

Testimony by Representative Jason Chaffetz
House Committee on Oversight and Government Reform
Disposal of Federal Real Property: Legislative Proposals

July 27, 2011

Thank you Chairman Issa, Ranking Member Cummings, and my colleagues on the Committee for allowing me to testify on behalf of my bill, HR 665, the Excess Federal Building and Property Disposal Act of 2011. Today's topic is important and I look forward to working with the Committee in finding solutions to the excess property disposal issues facing our country.

The federal government is the largest single holder of real property in the United States. The federal government owns more than 900,000 buildings and structures. Republican and Democratic administrations and various government entities have identified many of these properties as excess and underutilized; yet, tens of thousands of unneeded properties remain in our possession today. This is not acceptable. Congress must work to streamline the federal government's real property management strategy.

President Bush and President Obama both identified excess properties and structures that, if sold, could generate billions in revenues and savings. The Fiscal Commission said "federal agencies operate and maintain more real property assets than necessary, often raising costs to the taxpayer." The Government Accountability Office ("GAO") estimated that the federal government holds underutilized properties that cost nearly \$1.7 billion annually to operate.

More recently, Office of Management and Budget Comptroller Daniel Werfel testified that the government controls 14,000 excess buildings and 76,000 underutilized properties.

Clearly, the federal government's disposal track record is subpar. In fact, since 2003, and more recently in 2011, GAO designated federal real property management as a "high-risk" area of the federal government.

The status quo is no longer an option. The fiscal challenges facing this country are deep and severe. Effective federal property management offers unique opportunities for the federal government to right-size its real estate portfolio, reduce costs, and achieve savings through public sale of unneeded properties.

The current disposal process is flawed for two reasons. First, agencies lack the necessary incentives to initiate the disposal process. Second, a myriad of requirements throughout the process prevent properties from even being offered for sale.

Under current law, the disposal process begins when a federal agency reports an excess property to the General Service Administration ("GSA"). Agencies lack the knowhow, funds, and incentives to simply report these excess properties to GSA. For most agencies, doing nothing is more economical than engaging in the disposal process.

The next step in the disposal process is laden with obstacles and limitations. Current law and regulations handcuff GSA's disposal abilities. Excess properties first must be offered to

other federal agencies. In the absence of other federal needs, surplus properties must then be made available for other uses, which includes homeless shelters, parks and recreation facilities, and state and local government use. Once these requirements have been exhausted, buildings are then finally offered to the public for sale.

Taxpayers lose under this current disposal process. A variety of alternative-use and conveyance requirements prevent properties from being sold for fair market value. According to GAO, these requirements denote that “GSA’s underutilized or excess properties may remain in an agency’s possession for years and continue to accumulate maintenance and operations costs”.

My bill would establish a pilot program designed to expedite the selling of unneeded federal property. The pilot program would be managed by the Director of the Office of Management and Budget (“OMB”) – which is in line with a 2007 GAO report, in which GAO recommended that OMB assist agencies in the disposal process.

The bill establishes an aggressive disposal goal that would require OMB and others to effectively and efficiently identify and dispose unneeded properties. The bill provides federal property managers with tools designed to maximize disposals and taxpayer returns.

The first tool provides agencies with incentives to engage in the disposal process. By directing 20% of the proceeds to agencies, agencies are empowered to quickly identify and report excess properties. The other 80% would be used for debt reduction – something this government desperately needs.

Second, properties considered under the pilot program are not subjected to the onerous disposal provisions described earlier. Once a property is identified for disposal, the property would immediately be eligible for public sale. Property disposed under the pilot program is exempt from normal transfer requirements, public-use conveyance requirements, and other no-cost conveyance provisions.

Finally, by empowering OMB, GSA, and other federal agencies with the tools provided in the Excess Federal Building and Property Disposal Act, the federal government can finally rid itself of dead weight and demonstrate to the American public that Congress is serious about streamlining government and becoming fiscally responsible.