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DEPARTMENTAL ADMINISTRATION

Written Statement of
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Before the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security

Chairman Carper, ranking member Coburn, and members of the Subcommittee, thank you for the opportunity to come before your subcommittee to discuss the United States Department of Agriculture's (USDA) implementation of Executive Order 13327, Federal Real Property Asset Management (E.O. 13327) signed by President Bush in 2004, and the findings included in the recent Government Accountability Office (GAO) study entitled "Federal Real Property: Progress Made Toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform".

I want to begin by providing an overview of the USDA real property profile.

USDA is a leader in America's food and agricultural systems, helping the farm and food sectors operate in a highly competitive marketplace to respond to changing consumer demands for high quality, nutritious, and convenient food and agricultural products. USDA also carries out a wide variety of services and activities related to the management, research, and conservation of the Nation's agricultural resources. As a result of having such a huge mission, USDA manages an extensive asset portfolio. Land, facilities, and other real property held by USDA are an integral support component to its mission.

USDA reports an acquisition cost of more than $8 billion in real property assets. As the second largest landholder in the Federal government, USDA occupies approximately 89 million square feet of owned, commercially leased, and General Services Administration (GSA) assigned space. USDA also manages 193 million acres of land, of which approximately 99 percent is National Forest land, and a Roads Program totaling 383,900 miles. USDA operates in 23,400 buildings and 31,000 structures having a replacement value of approximately $46 billion.

Executive Order 13327: Federal Real Property Asset Management

With such a large footprint, USDA has made rightsizing the Department's asset portfolio a priority. Executive Order 13327 has provided a framework for addressing the many areas of real property asset management. Since the implementation of E.O. 13327, USDA has taken the following actions to improve its real property management:

1. In May of 2004, USDA established the Corporate Property Automated Information System (CPAIS). CPAIS is a system of record for all real property assets controlled by the Department. Information is now available at the constructed asset level for use at all decision-making levels. For example, managers are able to use the system to determine if excess space may exist within a USDA facility when determining program requirements.

2. The Director of the Office Procurement and Property Management was designated as the Senior Real Property Officer. Glenn Haggstrom, a career federal government executive, serves in that role and reports directly to me. In

addition, he actively serves on the Federal Real Property Council (FRPC), chaired by the Deputy Director for Management for the Office of Management and Budget (OMB).

3. USDA developed a comprehensive asset management plan (AMP). The AMP provides managers with real property procedures and practices currently in place or under development for aligning asset management activities with best practices in the public and private sectors. The AMP guides managers' activities to ensure that assets are in the right place, at the right price, and in the right condition to support mission requirements.

4. In order to assess Departmental progress in managing its real property assets, USDA established asset management performance measures, consistent with the published requirements of the FRPC. USDA now collects data on utilization, condition index, annual operating costs, and mission dependency for real property assets. Analyzing these measures allows managers to make informed investment decisions based on quantifiable data. USDA agencies are developing additional USDA-specific measures that are geared toward ensuring that USDA's assets better support agency goals and objectives. These include: a) reducing the number of unneeded assets in the inventory; b) increasing the condition index of mission critical buildings; c) decreasing the number of operating leases where the average square foot costs exceed the accepted industry average for the respective market area; d) continuing to improve the average utilization of the USDA

portfolio; and e) expanding efforts to limit the growth of the Department's deferred maintenance backlog.

5. USDA has developed a Capital Programming and Investment Process (CPIP) that will formalize project management for capital improvement projects. The CPIP process provides guidance ("a roadmap") that will help agencies ensure all real property asset projects are properly managed; projects' budgets are tracked; and infrastructure to support mission requirements is met.

6. USDA is currently undertaking a project to consolidate staff from seven different leased locations within the National Capital Region (NCR), into a single lease. The result will be an eighteen percent improvement in space efficiency and potentially $24.3 million in cost avoidance over the length of the new lease. The decision to pursue this initiative was reached after an analysis of alternatives for replacing several expiring office leases in the NCR. A business case was developed to determine if consolidation was reasonable comparing four alternatives: a) full consolidation into one building; b) partial consolidation using two buildings; c) retrofitting existing sites for better space utilization; and d) maintaining the status quo. The final analysis recommended full consolidation of staff from seven different locations into a single lease for approximately 330,000 square feet by FY 2011, as the best alternative. This initiative illustrates USDA's commitment to managing inventory at the right cost and size.

GAO Study

Whereas USDA was not a subject of the GAO study, the Department is working to address the long-standing problems mentioned in the study through implementation of the USDA asset management plan. USDA agencies are evaluating program requirements, asset performance, and facility conditions in determining whether an asset fits the long term mission of the Department. As a result of our evaluation process, 721 buildings have been identified as underutilized and 4,645 buildings or structures as excess to the Department's needs. USDA agencies are evaluating options for improving asset utilization and addressing excess assets, including disposal through sale or transfer and demolition. As an example, the Forest Service, through use of the Facility Realignment and Enhancement Act of 2005, estimates it will dispose of approximately 1,000 to 1,500 buildings through enactment of the conveyance lists for fiscal years 2006, 2007, and 2008. These disposals will reduce the gross square footage in the Forest Service's building portfolio by 1 million to 1.5 million gross square feet. The conveyance program is helping to lower the long-term portfolio maintenance cost by reducing gross square feet and replacing old buildings with new ones. Conveyance is helping the Forest Service to realign its building portfolio to better meet evolving mission and organization requirements to provide more effective public service.

The recent GAO study highlights the Federal government-wide problem with holding excess assets. A number of factors must be considered when deciding between disposal through sale or transfer and demolition and the timeframe for carrying out the decision. Where an unneeded structure is located on a mission critical installation, the appropriate method for disposal is demolition to allow for further enhancement of the installation. As was pointed out in the previously referenced GAO study, often remediation of hazardous materials must be performed prior to demolition. Delays in carrying out a demolition decision often occur, as remediation projects are subject to availability of funding. Similar delays due to the need to remediate can occur where the decision is to sell, donate, or exchange the property.

USDA understands the importance of maintaining the real property portfolio as part of its ability to carry out the mission. Unfortunately, as with most Federal agencies, USDA has a backlog of maintenance and repair projects for its property. Using guidance provided by Executive Order 13327 and OMB, the Department is developing a strategy to address the asset backlog, which for USDA, is estimated at $1.1 billion for buildings and structures, plus another $4.1 billion for national roads. Given the magnitude of the backlog and the limited availability of resources we believe that addressing the backlog will be a long term effort. Our approach is to control the annual growth of backlog in our highest priority facilities by ensuring we allocate adequate funding to address annual operation and maintenance costs, initiating capital projects for those facilities to address the backlog of maintenance requirements as part of the repair or modernization effort, and finally, pursuing an aggressive disposal program for assets that are not needed.

As noted earlier in this testimony, USDA has undertaken a project to consolidate staff from seven different GSA leased locations in the National Capital Region into a single lease. USDA routinely analyzes its lease holdings to determine mission applicability. Overall, we have reduced the number of GSA leases over the past five years by approximately 8 percent. We will continue to analyze our lease holdings to improve utilization and right-size as appropriate.

USDA generally agrees with the GAO's assessment of the challenges to improving federal real property management. The obstacles to effectively managing federal real property are real and daunting. Some can be overcome through enhanced real property authority. The ability to retain all or a portion of the proceeds from the disposal of excess property provides a real incentive for agency heads to thoroughly analyze their facility requirements. USDA has witnessed this approach in the Forest Service's authority to retain the proceeds on the disposal of administrative sites under the Secretary's jurisdiction.

In addition, authority to enter into Enhanced Use Leases (EUL) provides a means to make meaningful upgrades to facilities while adding to their overall mission. The accompanying guidance to Executive Order 13423, "Strengthening Federal Environment, Energy, and Transportation Management" signed by President Bush on January 24, 2007, specifically references EUL as a means to improve the energy efficiency and the environmental footprint of federal facilities. New authority is not required for USDA to make greater use of Energy Savings Performance Contracts (ESPC); another innovative tool that can provide a means for upgrading important building systems without the outlay of scarce resources.

In conclusion, USDA is committed to ensuring that effective management of real property assets is ingrained in the culture and business processes of the Department. Policies and procedures have been put in place to ensure this effort continues.

Thank you again for this opportunity to discuss USDA's successes in managing its real property assets. I am willing to answer your questions.