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**Testimony of David Mader
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before the
House Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public
Buildings and Emergency Management
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Thank you, Chairman Barletta, Ranking Member Carson, 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 the overall efficiency of the Federal real property portfolio.

Today, I would like to update you on the status of the initiatives that I outlined when I testified last July in front of the Subcommittee on Government Operations regarding the Administration's efforts to improve the management of the Governments' real property portfolio. Over the last eleven months, OMB has continued to implement actions that will dramatically improve and fundamentally transform the way the Federal Government manages its real property portfolio. Our vision for transforming real property management includes four core components. First, develop and implement a strategic framework guiding agencies' management of their real property portfolios over the next five years. Second, continue our work developing and implementing Government-wide performance metrics to identify efficiency opportunities at the agency level, and to assess the performance of individual agencies. Third, develop new management tools currently known as the Federal Real Property Profile (FRPP). These tools will enhance agencies' capability to analyze their portfolio data and identify opportunities to right-size and optimize their portfolios for effective mission delivery and cost efficiency. These new management tools will also enable agencies to improve the quality and usefulness of their FRPP data. And finally, fourth, and importantly, we believe limited modification to existing statutes can increase the pace and number of property disposals and decrease the amount of resources expended on maintaining excess and underutilized properties.

The President's FY 2016 Budget invests in our Federally-owned facilities to ensure that mission execution is optimized at the lowest possible cost, including \$2.4 billion over the FY 2015 enacted level in support of critical construction and renovation projects as well as opportunities for consolidation in the Federal Buildings inventory.

I'm happy to report that we have completed or made significant progress on three of the four components over the last eight months. For example, OMB issued the National Real Property Strategy (National Strategy) on March 25, 2015. The National Strategy builds on past actions and results to define the strategic framework agencies' will use to manage their portfolios for efficiency gains. The framework will *freeze* growth in the inventory, *measure* performance and identify opportunities to improve efficiency and data quality to support data driven decision-making, and ultimately *reduce* 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 agencies will manage their real property. Over time, the framework will improve the utilization of Government owned buildings, lower the number of excess and underutilized properties, and improve the cost effectiveness and efficiency of the portfolio.

To implement the National Strategy, OMB issued new policy that provides a robust set of agency specific performance measures. The “Reduce the Footprint” (RTF) policy, issued on March 25, 2015, requires agencies to implement a five year planning process to reduce their real property portfolios. The RTF prioritizes the disposal of unneeded and inefficient properties by requiring agencies to set annual square foot disposal targets for all building types. The RTF reduction targets function as agency performance measures; when combined with the FY2014 benchmarking metrics developed under the President’s Management Agenda, the Government will be armed with accountable performance measures to drive portfolio-wide efficiency and property disposals. Also, the RTF promotes efficiency in the acquisition of owned and leased space by requiring agencies to issue an office space design standard by February 2016, and to use this standard to design all new office space for efficiency improvements. This requirement will enhance portfolio efficiency as properties are disposed and replaced.

The third action required to transform management of Federal real property is the development of new management tools within the FRPP and improvement of FRPP data quality. We have made significant progress in creating the real property management tools I discussed in my July testimony. OMB has worked with GSA and the Federal Real Property Council to identify tools that support data driven decision-making. For example, the new tools will provide detailed data on properties’ annual cost, location, size, and lease expiration, among other data elements, in a structured format that fully supports the ability of agency management teams to identify efficiency opportunities and to implement data driven decision-making. When fully implemented in the fourth quarter of FY2015, the system will provide agencies with greater management capability and insight into the efficiency and cost opportunities their portfolios present over the next five years. The new system will leverage improvements to the General Service Administration’s (GSA) occupancy agreement (OA) database, which in FY2016 will fully identify succeeding OAs, expiring OAs, and other relevant data to enable agencies to track the size and location of their footprint more easily.

In developing all three of these actions we enjoyed open and fruitful discussion with the leadership and staff of 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. In fact in the most recent GAO High Risk report they acknowledge the increased activity and leadership by OMB in this area.

The last component of our vision – potential modification to existing statutes – could increase the pace and number of properties disposed through sale, demolition, and public benefit conveyance. These modifications could include, but are not limited to, agency retention of some sale proceeds for reinvestment in additional disposals, expanded authority for GSA to support agencies’ work to prepare properties for a declaration of “excess”, and relief from some aspects of the public benefit conveyance process. Such 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 legislative modifications that support increased property disposal.

The first three components of our vision will be implemented by the end of FY2015. We believe these actions will significantly improve the management of real property and deliver efficiency gains over the next five years. The real property program has achieved results in FY2014, and we will continue to build upon this achievement. For example, Government-wide disposal of all domestic building types totaled 7,300 buildings and 47 million square feet of space in FY2014. These disposals reduced annual operation and maintenance costs by approximately \$17 million. We also reduced the Freeze the Footprint (FTF) baseline by 11.2 million square feet in FY2014 on an agency by agency basis. This results builds upon the 10.2 million FTF square feet reduction we achieved in FY2013. So in two years we eliminated 21 million square feet of office and warehouse space.

I need to be clear on the results that we have achieved under the Freeze the Footprint (FTF) policy during the last two years. The policy was designed to freeze the size of agency portfolios by setting a baseline with FY2012 data. We have been pleasantly surprised to see that many agencies reduced the size of their portfolios over the last two years rather than simply maintaining them at FY2012 levels. On an agency by agency basis, as opposed to a Government-wide basis, the total baseline has decreased from 730.1 million square feet in FY2012 to 708.7 million square feet at the end of FY2014. These are significant reductions and they reduce the amount of funds expended to maintain the portfolio.

The FTF policy has been a significant step forward for the Government's management capability. The policy required agencies to manage to set portfolio baselines, required disposals of existing property to support new acquisitions, and required agencies to freeze their real property footprint by 2015. Overall, the FTF policy has provided value to the Federal Government's management of real property. In my July testimony, I also stated that we would estimate the cost reduction to the Government achieved through the freeze the footprint requirement. We have examined options for obtaining the cost reduction, including cost modeling, and have concluded the most robust and accurate method to obtain cost reduction is the collection of actual agency costs from individual projects. Beginning in FY 2016 and continuing in out-years, agencies will be required to report actual cost data based upon guidance developed by OMB and GSA in collaboration with the CFO Act agencies. It is important to note that real property projects require investment, and that cost reduction equals initial investment after a period of years. The GSA consolidation program, for example, requires cost reduction to equal initial investment no later than seven years after initial investment.

The real property program will also benefit from the fundamental changes we are making to the annual agency management reviews OMB performs. OMB conducts annual data-driven management reviews with agency leadership under the auspices of the Government Performance and Results Modernization Act of 2010, the PortfolioStat information technology review, and the benchmarking metric review initiated in FY2014 under the President's Management Agenda. These management reviews provide discussion to validate agency priorities, identify opportunities for performance improvement, and discuss agencies' strategies for improving their overall performance. Ultimately, these reviews provide a mechanism to bring together the key people, resources, and data analysis needed to drive progress.

We have built upon the successes of the annual management reviews by creating a comprehensive “FedStat” process to fully integrate the review of agency management processes and resource levels. This process will improve the operational efficiency and cost effectiveness of agency management functions by using data analysis to drive performance based decision-making and provides OMB and agencies a forum to conduct a comprehensive and structured annual discussion on the long-term strategic challenges that each agency confronts to more fully and effectively meet those challenges. This discussion provides value to all agencies’ real property programs beginning now.

Our progress in the last year represents meaningful improvement to the Government’s real property management capability. We expect additional, and significant, improvement as the National Strategy, Reduce the Footprint policy, enhanced FRPP management capability, and the Strategic Review process are fully implemented over the course of FY 2015. With the acknowledgement that there is a significant amount of work ahead to improve real property management, we are confident our strategy will yield results for the taxpayer. I appreciate the attention this Subcommittee dedicates to the improvement of Federal real property management, and I remain committed to achieving our mutual objective of a more effective and efficient real property program.

I must stress that in order for the Government to reduce its footprint, we require funding to make the necessary reconfigurations and relocations that will result in cost avoidance in future budget years. While we have made good progress, significant opportunities remain. One significant challenge has been the historically low levels of funding appropriated to the Federal Buildings Fund. The President’s FY 2016 Budget restores GSA’s authority to fully use incoming rent funds to construct new facilities such as the consolidated DHS HQ as well as maintain existing GSA Federal buildings that need major renovations and basic repairs and renovations. The 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. 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.

We look forward to working with this Committee and other Committees in 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.