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before the
Subcommittee on Federal Financial Management, Government Information, Federal
Services, and International Security
Senate Committee on Homeland Security and Governmental Affairs
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Thank you, Chairman Carper, Ranking Member Brown, and members of the Subcommittee, for the invitation to discuss with you today how the government can improve its management of Federal real estate.

In this year's State of the Union address, the President acknowledged that we cannot win the future with the government of the past. Stated differently, significant improvements in government performance will require significant changes in how we conduct our business. For too long, the American people's hard-earned tax dollars have been wasted on maintaining empty buildings and holding on to valuable properties the government no longer needs. For this reason the President submitted the Civilian Property Realignment Act to Congress on May 4, 2011. This is a bold new proposal, to significantly reduce and realign the Federal real estate inventory by leveraging the model successfully used in the past for defense properties.

The Administration is pleased that this subcommittee recognizes the importance of our efforts to cut waste and save taxpayer dollars in the government's real estate holdings. We believe there is significant potential with the President's proposal, and look forward to working with the members of this committee and building on the progress and positive feedback gained thus far. Congressman Denham introduced a draft bill to the House that is similar in its core values to the President's bill, and we welcome working with you and members of the Senate to develop a bill that will achieve billions in savings for the American people.

As described in greater detail throughout my testimony, the President's proposal would empower an independent Board to break through longstanding barriers created by red tape, financial disincentives, and competing stakeholder interests in a manner that would accomplish:

- Quicker disposal of surplus properties;
- Conversion of unneeded real estate into reductions in the Federal deficit;
- Consolidation of more workers and programs into less space;
- Reduction of costly leases;
- Realignment of the real estate inventory for 21st century service delivery; and
- Reductions in energy consumption and operating costs.

Background

Each year, the Federal government wastes taxpayer dollars on government properties that it no longer needs. These properties include roughly 14,000 buildings and structures currently designated as excess and about 76,000 properties identified as underutilized. There are also significant opportunities for realigning our real estate that Federal agencies have yet to identify due to competing stakeholder interests, financial disincentives, and other constraints. We need to take immediate steps to take advantage of the many opportunities that have already been identified to date and simultaneously move forward on additional and more transformational possibilities.

Inefficiency associated with the management of Federal real estate is a longstanding problem. In the 1960's, President Nixon tried to address the problem by creating a Real Property Management Program.¹ Almost two decades later, President Reagan issued two separate executive orders to try to fix real property management.² In 2004, President Bush issued Executive Order 13327 to create the Federal Real Property Council and order the creation of a Federal inventory (the Federal Real Property Profile) to be maintained by the General Services Administration (GSA).

Accomplishments

Last year, the President issued a memorandum titled "Disposing of Unneeded Federal Real Estate" and ordered agency leaders to take aggressive action to reduce their real estate footprint. The President also set a goal of \$3 billion in savings, which agencies are on track to meet by the end of FY 2012. However, our work with agencies on their real estate plans has made it apparent that major savings opportunities, that could yield significantly more than the \$3 billion savings goal, lie within our grasp, but cannot be implemented with the traditional tools available for managing our real property assets. The proposal I am here today to speak to you about represents a significant expansion of the Administration's efforts.

Building on Past Success

The Department of Defense's Base Realignment and Closure (BRAC) program has been a model for rationalizing infrastructure with mission requirement. In this process, the Secretary of Defense, recommends to an independent commission those installations that the Department of Defense believes should be closed or realigned. The Commission reviews the Secretary's recommendations, and then sends its recommendations to the President who could either accept or reject the Commission's recommendations in their entirety, but he could not make any modifications. If accepted, the President forwards the recommendations to Congress. If Congress does not enact a joint resolution of disapproval within the statutory timeframe, the

¹Richard Nixon: Statement About a Report of the Property Review Board, July 25, 1972, *available at*: <http://www.presidency.ucsb.edu/ws/index.php?pid=3503&st=&st1=#ixzz1IBqsBude>

²Ronald Reagan: Executive Orders 12348 and 12512, *available at*: <http://www.presidency.ucsb.edu/ws/index.php?pid=42208#axzz1I0qF68zN>; <http://www.reagan.utexas.edu/archives/speeches/1985/42985h.htm>

BRAC Act requires the Department to carry out all the closures or realignments. This approach helped overcome the roadblocks that had previously made base closure and realignment nearly impossible. BRAC efforts are expected to result in \$80 billion in net savings over the next 20 years (or \$4 billion annually).

The President's Civilian Property Realignment Act (CPRA) proposal builds on the best practices of BRAC: an independent Commission and consideration by Congress on an all or none basis. The proposal would establish an independent board of experts to expedite disposal of a selection of unneeded properties and identify opportunities to consolidate, reduce, and realign Federal real estate. The CPRA Board would present recommendations to Congress on bundles of identified properties in the greater Federal inventory to be voted on in an up or down manner. The process also streamlines the current authorities that are involved in any disposal or consolidation of properties identified by the Board.

Most importantly, the CPRA process will be successful because it is a comprehensive solution to the three primary obstacles standing in the way of efficient real property management: red tape, financial disincentives, and competing stakeholder interests.

Red Tape

There are more than 20 steps in the process required to sell or otherwise dispose of any given federal property. There are good reasons why these steps exist (e.g. assuring good title to land); however, it may not make sense to apply the steps uniformly – it is inefficient to use the same process to sell a small warehouse in a rural location as is used to sell an office building in a downtown urban setting. Frequently, these steps involved can slow down the disposal or consolidation process and acts as a disincentive for agencies to better manage their inventory.

The CPRA proposal cuts through the red tape in two ways: by accelerating the process through which the government chooses what to do with a property, and then by expediting the implementation of recommended disposals or consolidations for those properties identified by the Board. This approach eliminates the one-size-fits-all process that exists today.

The CPRA Board speeds up the decision of what to do with the properties that it identifies by applying a rational approach to existing review requirements and balancing the equities of competing stakeholders in real property issues. After conducting a review of agency real estate plans, the Board would conduct its own independent analysis of agency inventories.

The Board will issue a report with a list of recommended actions. This report will include directions to send some of its selected properties directly to sale without going through certain steps that otherwise would be required in the disposal process, such as review by certain preferred parties outside of the Federal government. Other selected properties on the list will be set aside and directed immediately to a public benefit conveyance, such as to one of sixteen sponsored programs (e.g. parks, schools, historical preservation, etc.).

While formulating its recommendations, the board will take into account, among other criteria, the community in which the property is located; the highest and best use of the property;

the potential uses of the properties for homeless assistance, parks and recreation, or other public benefits; the historical nature of the facility; the environmental effects of a proposed action; whether the action would create an “inholding;” and whether major environmental remediation must be done to the property. The Board will also be charged with reviewing whether past actions by agencies have adequately addressed real estate management and with assuring that CPRA transfers will be made in an environmentally conscious manner, consistent with the law and protective of public health.

The CPRA proposal also speeds up the implementation of sales and conveyances for the properties recommended by the Board for realignment. Instead of undergoing the current step-by-step process that can take up to a year, properties on the CPRA list of recommendations that are chosen for public benefit conveyance will go through reviews concurrent with one another to avoid wasting time. This improved process will accelerate implementation while preserving the core mission of the public benefit conveyance program.

Financial Disincentives

There are many upfront costs agencies incur when disposing of properties or realigning space, such as for moving expenses and reconfiguration costs. However, in many cases, agencies do not benefit financially from the sale of property by retaining some of the proceeds. Therefore, it can end up costing more money to sell a property than to maintain it in a vacant state from year-to-year, even when there are obvious long-term savings that could be achieved. On top of this disincentive, often an agency does not have the upfront capital to cover the short-term costs.

To address this issue, the CPRA Board would utilize a revolving fund and would structure the division of proceeds to provide agencies with funding and incentives for disposals and consolidations. The proposal creates an Asset Proceeds and Space Management Fund to provide discretionary logistical and financial support to agencies to ready properties for disposal, consolidation, or reconfiguration, as a result of a Board recommendation. The Board will retain up to 40 percent of net proceeds from any disposal that results from a Board recommendation, in order to pay for the Board’s continued operations, replenish the Asset Proceeds and Space Management Fund, and provide funding for agencies’ capital improvement accounts. The Board will also send at least 60 percent of the net proceeds from any Board-recommended disposal to the Treasury General Fund for deficit reduction.

Competing Stakeholder Interests

Proposals by the Federal government to vacate, transfer, or sell real estate affect numerous, competing, and legitimate stakeholder interests, each with a different perspective on whether the Federal government should vacate the property and what will become of the property once the Federal government interest ends. For civilian assets today, the inability to resolve these competing interests not only slows or stymies identified opportunities for realignment but also creates a powerful disincentive for Federal agencies to initiate or consider new and bold opportunities for realignment.

The CPRA proposal helps overcome this challenge by tasking the independent CPRA Board to balance all views and determine the optimal overall outcome for the taxpayer. Further, the Board will not recommend disposals or consolidations on an individual basis; rather, it will bundle a package of recommendations that succeed or fail together. Following an OMB review, Congress will have 45 days to consider the recommendations, and only a “no” vote can prevent the recommendation from moving forward. Congress, like OMB, cannot veto individual recommendations. Its sole options are either to endorse or reject the whole package. The BRAC process proved that this approach can overcome the challenge posed by competing stakeholders that makes the typical one-by-one property disposal or realignment difficult.

Conclusion

The Federal government has tens of thousands of government properties that it no longer needs to fulfill its mission for the American people. This would be an unacceptable waste of taxpayer dollars at any time; but it’s particularly unacceptable today, when we have a pressing need to rein in our spending and reduce our deficits. When families are watching every penny, and making tough choices, they have a right to expect their government to do the same and operate as efficiently as possible. We can no longer continue to operate using the costly real property inventory of 60 years ago. By using the BRAC model to address this issue, we can leverage our portfolio to improve the delivery of government services to the taxpayer, reduce the government’s energy footprint, and send proceeds from the sale of unneeded Federal properties back to the Treasury to reduce the deficit. We cannot achieve these important goals using the same techniques that have been failing us since the 1960’s. It is time for a bold new step – we look forward to working together to help pass the President’s Civilian Property Realignment Act and bring about a transformation of real property management. We believe the President’s proposal provides tools and approaches for achieving significant savings and efficiencies in our Federal real estate portfolio, and we look forward to working with this Subcommittee to introduce the legislation in the Senate and begin our important work ahead.

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