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Testimony on “Failures in Managing Federal Real Property: Billions in Losses”

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U.S. House of Representatives, Committee on Oversight and Government Reform,
Subcommittee on Government Operations

Mr. Chairman and members of the Subcommittee, thank you for the invitation to testify. I am Leonard Gilroy, Director of Government Reform at the Reason Foundation, a non-profit think tank that researches market-based policy and best practices for efficient and effective government. I am also an urban planner by training and have practical experience in geographic information systems (GIS) and their application to land management.

Managing real property can often be considered a mundane chore in the public sector. Each government agency often has its own monitoring and tracking methods, which are often not compatible or interoperable with other agencies, leading to a lack of standardized reporting methods at agencies and departments. Without the ability to know what government agencies own, it becomes very difficult to manage those assets in the most cost-effective and efficient ways.

In June 2010, Reason Foundation published a report (“*Knowing What You Own: An Efficient Government How-To Guide for Managing Federal Property Inventories*,” available at: <http://reason.org/studies/show/what-the-federal-government-owns>) outlining the case for a federal real property inventory that is a central record of government-owned land and assets and an important component of efficient property management. In that report we assert that government initiatives to develop an adequate portfolio management system for publicly owned real estate are a sensible step towards improved asset management and public accountability and should be given serious consideration.

Real property inventories offer a range of benefits:

- A comprehensive and current list of land and assets would allow the government to assess whether public property is being used and maintained in the most efficient manner possible.
- Inventories serve as a tool to assess the potential value of divesting underutilized or unnecessary land or assets, which can generate revenues for government and lower maintenance and operations costs.
- Selling or leasing assets to the private sector can expand the tax base and encourage economic growth.
- Inventories can potentially help lower lease and maintenance costs through space consolidation and more efficient utilization.

- Inventory information helps governments plan with more precision, improves efficiency and cost effectiveness and increases officials' ability to monitor the use of taxpayer money.

Unfortunately, when it comes to knowing what it owns, the federal government is lacking. The absence of a robust real property inventory presents a major challenge for right-sizing the federal property portfolio and causes higher than necessary operating costs and maintenance responsibilities.

The U.S. Government Accountability Office (GAO) has long noted deficiencies in federal real property management. For example, a 2002 GAO report found that the international inventory of federal real property "contained data that were unreliable and of limited usefulness. Therefore decision-makers, such as Congress and the OMB, do not have access to quality data on what real property assets the government owns, their value, how efficiently assets are being used and what the overall costs are involved in preserving, protecting and investing in them."

A January 2003 GAO report found that over 30 federal agencies control hundreds of thousands of real property assets worldwide, including facilities and land, worth hundreds of billions of dollars. Many of these assets are no longer consistent with agencies' missions, while others are no longer needed and many are in a state of disrepair. Notwithstanding some recent improvements by the Bush and Obama administrations and real-property-holding agencies in their strategic management of real property—in part by establishing an interagency Federal Real Property Council (FRPC) designed to enhance real property planning processes and improve the reliability of federal real property data—GAO has consistently issued reports finding persisting problems related to unneeded property and leasing.

Despite these and similar reports, the federal government has been slow to act. Since January 2003, GAO has designated real property management as a "high-risk" activity. A 2011 GAO report noted that: "In designating federal real property management as a high-risk area, GAO reported that despite the magnitude and complexity of real-property-related problems, there was no governmentwide strategic focus on real property issues and governmentwide data were unreliable and outdated." In its February 2013 high-risk series update, GAO found that "[t]he federal government holds excess and underutilized property, relies extensively on costly leasing practices, and faces numerous challenges in securing real property." While noting some progress on improving federal real property management in recent years, GAO notes that "the government continues to lack consistent, accurate, and useful data to support decision making. [...] The lack of reliable data is a significant challenge to identifying and reducing the government's unneeded and underutilized property."

A separate 2011 GAO report found that: "The federal real property portfolio, comprising over 900,000 buildings and structures and worth hundreds of billions of dollars, presents management challenges. [...] The federal government holds many excess and underutilized properties that cost billions of dollars annually to operate." The report also found that in fiscal year 2009, 24 federal agencies (including the Department of Defense) reported over 45,000 underutilized buildings that cost taxpayers \$1.6 billion per year to operate.

More recently, a June 2012 GAO report found that the FRPC has not followed sound data collection practices in designing and maintaining the Federal Real Property Profile (FRPP) database, suggesting that the database may not be an adequate or useful tool for describing excess and underutilized properties consistently and accurately, for measuring performance, and for decision making in general. After reviewing approximately 180 excess and underutilized buildings at 26 sites across the country held by five civilian agencies, GAO found inconsistencies or inaccuracies at 23 of the 26 sites related to utilization, conditions, annual operating costs, and/or mission dependency. Though noting that all five agencies reviewed have taken steps to improve real property management in recent years, GAO identified problems with cost savings estimates related to excess and underutilized property management from all five of the agencies reviewed. GAO concluded that, "FRPC cannot ensure that FRPP data are sufficiently reliable to support sound management and decision making about excess and underutilized property."

The federal government should take note of what states such as Georgia, Ohio and Virginia have done in the recent past. They are taking proactive steps to develop real property inventories, track the property they own and analyze the information to determine what, if any, of that property can be divested or used more efficiently.

Our 2010 report found that 16 states had well-functioning inventory systems, 17 states were developing a real property inventory, and 17 states (plus Washington D.C.) lacked an inventory. Some recent state level developments on real property inventories include:

Georgia: In the early 2000s, former Governor Sonny Perdue's "Commission for a New Georgia" recommended that the state centralize its management of capital assets to improve efficiency, reduce lease costs, generate revenue through divestiture and lower the costs of capital construction. Most agencies handled their own space management, with little or no opportunity for comprehensive management. The Commission found that the state's \$10.5 billion portfolio of over 11,000 facilities was losing value due to poor maintenance, emerging safety issues, and underutilization.

In 2005, Governor Perdue issued an Executive Order creating the state's first State Property Officer and restructuring the State Property Commission to bring overlapping, multi-agency management of real estate into one portfolio, with a central manager. Governor Perdue also ordered the state's first comprehensive, enterprise-wide asset inventory. These moves led to the development of Georgia's first comprehensive, GIS-based inventory of government land and facilities, the Building, Land and Lease Inventory of Property (www.realpropertiesgeorgia.org). This Web-based GIS offers the ability to create maps and download information to spreadsheet and database software.

According to Governor Perdue, Georgia's first State Property Officer consolidated the overlapping real estate responsibilities of four agencies and organized the state's property holdings into one management portfolio. As a result, the state has sold surplus assets (over \$15 million in FY07 and FY08 alone, according to the State Property Commission), renegotiated leases at lower rates and adopted uniform construction guidelines. In a 2008 article, Perdue wrote: "Five years ago, nobody in government could say with certainty how many buildings the

state owned. Today, anyone can go to a public website to look up detailed records on every single government building, piece of land, or lease.”

Ohio: In December 2008, former Ohio Governor Ted Strickland signed a bill into law that increased state real property management, established a council to oversee facilities operation and maintenance and increased requirements on state spending transparency. This included the development of a searchable, Web-based list of land and assets, with a feature for citizens to report public property they know of that the state might have missed during inventory development.

The state’s initial survey found large amounts of unimproved land along state roads and highways. Properties designated for public office space or storage were discovered to be vacant and unused. Still other state-owned parcels were identified as too small or peculiarly shaped as to be virtually unusable for government, but had been ignored for years, precluding opportunities to generate potential tax revenues and economic growth through divestiture.

Virginia: In 2011, Virginia Governor Bob McDonnell signed H.B. 2003 into law, requiring the state’s Department of General Services to develop a comprehensive real property inventory (to be annually updated), along with a Web-based, geospatially enabled listing of surplus real property. Accelerating the regular divestiture of unused or underused property was a key focus, and 50 percent of the net proceeds from asset lease or divestiture are directed to the State Park Acquisition and Development Fund under Virginia law.

Oklahoma: Oklahoma began taking important steps toward better real property management in 2011 with the passage of House Bill 1438 ("Oklahoma State Government Asset Reduction and Cost Savings Program"). The law requires the state's Director of Central Services to publish a report detailing state-owned properties—including a list of the 5 percent most underutilized properties, the value of those properties and the potential for purchase if sold. State policymakers continued to reform the state’s real property management in 2012, enacting separate legislation (House Bill 2262) to establish a Maintenance of State Buildings Revolving Fund to which proceeds from any sales of state assets will be deposited for expenditure on the maintenance and repair of the state's aging buildings and properties.

The aforementioned 2010 Reason Foundation study—“*Knowing What You Own: An Efficient Government How-To Guide for Managing Federal Property Inventories*,” available at reason.org/studies/show/what-the-federal-government-owns—recommends 12 steps based on best practices in these and other states:

- Take the initiative to build an inventory
- Conduct an inventory of inventories
- Use GIS technology to map and catalogue real property data
- Centralize the management of real property data
- Standardize reporting methods for all agencies and divisions
- Put the inventory online for public access
- Manage the inventory beyond mapping
- Make the inventory continual and dynamic

- Divest unneeded and underutilized land and assets
- Utilize the wide range of private sector expertise
- Build the inventory to fit prescribed policy goals
- Look beyond financial benefits

While one piece of legislation cannot address all 12 recommendations, various pieces of proposed legislation in Congress—including H.R. 1620, H.R. 4233, and H.R. 1734 in the 112th Congress, as well as H.R. 328 and H.R. 695 in the current Congress, for example—would accomplish a number of these recommendations and begin an important process to maximize the efficiency and effectiveness of federal real property management. With regard to the development of a robust real property inventory, two key aspects are worth noting. First, the FRPP excludes the public lands of the Interior Department and U.S. Forest Service, agencies that have vast land holdings, particularly in the West. Additionally, the FRPP is not GIS-based; it is a spreadsheet, making it inadequate in terms of completeness or in maximizing utility and transparency to citizens. Any current or future legislation contemplated by Congress should address these shortcomings.

Second, the federal government should consider partnering with the private sector to acquire commercially available geospatial services wherever possible, rather than trying to build them in-house. Reason Foundation has written frequently on public-private partnerships and contracting techniques, including their application to surveying, mapping and other commercially available geospatial activities. The private sector offers a broad, diverse portfolio of capabilities and technologies that can support public sector endeavors, and we recommend that government at all levels utilize the private sector for commercial activities and avoid duplicating services private enterprise is already efficiently providing.

Considering the nation's ongoing economic challenges, the government should take proactive steps to maximize the value of its resources, ensure efficient management and enable private sector economic growth through asset divestiture. Real property management is not a partisan issue, nor is it an issue of spending priorities. It is an issue of good governance and fiscal responsibility.

In conclusion, I commend the Subcommittee for considering the many benefits of improved real property management. It would represent an important step toward bipartisan, responsible stewardship of public assets and resources and improved transparency and accountability to taxpayers. Thank you again for the opportunity to testify on this important subject.

Committee on Oversight and Government Reform
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Required by House Rule XI, Clause 2(g)(5)

Name: LEONARD GILROY

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

NONE

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

I AM TESTIFYING IN MY CAPACITY AS DIRECTOR OF GOVERNMENT REFORM FOR REASON FOUNDATION, MY EMPLOYER.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

NONE

I certify that the above information is true and correct.

Signature:



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Senior Planner: prepared urban planning reports, land use planning documents, environmental assessments, geographic information systems and other technical planning work under contract to various local governments in Louisiana.
1994 - 1995 Virginia Center for Coal and Energy Research, Virginia Tech
Research intern: developed research projects on the geography of market-based sulphur dioxide emissions trading under Clean Air Act Acid Rain Program and the economic impacts of Virginia's natural gas industries.
1994 - 1995 Department of Urban Affairs and Planning, Virginia Tech
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Adjunct Scholar, Georgia Public Policy Foundation
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Research Publications

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Other Publications

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