

**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 Transportation and Public Assets**

**September 23, 2016**

Thank you, Chairman Mica, Ranking Member Duckworth, and Members of the Subcommittee, for the invitation to testify and update the Subcommittee on the changes we are implementing to improve the government's real property management capability and our work to dispose of excess and unutilized properties. I appreciate the opportunity to return to this Committee and discuss how we are right-sizing the Federal real property portfolio. Since my 2014 hearing on real property, we have made significant reductions to our Federal footprint and have institutionalized rigorous real property management. Today, I will first update you on the status of two important Administration initiatives that have improved the efficiency of the government's portfolio before updating you on the progress the Administration has made to dispose of unneeded properties and its ongoing work to improve the timely disposal of such assets.

The Administration's focus to right-size the government-wide portfolio targets properties that are unneeded for a given agency's mission; our goal is to complete the administrative disposal process to verify the property is surplus to the needs of the government as a whole so it can be moved to the "surplus" category and disposed.<sup>1</sup>

To execute this overarching management initiative to align our Federal real property to what the government needs to serve the taxpayers, OMB began its efforts in Fiscal Year (FY) 2012 with the "Freeze the Footprint" (FTF) policy initiative, which was in effect from FY 2012 through FY 2015. The objective of the FTF policy was to freeze growth in agencies' office and warehouse portfolios, so that the government's portfolio did not increase. I am pleased to report that the Administration far exceeded its goal, as we reduced the agencies' portfolios by 24.7 million square feet (SF) in these asset categories from FY 2012–FY 2015, a 3.3% reduction from FY 2012's 730 million SF office and warehouse baseline. We estimate that the government will avoid \$300 million of rent and operations and maintenance costs annually, from FY 2016 onward, due to this 24.7 million SF reduction. This is a significant accomplishment because the government has, for the first time, reduced high cost space through a multiyear initiative and generated significant cost avoidance for the government.

While the FTF policy was still underway, we recognized the need to institutionalize a lasting strategic approach for government-wide real property management. In March 2015,

---

<sup>1</sup> It is important to note that "underutilized" properties are not generally considered priority candidates for disposal, as these properties generally are needed to meet agency mission requirements even though they are used on an intermittent basis. For example, a Park Service ranger station may be closed for the winter, or an agency training facility may not be used every week of the year, but these assets are needed to implement the agency mission.

OMB released the National Strategy for the Efficient Use of Real Property (National Strategy) and its companion “Reduce the Footprint” (RTF) policy. The National Strategy institutionalizes the government-wide goal to right-size our Federal property portfolio by defining the strategic framework agencies will use to manage their portfolios for efficiency gains. The framework *freezes* growth in the inventory, *measures* performance, *identifies* opportunities to improve efficiency and data quality to support data driven decision-making, and ultimately *reduces* the size of the inventory by prioritizing actions to consolidate, co-locate, and dispose of properties. These three steps provide the context within which all civilian agencies and the Department of Defense will manage their real property. Currently, the framework is improving the utilization of government owned buildings, lowering the number of excess and underutilized properties, and enhancing the cost effectiveness and efficiency of the portfolio. The National Strategy will institutionalize our objectives to reduce the government-wide portfolio and manage properties as efficiently as possible.

To implement the National Strategy, OMB issued the RTF policy to provide a robust set of agency specific performance measures. The RTF policy requires Chief Financial Officer (CFO) Act agencies to implement a five year, rolling planning process that sets annual SF reduction targets to reduce their real property portfolios. It prioritizes the disposal of unneeded and inefficiently used properties by requiring agencies to set annual square foot reduction targets. The RTF reduction targets function as agency performance measures; when combined with the FY 2014 benchmarking metrics<sup>2</sup> developed under the President’s Management Agenda, the government has a three year set of accountable performance measures to drive portfolio-wide efficiency improvements and property disposals. These performance measures helped agencies target a net portfolio reduction goal of over 8 million SF in FY 2016. The RTF promotes efficiency in the acquisition of owned and leased office space by requiring agencies to issue an agency-specific office space design standard and to use this standard to design all new office space for efficiency improvement. This requirement is now in place, and it will enhance portfolio efficiency as properties are disposed and replaced.

The RTF policy also creates a portfolio analysis process by which agencies, with the support of the General Services Administration (GSA), will analyze underutilized and unutilized properties. The annual portfolio analysis agencies use to set their annual reduction targets will help agencies determine which underutilized or unutilized properties can be declared excess and moved toward sale, public benefit conveyance, or demolition and identify mechanisms to reduce and right-size their portfolios. In this way, the RTF policy will help reduce the number of underutilized and unutilized properties across the Federal government

With regard to property disposal, this government-wide program has achieved solid results the last two fiscal years. In FY 2014, disposal of all domestic owned building types, including the FTF reductions, totaled 7,300 buildings and 47 million SF. These disposals reduced annual operation and maintenance costs by approximately \$17 million. In FY 2015, the disposal of all domestic owned building types, including the FTF reductions, totaled 4,900 buildings and 24.8 million SF, with a \$47 million reduction to annual operation and maintenance costs. These reductions were partially offset by the government’s need to replace obsolete buildings and acquire new assets to support agency mission requirements. In the last two years - FY 2014 and FY 2015 - we have achieved a reduction total of over 12,000 buildings, 71.8

---

<sup>2</sup> See this link for a summary: <https://www.performance.gov/node/3397/view?view=public>

million SF of space, and a \$64 million reduction in annual operation and maintenance cost. This demonstrates that the government has a robust disposal capability that it aggressively exercises across all building types.

At our last hearing we discussed a subset of high profile properties on the excess and surplus property lists, and we are aggressively pursuing their disposal.

To accelerate the pace and scope of disposals, we have developed new management tools within the Federal Real Property Profile (FRPP) to help agencies identify, target, and prioritize efficiency opportunities. We have now fully implemented data driven decision-making tools that provide detailed data on these properties' annual cost, location, and size, among other data elements, in a structured format that leverages multiple real property databases and fully supports the ability of agency management teams to identify these properties and to prioritize them for action. These tools enable agencies to use their data to calculate performance metrics, assess progress, and manage their disposal programs, all of which are powerful incentives for them to improve FRPP data quality as they dispose of more property. As our ongoing work to right-size the government-wide portfolio progresses, we will add properties to the disposal list as consolidation and collocation projects are identified and implemented.

We have appreciated the support from the Congress as we ushered in a new era of strategic Federal real property management. We believe that with a continued partnership with the Congress, we can increase the pace and number of properties disposed by modifying existing statutes to accelerate the disposal process through sale, demolition, and public benefit conveyance. Specifically, the Administration supports legislative solutions that permit agency retention of some sale proceeds for reinvestment in additional disposals, provide expanded authority for GSA to support agencies' work to prepare properties for a declaration of "excess," and offer relief from some aspects of the current disposal process. These changes could provide an important boost to agencies' disposal programs and achieve improved results for the taxpayer. We appreciate the opportunity to work with this Congress on such legislative modifications that support increased property disposal moving forward. We hope our work will help to provide the needed legislative relief and authorities that will save taxpayer dollars.

In addition to legislative solutions that can drive even more efficient real property management, we must invest to make the necessary reconfigurations, relocations, and disposals that will result in cost avoidance in future years. While we have made good progress, significant efficiency opportunities remain to be realized. One significant challenge has been the historically low levels of funding appropriated to the Federal Buildings Fund since FY 2011. In FY 2011 through FY 2015, Congress underfunded the Federal Buildings Fund by more than \$5 billion. This has prohibited GSA from making necessary repairs to Federal buildings and delayed the construction of critical, new Federal facilities. We appreciate Congress' action to fully fund the Federal Buildings Fund in FY 2016, restoring the capital program. The President's FY 2017 Budget again restores GSA's authority to fully use incoming rent collections to construct new facilities, such as the new FBI Headquarters and the consolidated Department of Homeland Security Headquarters at St Elizabeths, as well as maintain existing GSA Federal buildings that need major renovations and basic repairs. We anticipate that the Congress will continue to support the GSA capital program and critical projects in FY 2017, including the \$100 million request for GSA's consolidation fund. GSA is leading the Federal effort to both invest in Federal facilities

and consolidate space to reduce costs and optimize efficiency, saving tens of millions in annual lease costs. As I've mentioned previously, and it is important to note, recent funding levels for GSA and other Federal landholding agencies have led to both facility deterioration as well as missed opportunities to consolidate and reduce operating costs. Fully funding the President's FY 2017 request for the GSA consolidation program, for example, will accelerate the government's realization of cost reduction.

Moving forward, we will continue to use available resources as effectively as possible to enhance agencies' capability to implement the National Strategy and RTF policy. This requires making prudent business decisions and making tradeoffs among priorities to improve efficiency. As stated above, this includes the implementation of new management tools within the FRPP to help agencies target and prioritize efficiency opportunities and improvement of FRPP data quality. GSA is also continuously working with agencies to improve the quality of agencies' FRPP data by developing new mandatory data validation and verification procedures to validate the accuracy of key FRPP data elements. Agencies will implement the data validation and verification procedures in December 2016, and then report on how they addressed each data anomaly identified by GSA's data analysis tool. The collaborative work that GSA and OMB have executed further demonstrates our strong working relationship and strategic partnership to improve portfolio efficiency.

In developing our overall approach for improving the government-wide program we have enjoyed open and fruitful discussion with the Government Accountability Office (GAO). We appreciate GAO's continued dialogue and focus on real property and its willingness to collaborate as we strive to meet our mutual goal of removing the high risk designation from the Federal real property program. The most recent GAO High Risk report acknowledged the increased activity and leadership by OMB in this area. Our goals continue to be to improve the efficiency of the government-wide program to benefit the taxpayer and to exit GAO's high risk list. This Administration has constructed a solid foundation to attain both of these goals.

We look forward to working with the Congress on legislation that will enable us to make even greater progress improving the efficiency of the government-wide portfolio and accelerating the pace of property disposals over the next few years.

Thank you for the opportunity to testify today on this important topic. I look forward to answering your questions.