Testimony of

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Good morning Chairman Barletta, Ranking Member Carson, and members of this Subcommittee. My name is E.J. Holland, Jr. and I am the Assistant Secretary for Administration at the U.S. Department of Health and Human Services (HHS). I am honored to join you here today.

Under the leadership of former Secretary Kathleen Sebelius and new Secretary Sylvia Mathews Burwell, HHS has continued in its commitment to save taxpayer dollars through effective management of our real property assets, improve utilization through reduced space requirements, and pursue alternative workplace strategies that increase utilization and reduce costs. At the end of Fiscal Year (FY) 2013 HHS had over 4,000 real property assets; approximately 3,500 are buildings that encompass over 54 million gross square feet. Over 2,700 of these buildings are owned by HHS, reflecting just over 32 million gross square feet or 59 percent of our total real property footprint; and the balance of just under 800 buildings are leased, reflecting slightly more than 22 million gross square feet. Overall, just over 38 million gross square feet or 70 percent of our real property footprint is in federally-owned space, 59 percent HHS-owned space, as noted earlier, and 11 percent in GSA-owned space. Of our 16 million square feet of leased assets in non-federal space, the majority, over 11 million square feet, are acquired through the General Services Administration (GSA). The remaining leased assets total less than 5 million square feet and are either direct leases or interagency agreements.

HHS continues to work with GSA when acquiring space to ensure that we deliver the most efficient and cost effective space to meet the HHS mission requirements. We recognize that moving from GSA-leased space to GSA-owned space will save taxpayer dollars and have taken steps to consolidate space from leased locations into GSA-owned space where it is available. A prime example is the ongoing consolidation of the Food and Drug Administration on the White Oak Campus into GSA-owned space. Completion of the current master plan and consideration of further consolidation onto the campus will further reduce our leased footprint.

The Mary E. Switzer Building consolidation project is another example of moving current leases into GSA-owned space. HHS currently houses five divisions, which comprise approximately 1,627 employees in 399,031 rentable square feet (RSF), in seven different leased locations and two federally-owned buildings throughout Washington, DC. HHS will consolidate these seven leased and two owned locations into the Mary E. Switzer Building (federally-owned) located at 330 C St SW; Washington, DC. The consolidation of the Administration for Children and Families headquarters was originally planned as a Prospectus Level Lease. Working with GSA and its Office of Client Solutions, the Switzer Building was identified as an alternative that accommodated not only the headquarters consolidation of the Administration for Children and Families, but also the Administration for Community Living, the Office of the National Coordinator for Health IT, the Departmental Appeals Board, and two components of the Office of the Assistant Secretary for Health that were scattered in leased locations across the Southwest Complex. The project will downsize these five divisions from 338,557 useable square feet (USF) to 298,774 USF - a reduction of 39,783 USF. The RSF will be reduced from 399,031 to 374,810 - a reduction of 24,221 RSF. This project will reduce HHS's footprint of leased space by 349,956 RSF; and HHS is moving what would have been $17,388,582 in private sector lease payments to Federal Building Fund payments.

HHS also took advantage of GSA's FY14 Omnibus Appropriations for Consolidation Activities, which funds loans to agencies for consolidation projects. HHS submitted this year not only funding for the Switzer consolidation, but also funding for the Office of the Chief

Information Officer (OCIO) consolidation into an alternative space-efficient workplace as a pilot within the Hubert H. Humphrey Building. HHS currently houses the majority of the OCIO in two locations: the Hubert H. Humphrey Building and Silver Spring Centre. While the Hubert H. Humphrey Building is federally-owned, Silver Spring Centre is a leased location. This project will consolidate these two locations, and a third, smaller location in the Wilbur J. Cohen Building, onto the third floor of the Humphrey Building, creating a more effective and collaborative working environment for the OCIO team. The project will result in OCIO's occupancy decreasing from 85,834 RSF to 58,339 RSF - a reduction of 27,495 RSF. Moreover, OCIO's USF will drop to approximately 33,700 from 67,828 - a reduction of 34,128 USF, or 50 percent. After consolidating into the Humphrey Building, OCIO's utilization rate (UR) will reduce from 207 USF per person to 103 USF per person. As evidenced by the low UR, OCIO's consolidation is HHS's first opportunity to create a showcase space for employee mobility in its headquarters building – a strategic goal for HHS in its efforts to reduce its footprint. This project will save HHS approximately $750,000 in annual rent costs and further reduce HHS's footprint of leased space by 57,165 RSF.

Where GSA-owned space is not available, we endeavor to reduce our real property footprint in acquiring replacement leases. A prime example is the replacement lease at 5600 Fishers Lane, formerly referred to as the Parklawn Building. This replacement lease consolidates the Agency for Healthcare Research and Quality, the Substance Abuse and Mental Health Services Administration, the Indian Health Service, and the Health Resources and Services Administration. The current planned facility will house 4,517 people in 823,924 USF. Over the term of the lease the Department expects to save in excess of $215 million in rent costs associated with the four operating divisions.

In response to OMB's Management Procedures Memorandum No. 2013-02 implementing the "Freeze the Footprint" policy, HHS submitted its initial Freeze the Footprint Plan for FY 2013 through FY 2015 in September 2013. An update of the Plan was submitted more recently in May 2014. As outlined in the Plan, HHS faces several challenges in adhering to its FY 2012 Freeze the Footprint Baseline. There were a number of large lease acquisitions and construction projects that were underway but not completed by the end of FY 2012 and therefore not included in the FY 2012 Baseline. These projects will add approximately 1.8 million square feet of space to the HHS footprint over the next two years. Another challenge for HHS are recent legislative mandates that are driving staff increases beyond what was projected in our original plan, such as the FDA Safety and Innovation Act. This means some temporary additions to our real property footprint.

Despite these challenges, HHS expects to offset increases and meet its FY 2012 Baseline by the end of FY 2016. This will be accomplished through continued implementation of HHS's target office utilization rate policy of 170 USF per person on average, ongoing development of targeted opportunities for potential savings through partnering with GSA on Client Portfolio Planning, and by employing strategies both internally and with GSA to improve the utilization of space.

We find, too, that a significant challenge is the upfront costs needed to support consolidations and more efficient space utilization. As a result, HHS has taken advantage of the GSA Total Workplace Program for a number of its larger projects. Under the Total Workplace Program, HHS has leased from GSA the furniture, fixtures, equipment and information technology needed for several regional office replacement leases as well as the Switzer and 5600 Fishers Lane consolidations. However, not funding upfront the capital investments in furniture, fixtures, and equipment and information technology has a direct impact on the immediate return on investment and short term, three to five year, increases in operating costs.

More recently the benchmarking done under the President's Management Agenda (PMA) has reinforced that the strategies we have in place remain valid. We continue to work with GSA to create new bureau codes for each HHS component to allow for more granular analysis, tracking of performance and simplified billing. We are using the benchmarking data to further evaluate extreme high and low utilization rates; and, where appropriate, we intend to target assets for consolidation or increase in staffing levels to improve utilization. We also confirmed that over 37 percent of our inventory is small leases, supporting five or less staff. There is the potential to reduce costs by consolidating these assets either in other HHS locations or other federal locations.

HHS is committed to generating savings for the taxpayers through better utilization of its real property assets. The PMA benchmarking demonstrated we are making progress in improving utilization of our office's assets, but we also know opportunities remain for even better utilization. We recognize that our leased inventory is an opportunity to reduce costs; and we continue to work closely with GSA to identify opportunities for improved efficiencies in our leased portfolio, whether through consolidations, improved utilization costs, or innovative workplace solutions.

Thank you for the opportunity to appear here today. I welcome your questions.