

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

Testimony of Daniel I. Werfel
Deputy Controller
Office of Management and Budget

before the

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The Federal Government is achieving measurable results in meeting the President's goal to improve the management of Federal real property assets and fulfill the requirements outlined in Executive Order (EO) 13327, Federal Real Property Asset Management. When the Executive Order was signed in 2004, the Federal Government lacked a comprehensive inventory of its real property holdings and could not effectively identify which assets to target for investment or disposal. Today, due to the concerted efforts of Federal agencies and their Senior Real Property Officers:

- We have a comprehensive database of the Federal Government's real estate that collects inventory and performance data on more than 1.1 million assets with a replacement value exceeding \$1.5 trillion.
- For the third consecutive year, all agencies reported asset level inventory and performance data to the government-wide database. Agencies are actively using performance data to support management decisions, such as identifying assets in need of investment and unneeded assets suitable for disposal.
- Agencies have disposed of more than \$7 billion in unneeded Federal real property since 2004, and are moving towards the President's goal of disposing of \$15 billion in unneeded assets by 2015.¹

We have taken important steps in meeting the President's objective for agencies to manage their real property portfolios at the right size, cost and condition to most effectively serve program missions and goals. However, Federal agencies need additional tools and resources to further improve the management of real property assets. Currently, agency efforts to manage and dispose of real property are governed predominantly by the Property Act of 1949 (codified in Title 40), which no longer addresses the real property needs that exist today.

To that end, two areas that should be critical components for real property reform include: (1) allowing agencies to retain a portion of the net proceeds of sale for activities related to

¹ The President's initiative to dispose of unneeded property does not apply to Federal lands held for environmental purposes (e.g., parks, refuges, forests, public lands). Instead, disposal efforts are targeted only on surplus administrative assets (e.g., office buildings, warehouses, laboratories).

Federal real property capital improvements and disposal activities, and (2) expediting the disposition process for targeted assets. Both of these reforms were proposed as part of a pilot program in the 2009 President's budget, with similar pilots introduced in Bills in both the House and Senate. We believe that the enactment of the President's proposed pilot would both facilitate the disposal of surplus property in the short-term and help inform Congress and the Executive Branch on long-term or permanent reform approaches.

Retention of Proceeds. The laws that currently govern the Federal real property disposition process have created an unintended disincentive for many Federal agencies to dispose of unneeded assets. Many agencies do not have authority to retain proceeds from the sale of real property assets, nor do they receive reimbursement for costs incurred to sell a property, such as advertising and cleanup. Consequently, agencies often lack the resources needed to sell or dispose of properties and are unable to avoid annual costs that are incurred when properties are maintained past their point of usefulness. Allowing agencies to be reimbursed for selling costs and to retain sale proceeds would provide agencies with the funds necessary to cover upfront costs associated with disposing of unneeded assets.

In addition, sale proceeds from the disposal of unneeded assets could fund existing maintenance and repair backlogs at mission critical facilities throughout the Federal inventory. Delayed funding of this backlog both degrades the infrastructure of Federal facilities and increases the overall, long-term costs of maintaining Federal properties. Thus, sale proceeds can be converted into significant savings for taxpayers by both eliminating maintenance costs in the case of surplus assets and significantly reducing such costs for mission critical assets.

Expedited Disposals. The process that Federal agencies are required to follow when disposing of unneeded assets is complex and lengthy. The objective for the expedited disposal pilot is twofold: (1) to ensure that all interested parties (e.g., Federal, State and local governments as well as homeless organizations) have visibility into and access to suitable properties eligible for conveyance; and (2) to ensure that properties eligible for sale that do not fit into the first category can be immediately demolished or go direct to market for sale so agencies can avoid paying additional and unnecessary operating costs.

While the Administration prefers to enact these two reforms (retention of proceeds and expedited disposals) together, we are open to working with the Congress to consider alternative paths. Ultimately, we believe that reforming both areas is essential and necessary for agencies to improve the management of their real property portfolios.

Conclusion. The Federal real property results achieved over the last four years demonstrate the importance of transparency, collaboration, leadership, and accountability in effectively managing the Federal Government's real property assets. Each year since the President signed EO 13327, Federal agencies have improved real property data and enhanced their real property decision-making processes, resulting in the disposal of \$7 billion in unneeded assets. It is imperative for the Congress and the Executive Branch to work together to enact the necessary reforms that will provide agencies with the tools and resources needed to sustain and build on these results.

We congratulate this Subcommittee for its attention and dedication to improving the management of Federal real property assets. We look forward to working with you and other Members of Congress to implement the strategies identified above. At this time, I would be pleased to answer any questions that you have.