United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

For Release on Delivery
Expected at 2:00 p.m. EDT
Thursday, June 9, 2011

FEDERAL REAL PROPERTY

Proposed Civilian Board Could Address Disposal of Unneeded Facilities

Statement of David J. Wise, Director
Physical Infrastructure Issues

Brian J. Lepore, Director
Defense Capabilities and Management Issues

GAO
Accountability * Integrity * Reliability

GAO-11-704T

June 9, 2011

GAO
Accountability • Integrity • Reliability

Highlights

Highlights of GAO-11-704T, a testimony before the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

FEDERAL REAL PROPERTY

Proposed Civilian Board Could Address Disposal of Unneeded Facilities

Why GAO Did This Study

The federal government holds more than 45,000 underutilized properties that cost nearly $1.7 billion annually to operate, yet significant obstacles impede efforts to close, consolidate, or find other uses for these properties. GAO has designated federal real property management as a high-risk area, in part because of the number and cost of these properties. The Office of Management and Budget (OMB) is responsible for reviewing federal agencies' progress in real property management. In 2007, GAO recommended that OMB assist agencies by developing an action plan to address key obstacles associated with decisions related to unneeded real property, including stakeholder influences. In May 2011, the administration proposed legislation, referred to as the Civilian Property Realignment Act (CPRA), to, among other things, establish a legislative framework for disposing of and consolidating civilian real property and that could help limit stakeholder influences in real property decision making.

This statement identifies (1) progress the government has made toward addressing obstacles to federal real property management, (2) some of the challenges that remain and how CPRA may be responsive to those challenges, and (3) key elements of the Department of Defense's (DOD) base realignment and closure (BRAC) process that could expedite the disposal of unneeded civilian properties. To do this work, GAO relied on its prior work, and reviewed CPRA and other relevant reports.

View GAO-11-704T or key components. For more information, contact David Wise at (202) 512-2834 or wised@gao.gov or Brian Lepore at (202) 512-4523 or leporeb@gao.gov.

What GAO Found

In designating federal real property management as a high-risk area, GAO reported that despite the magnitude and complexity of real-property-related problems, there was no governmentwide strategic focus on real property issues and governmentwide data were unreliable and outdated. The administration and real-property-holding agencies have subsequently improved their strategic management of real property by establishing an interagency Federal Real Property Council designed to enhance real property planning processes and implementing controls to improve the reliability of federal real property data.

Even with this progress, problems related to unneeded property and leasing persist because the government has not yet addressed other challenges to effective real property management, such as legal and financial limitations and stakeholder influences. CPRA is somewhat responsive to these challenges. For example, CPRA proposes an independent board that would streamline the disposal process by selecting properties it considers appropriate for public benefit uses. This streamlined process could reduce disposal time and costs. CPRA would also establish an Asset Proceeds and Space Management Fund that could be used to reimburse agencies for necessary disposal costs. The proposed independent board would address stakeholder influences by recommending federal properties for disposal or consolidation after receiving recommendations from civilian landholding agencies and independently reviewing the agencies' recommendations. CPRA does not explicitly address the government's overreliance on leasing, but could help do so through board recommendations for consolidating operations where appropriate. GAO is currently examining issues related to leasing costs and excess property.

Certain key elements of DOD's BRAC process—which, like CPRA, was designed to address obstacles to closures or realignments—may be applicable to the disposal and realignment of real property governmentwide. These elements include establishing goals, developing criteria for evaluating closures and realignments, estimating the costs and savings anticipated from implementing recommendations, and involving the audit community. A key similarity between BRAC and CPRA is that both establish an independent board to review agency recommendations. A key difference is that while the BRAC process places the Secretary of Defense in a central role to review and submit candidate recommendations to the independent board, CPRA does not provide for any similar central role for civilian agencies.

Chairman Carper, Ranking Member Brown, and Members of the Subcommittee:

Thank you for the opportunity to testify today on our work related to excess and underutilized federal real property held by civilian federal agencies, as well as our work on the military Base Realignment and Closure (BRAC) process. The federal government occupies more owned and leased buildings than it needs. In fiscal year 2009, 24 landholding agencies, including the Department of Defense (DOD), reported 45,190 underutilized buildings with a total of 341 million square feet, or 1,830 more such buildings than they reported the previous fiscal year. These underutilized buildings cost $1.66 billion annually to operate and are potentially valuable. The federal government also leases more property than is cost-efficient, resulting in millions of dollars of additional costs to the federal government. Since 2008, the General Services Administration (GSA) has leased more property than it owns[1]—more than 8,000 buildings—even though owning a federal building is often a more cost-effective way of meeting an agency's long-term space needs.[2] Because of these and other issues, we have designated the management of federal real property as a high-risk area.[3] On May 4, 2011, the administration proposed legislation, referred to as the Civilian Property Realignment Act (CPRA).[4] CPRA legislation has also been introduced in the House of Representatives.[5] Differences exist between the House bill and the administration's proposal. Throughout this statement, any reference to CPRA is the administration's proposed legislation.

At the request of this subcommittee, we have recently begun two new engagements related to federal real property management. The first will examine how federal agencies designate excess federal real property and

[1]In this testimony, we refer to property that is owned by the federal government and under the control and custody of GSA as GSA-owned property.

[2]GAO, *Federal Real Property: Strategy Needed to Address Agencies' Long-standing Reliance on Leasing,* GAO-08-197 (Washington, D.C.: Jan. 24, 2008).

[3]*High-Risk Series: An Update,* GAO-11-278 (Washington, D.C.: February 2011).

[4]Letter from Jacob J. Lew, Director, Office of Management and Budget, to The Honorable Joseph R. Biden, President of the Senate (May 4, 2011) (available at www.whitehouse.gov/omb/financial_fia_asset (last visited June 1, 2011)).

[5]H.R. 1734, 112th Cong. (2011).

what actions they are taking to better use remaining property. The second will examine the leasing costs incurred by the federal government.

Like GSA, DOD has faced long-term challenges in managing its portfolio of facilities, halting degradation of facilities, and reducing unneeded infrastructure to free up funds to better maintain the facilities that it still uses and to meet other needs. DOD's management of its support infrastructure is also on our high-risk list, in part because of challenges DOD faces in reducing excess and obsolete infrastructure.[6] As you know, DOD has been working through the BRAC process as one way to reduce the amount of unneeded property that it owns and leases. This process, which is designed to address the obstacles to matching needed infrastructure to the needed workforce and missions, may also be applicable to civilian real property management.

This statement discusses (1) progress the government has made toward addressing obstacles to federal real property management; (2) some of the challenges that remain for effective federal real property management and how the administration's proposed CPRA could be responsive to those challenges; and (3) key elements of the BRAC process that could be applied to expedite the disposal of unneeded civilian properties.

To address these objectives, we reviewed our previous work, reports by the interagency Federal Real Property Council (FRPC), and CPRA. We also visited an office and warehouse complex currently in the disposal process that included multiple types of real property at one address. This complex was judgmentally selected on the basis of its characteristics and its geographic proximity to our field office in Dallas, Texas. In addition, we reviewed the BRAC legislation and our reports on DOD's BRAC process and are currently monitoring BRAC 2005 implementation. We shared the relevant information in this statement with the Office of Management and Budget (OMB), GSA, and DOD officials. OMB and GSA did not provide comment. DOD provided technical comments which we incorporated as appropriate. We performed this work from May 2011 to June 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe

[6]GAO-11-278.

that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The federal real property portfolio is vast and diverse, totaling more than 900,000 buildings and structures—including office buildings, warehouses, laboratories, hospitals, and family housing—and worth hundreds of billions of dollars. The six largest federal real property holding agencies—DOD; GSA; the U.S. Postal Service; and the Departments of Veterans Affairs (VA), Energy, and the Interior—occupy 87.6 percent of the total square footage in federal buildings. Overall, the federal government owns approximately 83 percent of this space and leases or otherwise manages the rest; however, these proportions vary by agency. For example GSA, the central leasing agent for most agencies, now leases more space than it owns.

The federal real property portfolio includes many properties the federal government no longer needs. In May 2011, the White House posted an interactive map of excess federal properties on its Web site,[7] noting that the map illustrates a sampling of over 7,000 buildings and structures currently designated as excess. These properties range from sheds to underutilized office buildings and empty warehouses. We visited an office and warehouse complex in Fort Worth, Texas that was listed on the Web site. Ten of the properties listed on the Web site as part of the Fort Worth complex were parceled together and auctioned in May 2011, but the sale is not yet final. The structures ranged from large warehouses to a concrete slab. (See fig. 1.) Work we are currently doing for this subcommittee on how federal agencies designate excess federal real property will include visits to other properties from around the country that are considered excess.

[7]See http://www.whitehouse.gov/issues/fiscal/excess-property-map (last visited June 1, 2011).

Figure 1: Several Structures Auctioned by GSA in May 2011 in Ft. Worth, Texas

One of four large warehouses

Office building

Empty guard house structures

Concrete slab

Source: GAO.

After we first designated federal real property as a high-risk area in 2003, the President issued Executive Order 13327 in February 2004, which established new federal property guidelines for 24 executive branch departments and agencies. Among other things, the executive order called for creating the interagency FRPC to develop guidance, collect best practices, and help agencies improve the management of their real property assets.

DOD has undergone four BRAC rounds since 1988 and is currently implementing its fifth round.[8] Generally, the purpose of prior BRAC rounds was to generate savings to apply to other priorities, reduce property deemed excess to needs, and realign DOD's workload and workforce to achieve efficiencies in property management. As a result of the prior BRAC rounds in 1988, 1991, 1993, and 1995, DOD reported that it had reduced its domestic infrastructure, and transferred hundreds of thousands of acres of unneeded property to other federal and nonfederal entities. DOD data show that the department had generated an estimated $28.9 billion in net savings or cost avoidances from the prior four BRAC rounds through fiscal year 2003 and expects to save about $7 billion each year thereafter, which could be applied to other higher priority defense needs. These savings reflect money that DOD has estimated it would likely have spent to operate military bases had they remained open. However, we found that DOD's savings estimates are imprecise because the military services have not updated them regularly despite our prior reported concerns on this issue.[9] The 2005 BRAC round affected hundreds of locations across the country through 24 major closures, 24 major realignments, and 765 lesser actions, which also included terminating leases and consolidating various activities.[10] Legislation authorizing the 2005 BRAC round maintained requirements established for the three previous BRAC rounds that GAO provide a detailed analysis of DOD's recommendations and of the BRAC selection process. We submitted the results of our analysis in a 2005 report and testified before the BRAC

[8]The first round in 1988 was authorized by the Defense Authorization Amendments and Base Closure and Realignment Act, Pub. L. No. 100-526, Title II (1988) (as amended). Subsequently, additional BRAC rounds were completed in 1991, 1993, and 1995 as authorized by the Defense Base Closure and Realignment Act of 1990, Pub. L. No. 101-510, Title XXIX (1990) (as amended). The latest round—BRAC 2005—was authorized by the National Defense Authorization Act for Fiscal Year 2002, Pub. L. No. 107-107, Title XXX (2001) (as amended).

[9]In addition, we have also reported that we believe that DOD's net annual recurring savings estimates are overstated because they include savings from eliminating military personnel positions without corresponding decreases in personnel end-strength. DOD disagrees with our position. GAO, *Military Bases: Analysis of DOD's 1995 Process and Recommendations for Closure and Realignment*, GAO/NSIAD-95-133 (Washington, D.C.: Apr. 14, 1995) and *Military Base Realignments and Closures: Estimated Costs Have Increased and Estimated Savings Have Decreased*, GAO-08-314T (Washington, D.C.: Dec. 12, 2007).

[10]DOD defines a major closure as a closure where plant replacement values exceed $100 million and major realignments as actions with net losses of 400 or more military and civilian personnel.

Commission soon thereafter.[11] Since that time, we have published annual reports on the progress, challenges, and costs and savings of the 2005 round, in addition to numerous reports on other aspects of implementing the 2005 BRAC round.[12]

The Government Has Adopted a More Strategic Focus to Improve Real Property Management and Has Taken Steps to Increase Data Reliability

The administration and real-property-holding agencies have made progress in a number of areas since we designated federal real property as high risk in 2003. In 2003, we reported that despite the magnitude and complexity of real-property-related problems, there had been no governmentwide strategic focus on real property issues.[13] Not having a strategic focus can lead to ineffective decision making. As part of the government's efforts to strategically manage its real property, the administration established FRPC—a group composed of the OMB Controller and senior real property officers of landholding agencies—to support real property reform efforts. Through FRPC, the landholding agencies have also established asset management plans, standardized real property data reporting, and adopted various performance measures to track progress. The asset management plans are updated annually and help agencies take a more strategic approach to real property management by indicating how real property moves the agency's mission forward; outlining the agency's capital management plans; and describing how the agency plans to operate its facilities and dispose of unneeded real property, including listing current and future disposal plans. According to several member agencies, FRPC no longer meets regularly but remains a forum for agency coordination on real property issues and could serve a larger role in future real property management.

[11]GAO, *Military Bases: Analysis of DOD's 2005 Selection Process and Recommendations for Base Closures and Realignments*, GAO-05-785 (Washington: D.C.: July 1, 2005) and *Military Bases: Observations on the 2005 Base Realignment and Closure Selection Process and Recommendations*, GAO-05-905 (Washington, DC: July 18, 2005).

[12]See, for example, GAO, *Military Base Realignments and Closures: DOD Is Taking Steps to Mitigate Challenges, but Is Not Fully Reporting Some Additional Costs*, GAO-10-725R (Washington, D.C.: July 21, 2010) and *Military Base Realignments and Closures: Estimated Costs Have Increased While Savings Estimates Have Decreased Since Fiscal Year 2009*, GAO-10-98R (Washington, D.C.: Nov. 13, 2009).

[13]GAO, *High-Risk Series: Federal Real Property*, GAO-03-122 (Washington, D.C.: January 2003).

We also earlier reported that a lack of reliable real property data compounded real property management problems.[14] The governmentwide data maintained at that time were unreliable, out of date, and of limited value. In addition, certain key data that would be useful for budgeting and strategic management were not being maintained, such as data on space utilization, facility condition, historical significance, security, and age. We found that some of the major real-property-holding agencies faced challenges developing reliable data on their real property assets. We noted that reliable governmentwide and agency-specific real property data are critical for addressing real property management challenges. For example, better data would help the government determine whether assets are being used efficiently, make investment decisions, and identify unneeded properties.

In our February 2011 high-risk update, we reported that the federal government has taken numerous steps since 2003 to improve the completeness and reliability of its real property data.[15] FRPC, in conjunction with GSA, established the Federal Real Property Profile (FRPP) to meet a requirement in Executive Order 13327 for a single real property database that includes all real property under the control of executive branch agencies.[16] FRPP contains asset-level information submitted annually by agencies on 25 high-level data elements, including four performance measures that enable agencies to track progress in achieving property management objectives. In response to our 2007 recommendation to improve the reliability of FRPP data, OMB required, and agencies implemented, data validation plans that include procedures to verify that the data are accurate and complete.[17] Furthermore, GSA's Office of Governmentwide Policy (OGP), which administers the FRPP database, instituted a data validation process that precludes FRPP from accepting an agency's data until the data pass all established business rules and data checks. In our most recent analysis of the reliability of FRPP data, we found none of the previous basic problems, such as missing

[14]GAO-03-122.

[15]GAO-11-278.

[16]40 U.S.C. § 524.

[17]GAO, *Federal Real Property: Progress Made Toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform*, GAO-07-349 (Washington, D.C.: Apr. 13, 2007).

data or inexplicably large changes between years.[18] In addition, agencies continue to improve their real property data for their own purposes. From a governmentwide perspective, OGP has sufficient standards and processes in place for us to consider the 25 elements in FRPP as a database that is sufficiently reliable to describe the real property holdings of the federal government. Consequently, we removed the data element of real property management from our high-risk list this year.

CPRA Could Help Agencies Address Underlying Challenges to Disposing of Unneeded Property

The government now has a more strategic focus on real property issues and more reliable real property data, but problems related to unneeded property and leasing persist because the government has not addressed underlying legal and financial limitations and stakeholder influences. In our February 2011 high-risk update, we noted that the legal requirements agencies must adhere to before disposing of a property, such as requirements for screening and environmental cleanup, present a challenge to consolidating federal properties.[19] Currently, before GSA can dispose of a property that a federal agency no longer needs, it must offer the property to other federal agencies. If other federal agencies do not need the property, GSA must then make the property available to state and local governments and certain nonprofit organizations and institutions for public benefit uses, such as homeless shelters, educational facilities, or fire or police training centers.[20] As a result of this lengthy process, GSA's underutilized or excess properties may remain in an agency's possession for years and continue to accumulate maintenance and operations costs. We have also noted that the National Historic Preservation Act, as amended, requires agencies to manage historic properties under their control and jurisdiction and to consider the effects of their actions on historic preservation.[21] The average age of properties in GSA's portfolio is 46 years, and since properties more than 50 years old are eligible for historic designation, this issue will soon become critically important to GSA.

The costs of disposing of federal property further hamper some agencies' efforts to address their excess and underutilized real property problems. For example, federal agencies are required by law to assess and pay for

[18]GAO-11-278.

[19]GAO-11-278.

[20]42 U.S.C. § 11411; 40 U.S.C. §§ 550, 553.

[21]16 U.S.C. §§ 470f, 470h-2.

any environmental cleanup that may be needed before disposing of a property[22]—a process that may require years of study and result in significant costs. In some cases, the cost of the environmental cleanup may exceed the costs of continuing to maintain the excess property in a shut-down status. The associated costs of complying with these legal requirements create disincentives to dispose of excess property.

Moreover, local stakeholders—including local governments, business interests, private real estate interests, private-sector construction and leasing firms, historic preservation organizations, various advocacy groups for citizens that benefit from federal programs, and the public in general—often view federal facilities as the physical face of the federal government in their communities. The interests of these multiple, and often competing stakeholders, may not always align with the most efficient use of government resources and can complicate real property decisions. For example, as we first reported in 2007, VA officials noted that stakeholders and constituencies, such as historic building advocates or local communities that want to maintain their relationship with VA, often prevent the agency from disposing of properties.[23] In 2003, we indicated that an independent commission or governmentwide task force might be necessary to help overcome stakeholder influences in real property decision making.

In 2007, we recommended that OMB, which is responsible for reviewing agencies' progress on federal real property management, assist agencies by developing an action plan to address the key problems associated with decisions related to unneeded real property, including stakeholder influences. OMB agreed with the recommendation. The administration's recently proposed legislative framework, CPRA, is somewhat responsive to our recommendation in that it addresses legal and financial limitations, as well as stakeholder influences in real property decision making.

- With the goal of streamlining the disposal process, CPRA provides for an independent board to determine which properties it considers would be the most appropriate for public benefit uses.[24] This streamlined process

[22]42 U.S.C. § 9620.

[23]GAO-07-349.

[24]The board would be composed of seven members appointed by the President. At least two members must have experience in the private sector and at least two members must have experience in the public sector.

could reduce both the time it takes for the government to dispose of property and the amount the government pays to maintain property.

- To provide financial assistance to the agencies, CPRA establishes an Asset Proceeds and Space Management Fund from which funds could be transferred to reimburse an agency for necessary costs associated with disposing of property.[25] Reimbursing agencies for the costs they incur would potentially facilitate the disposal process.

- To address stakeholder influences, the independent board established under CPRA would, among other things, recommend federal properties for disposal or consolidation after receiving recommendations from civilian landholding agencies and would independently review the agencies' recommendations. Grouping all disposal and consolidation decisions into one set of proposals that Congress would consider in its entirety could help to limit local stakeholder influences at any individual site.

CPRA does not explicitly address the government's overreliance on leasing. In 2008, we found that decisions to lease selected federal properties were not always driven by cost-effectiveness considerations.[26] For example, we estimated that the decision to lease the Federal Bureau of Investigation's field office in Chicago, Illinois, instead of constructing a building the government would own, cost about $40 million more over 30 years. GSA officials noted that the limited availability of upfront capital was one of the reasons that prevented ownership at that time. Federal budget scorekeeping rules require the full cost of construction to be recorded up front in the budget, whereas only the annual lease payments plus cancellation costs need to be recorded for operating leases. In April 2007 and January 2008, we recommended that OMB develop a strategy to reduce agencies' reliance on costly leasing where ownership would result in long-term savings.[27] We noted that such a strategy could identify the conditions under which leasing is an acceptable alternative, include an analysis of real property budget scoring issues, and provide an assessment

[25]The Asset Management Proceeds and Space Management Fund, established by CPRA, is funded with appropriations, gross proceeds received from the disposal of civilian real property pursuant to recommendations by the Board, as well as certain net proceeds received from the disposal of civilian real properties pursuant to recommendations by the Board.

[26]GAO-08-197.

[27]GAO-07-349 and GAO-08-197.

of viable alternatives. OMB concurred with this recommendation but has not yet developed a strategy to reduce agencies' reliance on leasing. One of CPRA's purposes—to realign civilian real property by consolidating, colocating, and reconfiguring space to increase efficiency—could help to reduce the government's overreliance on leasing. Our current work examines the efficiency of the federal government's real property lease management in more detail.

Key Elements of DOD's BRAC Process That Could Expedite the Disposal of Unneeded Civilian Properties

DOD has undergone five BRAC rounds to realign DOD's workload to achieve efficiencies and savings in property management, including reducing excess properties. The BRAC process, much like CPRA, was designed to address obstacles to closures or realignments, thus permitting DOD to close or realign installations and its missions to better use its facilities and generate savings. Certain key elements of DOD's process for closing and realigning its installations may be applicable to the realignment of real property governmentwide. Some of these key elements include establishing goals, developing criteria for evaluating closures and realignments, developing a structural plan for applying selection criteria, estimating the costs and savings anticipated from implementing recommendations, establishing a structured process for obtaining and analyzing data, and involving the audit community.

DOD's 2005 BRAC Process

DOD's BRAC process was designed to address certain challenges to base closures or realignments, including stakeholder interests, thereby permitting the department to realign its missions to better use its facilities, generate savings, and sometimes also resulting in the disposal of property. The most recent defense base closure and realignment round followed a historical analytical framework, carrying many elements of the process forward or building upon lessons learned from the department's four previous rounds. DOD used a logical, reasoned, and well-documented process.[28] In addition, we have identified lessons learned from DOD's 1988, 1991, 1993, and 1995 rounds,[29] and we have begun an effort to assess lessons learned from the 2005 BRAC round.

[28]GAO-05-785.

[29]GAO, *Military Bases: Lessons Learned From Prior Base Closure Rounds*, NSIAD-97-151 (Washington, D.C.: July 25, 1997).

DOD's 2005 BRAC process consisted of activities that followed a series of statutorily prescribed steps,[30] including:

- Congress established clear time frames for implementation;
- DOD developed options for closure or realignment recommendations;
- BRAC Commission independently reviewed DOD's proposed recommendations;
- President reviewed and approved the BRAC recommendations; and
- Congress did not disapprove of the recommendations and thus they became binding.

Key Elements That DOD Used to Develop Its 2005 BRAC Recommendations That Could Benefit a Civilian Real Property Closure or Realignment Process

In developing its recommendations for the BRAC Commission, DOD relied on certain elements in its process that Congress may wish to consider as it evaluates the administration's proposed legislation for disposing of or realigning civilian real property, as follows:

Establish goals for the process. The Secretary of Defense emphasized the importance of transforming the military to make it more efficient as part of the 2005 BRAC round. Other goals for the 2005 BRAC process included fostering jointness among the four military services, reducing excess infrastructure, and producing savings. Prior rounds were more about reducing excess infrastructure and producing savings.

Develop criteria for evaluating closures and realignments. DOD initially proposed eight selection criteria, which were made available for public comments via the Federal Register. Ultimately, Congress enacted the eight final BRAC selection criteria in law [31] and specified that four selection criteria, known as the "military value criteria," were to be given priority in developing closure and realignment recommendations. The primary military value criteria include such considerations as an installation's current and future mission capabilities and the impact on

[30]See, GAO, *Federal Real Property: Progress Made on Planning and Data, but Unneeded Owned and Leased Facilities Remain,* GAO-11-520T (Washington, D.C.: Apr. 6, 2011).

[31]Section 2832 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Pub. L. No. 108-375 (2004)).

operational readiness of the total force; the availability and condition of land, facilities, and associated airspace at both existing and potentially receiving locations; the ability to accommodate a surge in the force and future total force requirements at both existing and potentially receiving locations; and costs of operations and personnel implications. In addition, Congress specified that in developing its recommendations, DOD was to apply "other criteria," such as the costs and savings associated with a recommendation; the economic impact on existing communities near the installations; the ability of the infrastructure in existing and potential communities to support forces, missions, and personnel; and environmental impact. Further, Congress required that the Secretary of Defense develop and submit to Congress a force structure plan that described the probable size of major military units—for example, divisions, ships, and air wings—needed to address probable threats to national security based on the Secretary's assessment of those threats for the 20-year period beginning in 2005, along with a comprehensive inventory of global military installations.[32] In authorizing the 2005 BRAC round, Congress specified that the Secretary of Defense publish a list of recommendations for the closure and realignment of military installations inside the United States based on the statutorily-required 20-year force-structure plan and infrastructure inventory, and on the selection criteria.

Estimate costs and savings to implement closure and realignment recommendations. To address the cost and savings criteria, DOD developed and used the Cost of Base Realignment Actions model (COBRA) a quantitative tool that DOD has used since the 1988 BRAC round to provide consistency in potential cost, savings, and return-on-investment estimates for closure and realignment options. We reviewed the COBRA model as part of our review of the 2005 and prior BRAC rounds and found it to be a generally reasonable estimator for comparing potential costs and savings among alternatives. As with any model, the quality of the output is a direct function of the input data. Also, DOD's COBRA model relies to a large extent on standard factors and averages and does not represent budget quality estimates that are developed once BRAC decisions are made and detailed implementation plans are

[32]Section 3001 of the National Defense Authorization Act for Fiscal Year 2002 (Pub. L. No. 107-107 (2001)), amended the Defense Base Closure and Realignment Act of 1990 (Pub. L. No. 101-510 (1990)) to, among other things, require DOD to develop a 20-year force structure plan as the basis for its 2005 BRAC analysis to include the probable end strength levels and major military force units needed to meet the probable threats identified by the Secretary of Defense.

developed. Nonetheless, the financial information provides important input into the selection process as decision makers weigh the financial implications—along with military value criteria and other considerations—in arriving at final decisions about the suitability of various closure and realignment options. However, according to our assessment of the 2005 BRAC round, actual costs and savings were different from estimates.[33]

Establish an organizational structure. The Office of the Secretary of Defense emphasized the need for joint cross-service groups to analyze common business-oriented functions. For the 2005 BRAC round, as for the 1993 and 1995 rounds, these joint cross-service groups performed analyses and developed closure and realignment options in addition to those developed by the military services. In contrast, our evaluation of DOD's 1995 BRAC round indicated that few cross-service recommendations were made, in part because of the lack of high-level leadership to encourage consolidations across the services' functions.[34] In the 1995 BRAC round, the joint cross-service groups submitted options through the military services for approval, but few were approved. The number of approved recommendations that the joint cross-service groups developed significantly increased in the 2005 BRAC round. This was in part, because high-level leadership ensured that the options were approved not by the military services but rather by a DOD senior-level group.

Establish a common analytical framework. To ensure that the selection criteria were consistently applied, the Office of the Secretary of Defense, the military services, and the seven joint cross-service groups first performed a capacity analysis of facilities and functions in which all installations received some basic capacity questions according to DOD. Before developing the candidate recommendations, DOD's capacity analysis relied on data calls to hundreds of locations to obtain certified data to assess such factors as maximum potential capacity, current capacity, current usage, and excess capacity. Then, the military services and joint cross-service groups performed a military value analysis for the facilities and functions based on primary military value criteria, which

[33]As we reported in November 2009 (GAO-10-98R), BRAC one-time implementation costs rose to almost $35 billion in fiscal year 2010 compared with DOD's initial estimate of $21 billion in 2005. Similarly, net annual recurring savings dropped to $3.9 billion in fiscal year 2010 compared with the $4.2 billion DOD estimated in 2005.

[34]NSIAD-97-151.

included a facility's or function's current and future mission capabilities, physical condition, ability to accommodate future needs, and cost of operations.

Involve the audit community to better ensure data accuracy. The DOD Inspector General and military service audit agencies played key roles in identifying data limitations, pointing out needed corrections, and improving the accuracy of the data used in the process. In their oversight roles, the audit organizations, who had access to relevant information and officials as the process evolved, helped to improve the accuracy of the data used in the BRAC process and thus strengthened the quality and integrity of the data used to develop closure and realignment recommendations. For example, the auditors worked to ensure certified information was used for BRAC analysis, and reviewed other facets of the process, including the various internal control plans, the COBRA model, and other modeling and analytical tools that were used in the development of recommendations.

There are a number of important similarities between BRAC and a civilian process as proposed in the administration's CPRA. As a similarity, both BRAC and CPRA employ the all-or-nothing approach to disposals and consolidations, meaning that once the final list is approved by the independent commission or board, it must be accepted or rejected as a whole. Another important similarity is that both the BRAC and proposed CPRA processes call for an independent board or commission to review recommendations.

A key difference between BRAC and the administration's proposed CPRA is that while the BRAC process placed the Secretary of Defense in a central role to review and submit candidate recommendations to the independent board, CPRA does not provide for any similar central role for civilian agencies. The BRAC process required the Secretary of Defense to develop and submit recommendations to the BRAC Commission for review. In this role, the Office of the Secretary of Defense reviewed and revised the various candidate recommendations developed by the four military services and the seven separate joint cross service groups. In contrast, the administration's proposed CPRA does not place any official or organization in such a central role to review and submit the recommendations proposed by various federal agencies to the independent board for assessment and approval. Another key difference between BRAC and CPRA is the time period in which the commission will be in existence. CPRA, as proposed by the administration, is a continuing commission which will provide recommendations twice a year for 12

years, whereas, the BRAC Commission convened only for those years in which it was authorized. For example, after the most recent 2005 BRAC round, the Commission terminated by law in April 2006. However, we believe the need for a phased approach involving multiple rounds of civilian property realignments is warranted given it may take several BRAC-like rounds to complete the disposals and consolidations of civilian real property owned and leased by many disparate agencies including GSA, VA, Department of the Interior, Department of Energy, and others.

In closing, the government has made strides toward strategically managing its real property and improving its real property planning and data over the last 10 years, but those efforts have not yet led to sufficient reductions in excess property and overreliance on leasing. DOD's experience with BRAC could help the process move forward to dispose of unneeded civilian real property and generate savings for the taxpayer.

Chairman Carper, Ranking Member Brown, and Members of the Subcommittee, this concludes our prepared statement. We will be pleased to answer any questions that you may have at this time.

GAO Contacts and Staff Acknowledgments

For further information on this testimony, please contact David Wise at (202) 512-2834 or wised@gao.gov regarding federal real property, or Brian Lepore at (202) 512-4523 or leporeb@gao.gov regarding the BRAC process. Contact points for our Congressional Relations and Public Affairs offices may be found on the last page of this statement. In addition to the contacts named above, Keith Cunningham, Assistant Director; Laura Talbott, Assistant Director; Vijay Barnabas; Elizabeth Eisenstadt; Amy Higgins; Susan Michal-Smith; Crystal Wesco; and Michael Willems made important contributions to this statement.

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, http://www.gao.gov/ordering.htm.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Please Print on Recycled Paper