November 2004

EMBASSY CONSTRUCTION

Proposed Cost-Sharing Program Could Speed Construction and Reduce Staff Levels, but Some Agencies Have Concerns

GAO Accountability·Integrity·Reliability

Highlights

Highlights of GAO-05-32, a report to the Chairman, Subcommittee on National Security, Emerging Threats, and International Relations; House Committee on Government Reform

Why GAO Did This Study

The Department of State is in the early stages of a proposed multibillion dollar program to build secure new embassies and consulates around the world. Under the proposed Capital Security Cost-Sharing Program, all agencies with staff assigned to overseas diplomatic missions would share in construction costs. This report describes (1) the rationale for and development of the program, (2) agency concerns about the program, and (3) the influence of the program on agencies' overseas staff levels.

What GAO Recommends

GAO is not making recommendations in this report. The proposed cost-sharing formula could result in funds to accelerate embassy construction, encourage agency rightsizing of overseas staff levels, and provide a disciplined approach to staffing projections for new embassies.

We received comments on a draft of this report from nine government organizations. The Department of State agreed with the report. The other eight departments and agencies expressed concerns about some aspects of the program, including potential implementation issues.

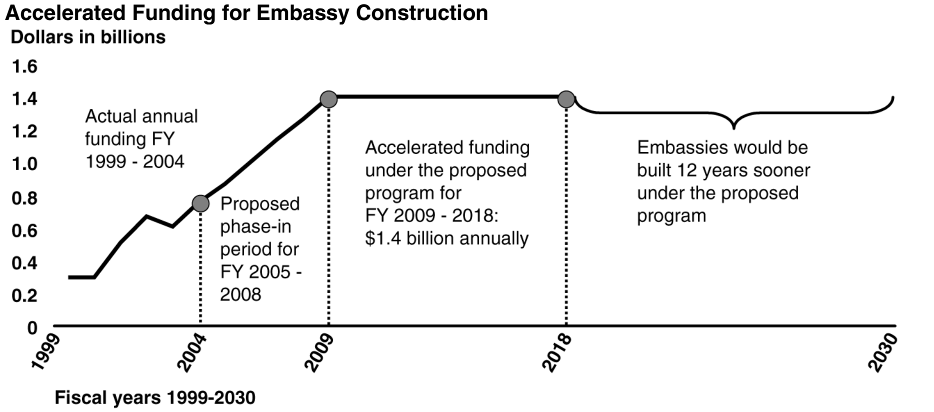
www.gao.gov/cgi-bin/getrpt?GAO-05-32.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Jess Ford at (202) 512-4128 or fordj@gao.gov.

What GAO Found

The administration's proposed Capital Security Cost-Sharing Program has been developed to accelerate the building of 150 new secure embassies and consulates around the world and to ensure that all agencies with overseas staff assign only the number of staff needed to accomplish their overseas missions. The Department of State's Bureau of Overseas Buildings Operations (OBO), which would manage the program, examined several formulas before deciding that all agencies with an overseas presence would share costs, based on a per capita or "head-count" formula. If enacted, nearly 30 U.S. agencies would be assessed a total of $17.5 billion for constructing 150 new embassies by 2018, or 12 years sooner than the projected completion date of 2030. After a gradual phase-in period beginning in fiscal year 2005, the program would generate $1.4 billion annually from fiscal years 2009 through 2018, with State paying $920 million and non-State agencies paying $480 million.

Accelerated Funding for Embassy Construction



Source: OBO.

Many non-State Department agencies have concerns about the proposed program. They would prefer a formula other than one based on head counts to assess fees, and they are concerned that cost-sharing fees could affect their ability to accomplish their overseas missions. In addition, they stated that it would be useful to establish new interagency mechanisms to discuss and resolve potential implementation issues. We did not assess the mechanisms to be used to implement the program and have taken no position on whether they would be needed. State is concerned that, without accelerated funding, U.S. government employees will remain at risk beyond the 2018 completion date. State is also concerned that, without cost sharing, OBO could overbuild office space due to agencies' imprecise staffing projections. In our prior work, we have noted the importance of achieving interagency consensus and striving to achieve equity while minimizing management burden. Decision-makers need to continually focus on these factors to give the program every opportunity to succeed. If enacted, it is important that Congress and State monitor its implementation and make changes as needed.