Administration (GSA), but the net effect on the federal budget would be negligible. The bill would have no effect on revenues.

Under current law, state and local governments are able to use GSA's federal supply schedule to purchase goods from willing commercial vendors if those purchases are related to law enforcement, fire fighting, disaster recovery, or information technology. GSA charges a 0.75 percent fee on all purchases to recover the administrative costs of maintaining the supply schedule.

S. 1064 would temporarily expand the program to include any purchase made by those governments using Recovery Act funds. Based on information from GSA on the anticipated additional demand by the state and local governments, CBO estimates that additional purchases would increase GSA's offsetting collections by about \$15 million annually over the next few years. Because such fees are spent by GSA without further appropriation, the net budgetary impact would be negligible.

In addition, section 2 would allow funds previously appropriated by the Recovery Act to state and local governments to be used for planning and auditing activities as well as investigations of waste and fraud. CBO expects that provision would not change the amount or the timing of expenditures to state and local governments. We therefore estimate that implementing that provision would have no significant effect on direct spending.

S. 1064 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act. The bill would benefit state and local governments by allowing them to use the federal supply schedule to purchase additional goods and services.

On May 12, 2009, CBO provided a cost estimate for H.R. 2182, the Enhanced Oversight of State and Local Economic Recovery Act, as ordered reported by the House Committee on Oversight and Government Reform on May 6, 2009. The two pieces of legislation have similar provisions, and the CBO cost estimates are identical.

The CBO staff contact for this estimate is Matthew Pickford. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.