

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET**
www.whitehouse.gov/omb

**Testimony of David Mader
Controller, Office of Management and Budget
before the
House Committee on Oversight and Government Reform
Subcommittee on Government Operations
July 29, 2014**

Thank you, Chairman Mica, Ranking Member Connolly, and Members of the Subcommittee, for the invitation to testify on excess and underutilized property listed in the Federal Real Property Profile (FRPP).

Each year, the Federal government needlessly expends taxpayer dollars on properties it no longer needs to meet mission requirements. We need to take advantage of the opportunity to dispose of these excess and underutilized properties to right-size the Federal real estate portfolio to meet mission requirements and to reduce administrative costs.

A tool that we can use to achieve these objectives is the Federal Real Property Profile. The government accounts for excess and underutilized properties through this government-wide real property database. Whether an asset is “excess,” or no longer needed by the agency, is determined by standards established by the individual agencies. Agencies also determine if a property is “unutilized,” which refers to assets that are not occupied for current program purposes, or “underutilized,” which refers to assets that are used only at irregular periods or intermittently by the agency for current program purposes, or those where only a portion can be used to satisfy current program purposes. To document the status of their assets, agencies report to the FRPP, on an annual basis, whether offices, warehouses, laboratories, hospitals, family housing, and dormitories, among other asset types, fall into these categories of excess, underutilized, or unutilized. This data is used by Federal agencies to prioritize assets for action, which may include the sale, demolition or rehabilitation of an asset to increase utilization.

In 2010, the President issued a memorandum to the heads of all executive agencies, titled “Disposing of Unneeded Federal Real Estate,” which directed them to take aggressive action to reduce their real estate footprint. Since then, agencies have made progress in documenting and identifying excess and underutilized properties and initiating disposal actions. While this is a good start, much work remains to be done.

The Administration has developed a government-wide real property strategy that is laying the groundwork to help agencies achieve a greater space reduction, and recognize greater savings. Through this initiative the Administration has focused on accelerating the disposal of excess and unutilized assets, and moving underutilized assets to full utilization or disposal. These actions are reducing the size of the portfolio and reduce associated administrative costs. This initiative prioritizes these actions and will, in collaboration with Congress, help us meet the

objectives of right-sizing the Federal real estate portfolio to agency mission requirements and reducing administrative costs.

The Path Forward: The Administration's National Real Property Strategy

Our progress to date represents significant improvement to the government's real property management capability and the actions that will reduce administrative spending. Our national real property strategy provides a road map to reform real property management, improve the efficiency of the portfolio, and control administrative costs. The strategy consists of three components: **freeze** growth in the inventory; **measure** performance and identify opportunities to improve efficiency and inventory data quality to support data driven decision-making; and **reduce** the size of the inventory by implementing actions to consolidate, co-locate, and dispose of real estate assets.

Freeze

The first prong of our National Real Property Strategy is to **freeze** federal real property growth. The Office of Management and Budget's (OMB) Memorandum M-12-12: "Promoting Efficient Spending to Support Agency Operations," laid the foundation for this effort, by directing agencies to freeze the growth in the real estate inventory ("Freeze the Footprint" or FTF). In March 2013, OMB released FTF implementing guidance, requiring agencies to freeze or reduce growth in the square footage represented by the office and warehouse assets in agency inventories, limiting an agencies' real property footprint through FY 2015 to their total FY 2012 square footage. Under the Freeze the Footprint policy, agency performance is measured against their FY 2012 office and warehouse space square footage through an annual evaluation, with results of agency efforts posted on Performance.gov each year. As a result of these efforts, the Federal government reduced its overall office and warehouse space in FY 2013 by more than 10 million square feet which exceeds the policy's goal to freeze the footprint.

The Administration is working to further refine this guidance to align agency real property management priorities to changes in available resources and incentives and to build upon this success and achieve greater efficiency, cost effectiveness, and transparency in the Federal government's real estate portfolio.

Measure

"**Measure**" is the second prong of our National Real Property Strategy. As part of the President's second term Management Agenda, the Administration developed cost and quality benchmarks for core administrative operations, including real property. We leveraged the agency executive councils to develop common standards and benchmarks to measure shared service utilization, performance, and cost. We now are using those standards and benchmarks for common administrative services as the baseline for driving continuous improvements in performance. These benchmarks, coupled with existing government-wide data, are helping agencies identify opportunities for real property consolidation, space utilization enhancements, and disposal as they are institutionalized within and become standard agency operating procedure. This improvement will help reduce the portfolio and associated administrative costs.

Reduce

The third prong of our National Real Property Strategy represents the ultimate goal of our efforts: to **reduce** the size of the government-wide real property inventory. Meeting this goal will result in a more efficient federal real property footprint that best delivers on agency mission requirements in the most cost-effective manner. Reducing our real property footprint means pursuing the disposal of unneeded and underutilized assets.

We will continue our work with agencies under the Freeze the Footprint policy to identify opportunities for property disposals. With the disposal of excess and underutilized properties comes the opportunity to both reduce portfolio size and reduce costs associated with operating and maintaining these assets. In FY 2013, the General Services Administration disposed of 213 properties from the government-wide inventory that generated \$97 million in proceeds. While this achievement is substantial, we believe that significant improvement can be made in this area, and that annual disposals can be increased if we work together to identify and implement core principles to develop new real estate management tools.

Real Estate Management Principles

The Administration supports the Civilian Property Realignment Act (CPRA) as a tool to help improve management of the government's real estate portfolio and accelerate the disposal of properties. We continue to believe that the enactment of CPRA would greatly enhance our ability to deliver results for the government-wide real estate portfolio. We also recognize other avenues are available to enhance our capability to achieve results for the real property program. While these may not be as far reaching and comprehensive as CPRA, we hope to pursue them as well.

To complement our National Real Property Strategy, there are at least two fundamental principles that we can explore as we right-size the Federal footprint. We believe that further dialogue and collaboration with this Committee, and the Congress as a whole, can help in forming an agreement on fundamental principles that can be used to create new tools to manage real property more effectively. To start this dialogue, we are proposing the following fundamental principles that can be used to create new real estate management tools.

Streamlined Process

New real estate management tools should streamline process requirements to move a project from initiation to completion. Streamlined requirements enable the government to realize administrative cost savings more quickly and dispose of more properties at a faster pace. New tools could provide relief from existing process requirements for all property actions or for only specific property types, locations, specific agencies, or real property actions such as sales.

Investing to Reduce Costs

Agencies often renew leases for multiple terms in old, cost- and space-inefficient buildings because they lack the investment funds to relocate to better space. We believe tools

can be crafted that will enable agencies to exchange cost inefficient space for a much smaller amount of new space as leases expire. For example, upon completion of the phase one renovation and consolidation into the General Services Administration Headquarters building, almost 700,000 square feet of leased space occupied by GSA components was released, resulting in a net decrease of over 400,000 square feet occupied by the agency.

In some cases such an exchange may require full investment funding while in others the investment required may be limited. In both cases the government will realize long-term cost savings and improve the quality of its portfolio. Other tools, such as policy requirements that specifically address the disposition of excess and underutilized properties, may be effective at accelerating disposals at very limited additional cost to the government. Identifying appropriate tools can speed our progress toward a more efficient government-wide real estate portfolio.

Conclusion

As we implement the Administration's National Real Property Strategy, we look forward to working with you to achieve our mutual interests of a more efficient and effective delivery of government services.

Thank you for inviting me to testify today. I look forward to answering your questions.

Dave Mader, Controller
Office of Management and Budget

David Mader is the Controller. He was confirmed on July 17, 2014. He previously served as Senior Vice President for Strategy and Organization at Booz Allen Hamilton, a position held since 2007. From 2004 and 2007, he was a Principal at Booz Allen Hamilton focusing on strategy and organization. From 2003 to 2004, Mr. Mader was the Managing Director of the Public Sector practice of Sirota Survey Intelligence. Before joining Sirota Survey Intelligence, Mr. Mader held various positions at the Internal Revenue Service from 1971 to 2003, including Acting Deputy Commissioner, Acting Deputy Commissioner for Modernization and CIO, Assistant Deputy Commissioner, and Chief for Management and Finance. Mr. Mader received a B.S. from Mount St. Mary's University.

