



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 8, 2016

S. 3017 **Intelligence Authorization Act for Fiscal Year 2017**

*As reported by the Senate Select Committee on Intelligence
on June 6, 2016*

SUMMARY

S. 3017 would authorize appropriations for fiscal year 2017 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 (IC).

CBO does not provide estimates for classified programs; therefore, this estimate addresses only the unclassified aspects of the bill. On that limited basis, CBO estimates that implementing the unclassified provisions of the bill would cost \$888 million over the 2017-2021 period, subject to appropriation of the specified and estimated amounts.

Enacting the bill also would affect direct spending and revenues; therefore, pay-as-you procedures apply. However, CBO estimates that those effects would not be significant over the 2017-2026 period.

CBO estimates that enacting S. 3017 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

S. 3017 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 COSTS TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of S. 3017 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- 2021
	2017	2018	2019	2020	2021	
INCREASES IN SPENDING SUBJECT TO APPROPRIATION						
Intelligence Community Management Account						
Authorization Level	569	0	0	0	0	569
Estimated Outlays	370	159	20	9	3	561
Critical Infrastructure Program						
Estimated Authorization Level	30	41	42	43	44	200
Estimated Outlays	20	35	40	41	43	179
Special Rates of Pay						
Estimated Authorization Level	7	29	31	34	37	138
Estimated Outlays	6	28	31	34	37	136
National Security Systems						
Estimated Authorization Level	3	3	3	2	2	13
Estimated Outlays	2	3	3	2	2	12
Total Increases						
Estimated Authorization Level	609	73	76	79	83	920
Estimated Outlays	398	225	94	86	85	888

Note: In addition to the budgetary effects shown above, enacting S. 3017 would have an insignificant effect on direct spending and revenues over the 2017-2026 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 3017 will be enacted by the end of calendar year 2016, that the specified and estimated amounts will be appropriated, and that outlays will follow historical spending patterns for existing or similar programs.

Spending Subject to Appropriation

S. 3017 would authorize appropriations for the ICMA for fiscal year 2017, require the Director of National Intelligence (DNI) and the Secretary of Homeland Security (DHS) to create a program to provide assistance to owners and operators of critical infrastructure, expand pay authorities across the IC, and require federal agencies to register certain telecommunications and information systems with the Director of the National Security Agency (NSA).

Intelligence Community Management Account. Section 103 would authorize the appropriation of \$569 million for fiscal year 2017 for the ICMA. That amount is about 13 percent higher than the \$505 million appropriated for that account for fiscal year 2016. The ICMA is the principal source of funding for the Office of the Director of National Intelligence and for managing the intelligence agencies. CBO estimates that implementing section 103 would cost \$561 million over the 2017-2021 period.

Critical Infrastructure Program. Section 310 would require DNI and DHS to establish a program to provide assistance to owners and operators of critical infrastructure and to other relevant entities and personnel to reduce the risk of harm from cyber attacks. While DHS currently provides assistance to owners and operators of critical infrastructure similar to that required by the bill, DNI does not. If enacted, we expect that DNI would establish its own separate assistance program. On the basis of information from DHS, and our analysis of DHS's budget materials, CBO estimates that DHS spends about \$40 million annually to provide technical assistance to owners and operators of critical infrastructure to improve their systems to better detect, prevent, and mitigate unauthorized cyber activity; support exercises designed to strengthen the security of the nation's critical infrastructure; and assist in the design and development of technologies to protect critical infrastructure systems. CBO anticipates that DNI would spend similar amounts to carry out the requirements in the bill and that the two programs would operate concurrently. In total, CBO estimates that implementing section 310 would cost about \$180 million over the 2017-2021 period for DNI to operate that program, assuming appropriation of the estimated amounts.

Special Rates of Pay. Section 305 would authorize the head of each of the agencies and offices that comprise the intelligence community to establish higher pay rates for certain employees in positions that require expertise in science, technology, engineering, or math. The minimum rates of pay established under this authority could not exceed the maximum rate of basic pay (excluding locality adjustments) for similar positions not covered by this authority by more than 30 percent and would be capped at the rate of basic pay for level IV of the Executive Schedule (\$160,300, in 2016). Based on an analysis of information from DNI, CBO estimates that in 2017 about 1,650 employees would receive an average of \$4,100 more in compensation. That amount reflects our expectation that the new pay rates would go into effect on July 1, 2017, which would allow for an additional six months after enactment for the agencies to develop and implement those higher rates of pay. After taking into consideration yearly pay increases and the expectation that the components of the IC would expand their use of this authority over time, CBO estimates that the number of employees paid under this authority would grow to about 2,000 and the average increase in compensation would be about \$18,700 by 2021. In total, CBO estimates that implementing section 305 would cost \$136 million over the 2017-2021 period, assuming appropriation of the estimated amounts.

National Security Systems. Section 804 would require each agency that operates or exercises control of national security systems to register those systems, and the configurations of those systems, with the NSA. Agencies could not operate or exercise control over a national security system until the NSA formally acknowledged that it had been registered. A national security system is a telecommunications or information system operated by the federal government which involves intelligence activities, cryptologic activities related to national security, command and control of military forces, equipment that is an integral part of a weapon or weapons system, or is critical to the direct fulfillment of military or intelligence missions. CBO estimates that it would cost \$7 million to develop a secure system to register and catalog all national security systems and their respective configurations; that estimate is based on our analysis of information provided by the Department of Defense (DoD). Once that system is fully operational, we estimate that a small number of employees also would be required to manage the program and maintain the system. In total, implementing section 804 would cost \$12 million over the 2017-2021 period, CBO estimates.

Direct Spending and Revenues

S. 3017 would affect both direct spending and revenues by increasing the number of employees eligible to be classified as federal law enforcement officials (LEOs) and by allowing DoD to accept cash contributions and charge user fees to operate a cryptology museum. In total, CBO estimates that enacting those unclassified provisions of the bill would affect direct spending and revenues by less than \$500,000 over the 2017-2026 period.

Law Enforcement Officials. Section 412 would allow the Inspector General of the Central Intelligence Agency (CIA) to designate individuals performing certain investigative functions as LEOs for purposes of pay and retirement benefits. The average difference between a LEO and a non-LEO retirement annuity is about \$25,000 per year. LEOs are also required to contribute 0.5 percent more of their salaries toward their future retirement annuities than non-LEOs (such employee contributions are recorded in the budget as revenues). Based on our analysis of information from the CIA and the Office of Management and Budget, CBO estimates that enacting this provision would increase revenues and direct spending by less than \$500,000 each year and over the 2017-2026 period.

Cyber Center. Section 802 would authorize DoD to enter into an agreement with the National Cryptologic Museum Foundation to design, construct, and operate the Cyber Center for Education and Innovation Home of the National Cryptologic Museum—an agreement into which DoD and the foundation have already entered. Enacting section 802 also would allow DoD to assess fees for use of the center’s facilities and to accept cash donations. All user fees and donations collected by DoD would be classified as offsetting receipts and would be available until expended for the benefit of the center. On

net, CBO estimates that enacting section 802 would decrease direct spending by less than \$500,000 over the 2017-2026 period.

Central Intelligence Agency Retirement and Disability System. Section 201 would authorize the appropriation of \$514 million for CIARDS for fiscal year 2017 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 in CBO's baseline. Therefore, CBO does not ascribe any additional cost to this provision.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting S. 3017 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 3017 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On May 11, 2016, CBO transmitted a cost estimate for H.R. 5077, the Intelligence Authorization Act for Fiscal Year 2017, as ordered reported by the House Permanent Select Committee on Intelligence on April 29, 2016. The differences in the estimated costs reflect the differences in the underlying bills.

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