

113TH CONGRESS }  
2d Session }

SENATE

{ REPORT  
113-157 }

THE FEDERAL DATA CENTER  
CONSOLIDATION ACT OF 2013

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R E P O R T

OF THE

COMMITTEE ON HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

TO ACCOMPANY

S. 1611

TO REQUIRE CERTAIN AGENCIES TO CONDUCT ASSESSMENTS OF  
DATA CENTERS AND DEVELOP DATA CENTER CONSOLIDATION  
AND OPTIMIZATION PLANS



MAY 6, 2014.—Ordered to be printed

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U.S. GOVERNMENT PRINTING OFFICE

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## Calendar No. 372

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### THE FEDERAL DATA CENTER CONSOLIDATION ACT OF 2013

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Mr. CARPER, from the Committee on Homeland Security and  
Governmental Affairs, submitted the following

### R E P O R T

[To accompany S. 1611]

The Committee on Homeland Security and Governmental Affairs, to which was referred the bill (S. 1611) to require certain agencies to conduct assessments of data centers and develop data center consolidation and optimization plans, having considered the same, reports favorably thereon with an amendment in the nature of a substitute and recommends that the bill, as amended, do pass.

#### I. PURPOSE AND SUMMARY

The Federal Data Center Consolidation Act of 2013 (S. 1611) builds on the Administration’s efforts to consolidate and streamline data centers—the facilities in which federal agencies house computer systems and related components—thereby saving the government money and making management of federal information technology (“IT”) resources more efficient. The bill does so by requiring agencies, among other things, to devise and implement plans to inventory and consolidate existing data centers and to report to the Office of Management and Budget (“OMB”) and Congress on the extent to which they are implementing those plans. It also directs the Government Accountability Office (“GAO”) to review and verify agencies’ data center consolidation efforts.

#### II. BACKGROUND AND NEED FOR LEGISLATION

A data center is a room or building that houses computer systems and associated components that are used for the storage,

management, and dissemination of data and information.<sup>1</sup> Over the years, the federal government's demand for information technology has led to a dramatic rise in the number of federal data centers and an increase in operation costs. Since the 1990s, the number of data centers operated by the federal government has grown from several hundred to more than six thousand as of July 2013.<sup>2</sup>

Operating these data centers imposes significant costs on the federal government. The government has to purchase hardware, software, and the facilities in which to place them, and it has to pay people to run the machines in the centers. Moreover, the Environmental Protection Agency reported that in 2006 (the most recent year for which the information is available), federal servers and data centers accounted for approximately six billion kilowatts of electricity use, for a total annual electricity cost of about \$450 million.<sup>3</sup> These data centers typically run 24 hours a day, seven days a week, and require significant electricity to power the "always-on" equipment. In addition, data centers produce significant heat, requiring a substantial expenditure for energy to cool them.<sup>4</sup> Furthermore, GAO has cited "the growth in the number of federal data centers, many offering similar services and resources" as a source of overlap and duplication (and therefore unnecessary expenditures) in the federal government.<sup>5</sup>

In 2010, OMB, through the Federal Chief Information Officer ("Federal CIO"), launched the Federal Data Center Consolidation Initiative ("Consolidation Initiative" or "Initiative") to consolidate redundant federal data centers and achieve cost savings. The goals of the initiative were to: promote the use of green IT by reducing the overall energy and real estate footprint of government data centers; reduce the cost of data center hardware, software, and operations; increase the overall IT security posture of the government; and shift IT investments to more efficient computing platforms and technologies.<sup>6</sup>

<sup>1</sup> The Office of Management and Budget's ("OMB's") definition of a "data center" has evolved over the years. It most recently has settled on defining "data center" as "a closet, room, floor or building for the storage, management, and dissemination of data and information." OMB's guidance further explains that "such a repository houses computer systems and associated components, such as database, application, and storage systems and data stores. A data center generally includes redundant or backup power supplies, redundant data communications connections, environmental controls (air conditioning, fire suppression, etc.) and special security devices housed in leased (including by cloud providers), owned, collocated, or stand-alone facilities. This definition excludes facilities exclusively devoted to communications and network equipment (e.g., telephone exchanges and telecommunications rooms)." Office of Management and Budget Memorandum for Chief Information Officers, *Implementation Guidance for the Federal Data Center Consolidation Initiative* (March 19, 2012).

<sup>2</sup> In July 2013, the Government Accountability Office reported that the number of agency-reported federal data centers stood at 6,836. Government Accountability Office, *Information Technology: OMB and Agencies Need to More Effectively Implement Major Initiatives to Save Billions of Dollars*, GAO-13-796T (July 2013). That is more than triple the number reported in 2010, when OMB first started counting, an increase resulting not so much from an actual growth in data centers, as from agencies' growing familiarity with OMB's requirements and OMB's expansion of the definition of "data center."

<sup>3</sup> U.S. Environmental Protection Agency, ENERGY STAR Program, Report to Congress on Server and Data Center Energy Efficiency at 25 (pursuant to Public Law 109-431) (August 2, 2007).

<sup>4</sup> See Time Magazine, *The Surprisingly Large Energy Footprint of the Digital Economy*, April 14, 2013 at <http://science.time.com/2013/08/14/power-drain-the-digital-cloud-is-using-more-energy-than-you-think/>.

<sup>5</sup> Government Accountability Office, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, 26-29, GAO-11-318SP (March 2011).

<sup>6</sup> Office of Management and Budget Memorandum for Chief Information Officers, *Federal Data Center Consolidation Initiative* (February 26, 2010).

Under the Consolidation Initiative, OMB required the 24 departments and agencies on the Chief Information Officers Council<sup>7</sup> to submit an inventory of each agency's data centers and a plan for consolidating them. Agencies were then required to annually update their asset inventory and report on the progress made toward implementing the agency consolidation plan. OMB set a target goal of closing 40 percent of the federal data centers agencies had identified, and it estimated saving between \$3 and \$5 billion—both by the end of 2015.<sup>8</sup>

*Government Accountability Office reviews of the Initiative*

At the request of this Committee, GAO conducted several reviews of the progress that OMB and agencies have made under the Initiative. GAO's ongoing work on the Consolidation Initiative has confirmed two things. First, data center consolidation is an economical way to achieve more efficient IT operations, as well as cost savings or cost avoidance.<sup>9</sup> Second, significant work must still be done before agencies realize the full benefits of consolidation.

GAO's first report, issued in July 2011, assessed the completeness of each agency's first submission of data center consolidation documents. GAO found that, at that time, only one agency out of 24 had submitted a complete data center asset inventory and no agency had submitted a complete consolidation plan.<sup>10</sup> In addition, GAO reported on some of the challenges that agencies faced when trying to implement the Consolidation Initiative. Some agencies told GAO that they had experienced operational challenges in maintaining services during consolidation, while other agencies reported cultural challenges in trying to consolidate in a decentralized organizational structure.<sup>11</sup> GAO recommended that OMB, the Federal CIO, and the agencies each take steps to ensure that agencies improve and complete their data center inventories and consolidation plans.

A year later, in July 2012, GAO reported on agencies' second submission of data center consolidation documents. These submissions demonstrated that the Consolidation Initiative could potentially save the government billions of dollars. GAO found that nineteen agencies reported anticipating a combined total of more than \$2.4 billion in cost savings and more than \$820 million in cost

<sup>7</sup>The 24 agencies on the CIO Council are: Department of Agriculture; Department of Commerce; Department of Defense; Department of Education; Department of Energy; Department of Health and Human Services; Department of Homeland Security; Department of Housing and Urban Development; Department of the Interior; Department of Justice; Department of Labor; Department of State; Department of Transportation; Department of the Treasury; Department of Veterans Affairs; Environmental Protection Agency; General Services Administration; National Aeronautics and Space Administration; National Science Foundation; Nuclear Regulatory Commission; Office of Personnel Management; Small Business Administration; Social Security Administration; and United States Agency for International Development.

<sup>8</sup>See Fiscal Year 2012 Budget of the U.S. Government, page 29 (<http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/budget.pdf>) and Fiscal Year 2013 Budget of the U.S. Government, page 43 (<http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/budget.pdf>).

<sup>9</sup>See Government Accountability Office, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, 26-29, GAO-11-318SP (March 2011).

<sup>10</sup>Government Accountability Office, *Data Center Consolidation: Agencies Need to Complete Inventories and Plans to Achieve Expected Savings*, 8-19, GAO-11-565 (July 2011).

<sup>11</sup>Id. at 19-23.

avoidances between 2011 and 2015.<sup>12</sup> However, GAO's review also found that there were still large gaps in agency inventories and plans. For example, only three agencies had submitted a complete inventory and only one agency had submitted a complete consolidation plan.<sup>13</sup>

GAO's next report on the Consolidation Initiative, issued in April 2013, once again evaluated agency progress in consolidating data centers. GAO expressed frustration over the failure to track cost savings associated with the Consolidation Initiative, stating, "the lack of initiative-wide cost savings data makes it unclear whether agencies will be able to achieve OMB's projected savings of \$3 billion by the end of 2015."<sup>14</sup> GAO also found that OMB had not measured agencies' progress toward OMB's cost savings goal of \$3 billion, because OMB had not determined a consistent and repeatable method for tracking cost savings. GAO further stated that until OMB begins tracking and reporting on performance measures such as cost savings, OMB would be limited in its ability to oversee agencies' progress towards key initiative goals.<sup>15</sup>

#### *The Federal Data Center Consolidation Act of 2013*

When OMB launched the Consolidation Initiative in 2010, it sought to have agencies free up resources to better support mission-critical activities, reduce the overall energy and real estate footprint of federal data centers, and improve the overall IT security posture of the government. Furthermore, in shutting redundant and underutilized data centers, the Administration sought to reduce the duplicative infrastructure that breeds wasteful IT. These are all worthwhile goals, and the Committee strongly supports them. However, GAO's reports on progress under the Consolidation Initiative demonstrate that there is much that still needs to be done for the Initiative to reach its full potential.

The Federal Data Center Consolidation Act of 2013 helps ensure that there is a continued emphasis placed on consolidating and optimizing agency data centers and that agencies see the Consolidation Initiative through to its conclusion. S. 1611 codifies and builds upon many of the Administration's own requirements in several important ways.

First, the bill requires the 24 agencies included in the current Consolidation Initiative to submit annual reports to OMB that include: comprehensive data center inventories; multi-year strategies to consolidate data centers and make the servers and other equipment housed in them more efficient and cost-effective; a timeline for agency activities under the Initiative; and year-by-year calculations of investment and cost savings. The bill then requires agencies to implement their data center strategies and provide quarterly updates to OMB on their progress under the Initiative. These annual reports and quarterly updates to OMB will facilitate increased oversight by OMB and Congress, assist agency decision

<sup>12</sup> Government Accountability Office, *Data Center Consolidation: Agencies Making Progress on Efforts, but Inventories and Plans Need to be Completed*, 12, GAO-12-742 (July 2012). GAO noted that actual savings could reach even higher, because fourteen of the agencies provided incomplete projections, one agency does not expect to accrue net savings until 2017, and three agencies did not provide any estimated cost savings at all.

<sup>13</sup> *Id.*

<sup>14</sup> Government Accountability Office, *Data Center Consolidation: Strengthened Oversight Needed to Achieve Cost Savings Goal* 14, GAO-13-378 (April 2013).

<sup>15</sup> *Id.* at 10.



making, and ultimately improve operational efficiency at federal agencies.

Second, the bill requires the Administrator for the Office of E-Government and Information Technology at OMB<sup>16</sup> to establish performance metrics (including cost metrics), provide annual updates on the cumulative cost savings of the Initiative, review agency data center inventories, and review and monitor the implementation of agency data center strategies. GAO has repeatedly recommended that, in order for the Initiative to reach its full potential, OMB must take steps to ensure that agencies are completing data center inventories, implementing consolidation strategies, and better tracking cost savings.<sup>17</sup> By specifically laying out the Administrator's duties, S. 1611 ensures that OMB's responsibilities are clear in this area.

Third, the bill requires GAO to annually review and report on the Consolidation Initiative. While federal agencies have generally improved their data center inventories, much work still remains to be done to ensure that agencies have the most accurate information possible when assessing and altering their inventories. To ensure sustained progress towards the goals of the Initiative, S. 1611 includes provisions to hold federal agencies accountable by requiring GAO to conduct annual reviews of the quality and completeness of agency data center inventories and consolidation strategies.

### III. LEGISLATIVE HISTORY

On May 25, 2011, the Committee held a hearing entitled "How to Save Taxpayer Dollars: Case Studies of Duplication in the Federal Government." One of the case studies examined at the hearing was the Consolidation Initiative's effort to reduce unnecessary federal data centers.

On June 11, 2013, the Committee held a hearing entitled "Reducing Duplication and Improving Outcomes in Federal Information Technology." During the hearing, several critical IT areas were identified as offering potential opportunities to reduce duplication and the cost of government operations, including reducing the number of underutilized federal data centers.

On October 30, 2013, Senators Bennet, Coburn, and Ayotte introduced S. 1611, the Federal Data Center Consolidation Act of 2013, and the bill was referred to the Senate Committee on Homeland Security and Governmental Affairs.

The Committee considered the bill at a business meeting on November 6, 2013. Senator Carper offered a substitute amendment making technical corrections, and providing that the relevant Congressional Committees be provided a statement of explanation for any waiver of the requirements of the Act granted by the Director of National Intelligence for any element of the Intelligence Community. The Committee adopted the substitute amendment and ordered the underlying bill reported favorably, both by voice vote. Members present for the vote on the amendment and on the bill

<sup>16</sup>The Administrator for the Office of E-Government and Information Technology at OMB is a statutorily defined position. Currently, one person is serving as both the Federal CIO and the Administrator for the Office of E-Government and Information Technology.

<sup>17</sup>Government Accountability Office, *Data Center Consolidation: Strengthened Oversight Needed to Achieve Cost Savings Goal 14*, GAO-13-378 (April 2013).

were Senators Carper, Levin, McCaskill, Tester, Begich, Baldwin, Johnson, Portman and Ayotte.

#### IV. SECTION-BY-SECTION ANALYSIS OF THE BILL, AS REPORTED

##### *Section 1: Short title*

The short title of the bill is the “Federal Data Center Consolidation Act of 2013.”

##### *Section 2: Federal Data Center Consolidation Initiative (FDCCI)*

###### *Section 2(a): Definitions*

Section 2(a) defines four terms. First, the term “Administrator” means the Administrator for the Office of E-Government and Information Technology within OMB. Second, “Covered Agency” is defined to include all 24 agencies that were included in the original Consolidation Initiative.<sup>18</sup> Third, the term “FDCCI” means the Federal Data Center Consolidation Initiative that was first started by OMB in February 2010, or any successor to the Initiative. Finally, “Government-Wide Data Center Consolidation and Optimization Metrics” are the metrics that are established by the Administrator under section (b)(2)(g) of this Act.

###### *Subsection 2(b): Federal Data Center consolidation inventories and strategies*

Subsection 2(b)(1)(A) establishes annual data center consolidation reporting requirements for covered agencies, as defined in Section 2(a). The bill requires those agencies to submit annually to OMB a data center inventory and a multi-year strategy to consolidate their data centers and make the servers and other equipment housed in them more efficient and cost-effective. The strategy shall include performance metrics, a consolidation timeline, and cost savings estimates.

Subsection 2(b)(1)(B) makes clear that OMB may allow agencies to submit information through existing reporting structures, and 2(b)(1)(C) requires an agency Chief Information Officer to submit to the Administrator, and make publicly available, an annual statement that the agency has complied with the requirements of this Act. Subsection 2(b)(1)(D) then requires agencies to implement the consolidation strategies submitted to OMB and provide quarterly updates to OMB on the implementation process. Finally, 2(b)(1)(E) contains a rule of construction to make it clear that nothing in this Act limits the reporting of information by agencies to OMB or Congress.

Subsection 2(b)(2) lays out the responsibilities of the Administrator for the Office of E-Government and Information Technology under this Act. These responsibilities include: establishing deadlines for annual reporting by agencies and requirements that agencies must meet to be considered in compliance with the Act, ensuring that information relating to agency progress towards meeting the goals of the Consolidation Initiative is made available to the public, reviewing the inventories and strategies submitted pursuant to this Act, monitoring the implementation of agency strate-

<sup>18</sup>See 31 U.S.C. §901(b). These 24 agencies are known as the “Chief Financial Officer” or “CFO” agencies, a reference to Public Law 101-576, the Chief Financial Officers Act of 1990.

gies, updating the cost savings realized through the Consolidation Initiative, and creating government-wide data center consolidation and optimization metrics.

Subsection 2(b)(3) requires the Administrator to develop a cost-savings goal for the Initiative, with a year-by-year breakdown of anticipated savings. OMB must make this information publicly available and submit annual updates to Congress on cost savings realized and the completeness or incompleteness of each agency's data center inventories and consolidation strategies.

Subsection 2(b)(4) requires GAO to review annually the quality and completeness of each agency's asset inventory and consolidation strategy.

*Subsection 2(c): Ensuring cybersecurity standards for data center consolidation and cloud computing*

This subsection establishes that data center consolidation must be done in accordance with federal guidelines on cloud computing security, including the Federal Risk and Authorization Management Program<sup>19</sup> and guidance published by the National Institute of Standards and Technology. This subsection also includes a rule of construction that makes it clear that OMB has the ability to update and modify federal guidelines on cloud computing security.

*Subsection 2(d): Waiver of disclosure requirements*

This subsection authorizes the Director of National Intelligence ("DNI") to waive the applicability of the requirements of the Act to an element (or component of an element) of the intelligence community if the DNI determines that such waiver is in the interest of national security. It requires the DNI, within 30 days of making such a determination, to file a statement describing the waiver and the reasons for the waiver to the Senate Homeland Security and Governmental Affairs Committee, the House Committee on Oversight and Government Reform, and the Senate and House Intelligence Committees.

*Subsection 2(e): Sunset*

This subsection sunsets the legislation on October 1, 2018.

V. CONGRESSIONAL BUDGET OFFICE (CBO) COST ESTIMATE

DECEMBER 6, 2013.

Hon. TOM CARPER,  
*Chairman, Committee on Homeland Security and Governmental Affairs, U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1611, the Federal Data Center Consolidation Act of 2013.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Matthew Pickford.

Sincerely,

DOUGLAS W. ELMENDORF.

Enclosure.

<sup>19</sup>The Federal Risk and Authorization Management Program ("FedRAMP") is a government-wide program that provides a standardized approach to security assessment, authorization, and continuous monitoring for cloud products and services. See <http://cloud.cio.gov/fedramp>.

*S. 1611—Federal Data Center Consolidation Act of 2013*

Summary: S. 1611 would require agencies to submit to the Office of Management and Budget (OMB) long-term plans for phasing out unnecessary data centers and optimizing performance at the remaining facilities (a data center is a facility used to house computer systems and associated components). Agencies would prepare comprehensive inventories of their information technology equipment as part of those plans. Agencies also would be required to prepare estimates of the savings that would be realized from consolidating data centers. Finally, the Government Accountability Office (GAO) would report annually to the Congress on the implementation of the legislation.

Assuming appropriation of the necessary amounts, CBO estimates that implementing S. 1611 would cost \$22 million over the 2014–2018 period. Although optimizing the use of federal data centers ultimately could reduce spending, CBO does not expect that there would be any significant savings from implementing this legislation for the next few years. Enacting the bill could affect direct spending by agencies not funded through annual appropriations; therefore, pay-as-you-go procedures apply. CBO estimates, however, that any net change in spending by those agencies would not be significant. Enacting the bill would not affect revenues.

S. 1611 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of S. 1611 is shown in the following table. The costs of this legislation fall within budget function 800 (general government) and all other budget functions that include expenditures for information technology.

	By fiscal year, in millions of dollars—					
	2014	2015	2016	2017	2018	2014–2018
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level .....	2	5	5	5	5	22
Estimated Outlays .....	2	5	5	5	5	22

Basis of estimate: For this estimate, CBO assumes that the bill will be enacted in 2014, that the necessary amounts will be provided each year, and that spending will follow historical patterns for similar management initiatives.

Most provisions of S. 1611 would expand on the Administration's current efforts to consolidate data centers. In 2010, OMB instructed federal agencies to develop consolidation plans as part of the Federal Data Center Consolidation Initiative (FDCCI). The goals of the initiative are to realize savings from purchasing fewer computer hardware and software products, reduce energy use, and lease less real estate. Each agency is required to identify a senior manager to lead the consolidation efforts, produce an inventory, and plan for future consolidations. The initiative also encourages the use of cloud computing. Recently, OMB integrated FDCCI with its PortfolioStat initiative, which is reviewing all information technology investments.

S. 1611 would require the 24 participating agencies to submit comprehensive inventories of their IT facilities to OMB as well as long-term plans for phasing out some data centers and optimizing performance at the remaining facilities. Agencies also would be required to submit estimates of cost savings from those consolidations. Finally, GAO would be required to annually review and verify agency efforts and report to the Congress on its findings.

Costs to implement the bill would vary by agency and depend on how much work had been previously completed and how much additional reporting and oversight would be required. GAO has reported that many agencies have not followed the FDCCI, completed their data center inventory or consolidation plan, or identified any cost savings from the centers they have closed. Based on information from selected agencies, OMB, and GAO studies and reports on similar efforts, CBO expects that the administrative workload of most agencies would increase by a few hundred thousand dollars annually under this bill. Thus, we estimate that implementing S. 1611 governmentwide and completing the necessary GAO reports would cost about \$5 million a year, assuming appropriation of the necessary amounts.

Information from GAO and OMB indicates that the federal government operates more than 3,000 data centers. Those centers spend significant amounts for computer hardware, software, facility leases, and electricity. The Environmental Protection Agency estimates that in total the federal government spends \$450 million just for electricity to operate such centers. The Administration is already attempting to reduce unnecessary costs of those operations. Through the data consolidation initiative, OMB's goal is to close about 1,200 data centers by 2015 and lower operating costs substantially. Nonetheless, the activities required by S. 1611 could eventually contribute to the cost savings if federal agencies further consolidated data centers and made more efficient use of a smaller number of facilities. However, CBO expects that any such savings over the next five years would not be significant.

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. Enacting the bill could affect direct spending by agencies not funded through annual appropriations; therefore, pay-as-you-go procedures apply. CBO estimates, however, that any net change in spending by those agencies would not be significant. Enacting the bill would not affect revenues.

Intergovernmental and private-sector impact: S. 1611 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: Matthew Pickford; Impact on State, Local, and Tribal Governments: Michael Kulas; Impact on the Private Sector: Paige Piper/Bach.

Estimate approved by: Theresa Gullo, Deputy Assistant Director for Budget Analysis.

## VI. EVALUATION OF REGULATORY IMPACT

Pursuant to the requirements of paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee has considered the regulatory impact of this bill.

The Committee agrees with the Congressional Budget Office that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments, or private entities. The enactment of this legislation would not have significant regulatory impact.

## VII. CHANGES IN EXISTING STATUTE MADE BY THE BILL, AS REPORTED

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the Committee states that there are no changes in existing law made by the bill, as reported.

