

STATEMENT OF
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U.S. GENERAL SERVICES ADMINISTRATION
BEFORE THE
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
ORGANIZATION, AND PROCUREMENT
U.S. HOUSE OF REPRESENTATIVES
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Chairman Townes and Members of the Subcommittee, I am Stan Kaczmarczyk, Principal Deputy Associate Administrator of the General Services Administration's (GSA's) Office of Governmentwide Policy (OGP). I am pleased to appear before you today to discuss GSA's policy support for and operational success in real property asset management, consistent with the aims of H.R. 3049, as introduced.

Improving the management of the federal real property portfolio is a priority of this Administration. When President Bush signed Executive Order 13327, Federal Real Property Asset Management, on February 4, 2004, he charged federal agencies to manage their real property portfolios at the right size, cost, and condition to serve most effectively program missions and goals.

From the outset, GSA has fully supported and participated in the implementation of Executive Order 13327. GSA has taken a prominent role on the Federal Real Property Council (FRPC) under the leadership of the Public Buildings Service. Commissioner David Winstead is GSA's Senior Real Property Officer and Chair of the FRPC's Asset Management Plans Committee. As one of the Federal Government's many landholding agencies, GSA was proud to be recognized by the Administration for achieving and maintaining "Green" status on the PMA scorecard – the first agency to attain that coveted status.

In support of the entire FRPC, OGP developed and maintains the Federal Real Property Profile (FRPP), a centralized real property database that compiles data on more than 1.1 million real property assets with a total replacement value of more than \$1.5 trillion. We analyze the data and issue reports, including the annual publicly-available Federal Real Property Report. The FRPP collects 24 major data elements, including 4 key performance measures:

- Mission Dependency
- Utilization
- Condition Index, and
- Annual Operating Costs.

OGP also developed and provides to all agencies a software tool that systematically analyzes these performance measures and allows agencies to assess the performance of their real estate inventories. This performance assessment tool stratifies assets that are underutilized and poor financial performers, allowing agencies to make strategic decisions about these assets.

Since 2004, using existing authorities, federal agencies have reported the disposal of more than \$7 billion of surplus real property. With these results, and a consistent increase in disposals each year, we anticipate meeting the Administration's targets of cumulatively disposing of \$9 billion of unneeded assets by 2009, and \$15 billion of unneeded assets by 2015.

One of the significant challenges confronting the Federal Government's efforts to dispose of unneeded assets is that federal landholding agencies lack significant incentives to dispose of unneeded real property. The short-term budget analysis favors retention of unneeded real properties because of the up-front costs needed to achieve long-term savings. To that end, the Administration has proposed legislation that would allow GSA to provide "redeployment services" to other agencies to help them decide whether to retain and re-use the property or to place the asset in the disposal process. GSA would compile the real estate and environmental due diligence necessary to report property excess, and ensure that transactions meet both statutory and market requirements.

A General Provision in the Administration's FY '09 Budget recommends authorizing GSA to use amounts in its surplus property fund to pay for these services up-front for executive agencies, and to either (1) recoup the cost of these redeployment services from the proceeds of the eventual sale of the property, (2) seek reimbursement from the landholding agency, or (3) fund the cost directly from the surplus property fund.

Another disincentive to sound real property asset management is the general inability of agencies to retain and reinvest the proceeds from the sale of surplus assets. With a limited amount of financial resources, too often the real property inventory becomes a secondary priority. This creates a backlog of repair needs and deferred maintenance, which only exacerbates the problem of underperforming assets. In the 2007 update to the Government Accountability Office (GAO) High Risk Report, the GAO found that 6 landholding agencies reported a backlog for repair and maintenance that totaled over \$16 billion. If agencies could retain and reinvest the proceeds from the sale of surplus real property assets, the funds could be used to help address this significant backlog of work needed by assets for which agencies do have a continuing need.

In 2005, GSA received the authority to retain the proceeds from sales of its surplus properties. Since enactment of this authority, GSA has disposed of approximately 42 PBS surplus real property assets with a total sales amount of \$155 million. GSA currently has and under the new bill would continue to have 100 percent retention of sales of its surplus properties. The recovery of this embedded equity has enabled GSA to apply those funds into other important real property needs, in addition to the savings realized from the avoided cost of upkeep of the properties. We believe that providing all Federal landholding agencies with the authority to retain net proceeds of sale will provide the requisite incentive for sound asset management decision-making within the context of the Guiding Principles established by the FRPC.

To this end, the Administration's FY'09 Budget also includes proposed legislation that would allow those agencies not previously authorized to retain proceeds the ability to retain twenty (20%) of proceeds from the sale of unneeded assets. The remaining eighty (80%) would be returned to the Treasury. Retention of disposal proceeds is beneficial and would allow agencies to reinvest these funds back into their inventories, thus further reducing the backlog of deferred repairs and maintenance.

The retained proceeds could be used to repair major building systems, which would significantly extend the useful life of assets and improve operational performance. Agencies could also use the retained proceeds to complete the necessary due diligence required to dispose of even more unneeded surplus real property assets. Without this authority, agencies will have fewer reinvestment options to consider, which may result in a determination to dispose of property that may otherwise be needed in furtherance of their mission. Moreover, agencies may be reluctant to dispose of underperforming property, since they may have to incur significant up-front costs and expenses to identify and dispose of unneeded property. These costs should be offset by the long-term savings in property holding costs that result from the disposal, but without a source of funds from which to pay these disposal costs and expenses, agencies may not have the discretion to make such decisions.

Federal agencies, under the leadership of the FRPC, have taken the initial steps to promote the efficient and economical use of federal real property resources and to increase agency accountability. The FRPP and its associated performance assessment tool have allowed agencies to identify underutilized and underperforming assets that are candidates for reinvestment or disposal. But without the funds necessary to reinvest in or dispose of these assets, they will continue to deteriorate as part of the federal inventory. We ask that you provide federal agencies the authority to retain proceeds from the sale of surplus property to address the needs of these underperforming and unneeded assets.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions you or the other members of the committee may wish to ask.