United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Public Buildings and Economic Development, Committee on Transportation and Infrastructure, House of Representatives

For Release on Delivery
Expected at
9:00 a.m. EDT
Thursday, April 24, 1997

GENERAL SERVICES ADMINISTRATION

Downsizing and Federal Office Space

Statement of Michael E. Motley, Associate Director
Government Business Operations Issues
General Government Division

Statement

General Services Administration: Downsizing and Federal Office Space

Mr. Chairman and Members of the Subcommittee:

We welcome this opportunity to discuss our July 1995 letter Downsizing and Space (GAO/GGD-95-51R, July 14, 1995), which provided information on the General Services Administration's (GSA), the Office of Management and Budget's (OMB), and 10 executive branch agencies' efforts to identify and manage federal office space that may be unneeded or underutilized after agencies downsize, and our ongoing work on this issue. As you know, the Federal Workforce Restructuring Act (P.L. 103-226), enacted on March 30, 1994, mandated downsizing the federal workforce by about 270,000 full-time equivalents (FTE) by October 1, 1999.[1]

Our 1995 letter, issued early in the downsizing process, noted that federal civilian agencies occupied over 750 million square feet of office space in thousands of government-owned and -leased buildings nationwide. We expressed concern, that with the loss of about 107,000 non-Department of Defense related FTEs through downsizing, millions of square feet of costly federal office space could become unneeded or underutilized. Our letter recognized that it probably was not possible to save the full cost of all office space associated with FTE reductions because personnel losses could be scattered over multiple locations. However, to provide an indication of the potential savings involved, we estimated that the cost of the office space vacated by the 107,000 FTEs at that time to be about $362 million annually. We based this estimate on GSA's work space target of 152.5 square feet per employee, GSA's nationwide office space average cost of $22.22 per square foot, and the 107,000 FTE reduction target.

We said in 1995 that neither of the two central federal management agencies responsible for space management and budget matters, GSA and OMB, had developed a governmentwide strategy for managing office space reductions resulting from the government's downsizing efforts. We reported, however, that both agencies had taken steps to identify and restrain potentially unneeded or underutilized federal office space. Steps taken by GSA included (1) in the summer and fall of 1994, calling for a "Time Out and Review" of high-dollar-value capital spending projects—a step that, according to GSA, identified and eliminated almost 1 million square feet of unneeded agency expansion space; (2) instituting in September 1994 a "No Net New" office space policy to stop agencies from acquiring net new office space as measured against GSA's inventory baseline of general purpose office space; (3) in March 1995, proposing a

[1]One FTE is equal to one work year or 2,080 non-overtime hours. Put simply, one full-time employee counts as one FTE, and two half-time employees also count as one FTE. The FTE concept is intended to capture the work hours of all federal employees.

"timeout" for the review of the need for current and pending agency leasing actions; and (4) in April 1995, instituting a temporary moratorium on most agency leasing actions pending administration downsizing decisions.

As for OMB, we said that in May 1994, OMB directed agencies to project their office space needs for fiscal years 1996 through 1999, taking into consideration anticipated personnel reductions, and to submit these projections to OMB by June 30, 1994. OMB believed that the agencies and GSA could use this information to begin analyzing and planning for how workforce reductions could affect office space needs. However, we said that GSA officials told us that these projections showed no net reduction in office space needs by federal agencies through fiscal year 1999, even though they projected an 18-percent reduction in total employment.

Finally, our 1995 letter pointed out that 10 executive branch agencies, plus GSA and OMB, had either taken proactive space management approaches or were awaiting on the outcome of other issues prior to beginning specific initiatives. Four agencies had developed agencywide space management initiatives. The Tennessee Valley Authority, for example, had developed plans to reduce its space inventory by 1 million square feet over 3 years. Three other agencies did not have agencywide plans but had bureaus or offices that were developing space management plans. The National Aeronautics and Space Administration (NASA), for example, had directed its headquarters and field offices to develop site-specific space requirements that were to take personnel reductions into consideration. The remaining five agencies had not begun specific space management initiatives related to downsizing because they said they were awaiting the outcome of employee buyouts, agency reorganizations, or legislative initiatives.

At the request of the Chairman, House Committee on the Budget, we have recently begun to follow up on our 1995 report, and we expect to complete this effort in the summer of 1997. Although it is too early in our review for us to have any conclusions or recommendations, we do have several preliminary observations. Since our 1995 letter, GSA has taken additional steps that it believes will improve its management in general of government-owned and -leased properties, and that could help in identifying and restraining the amount of unneeded and underutilized federal office space resulting from agency downsizing. For example, GSA is in the process of implementing a new automated system, System Tracking and Administering Real Estate (STAR), that is designed to be an integral part of GSA's day-to-day real estate activities. STAR is to provide direct support to GSA real estate personnel, and GSA officials believe that STAR will enable GSA to better manage government-owned and -leased properties. GSA plans to phase-in STAR during the first quarter of fiscal year 1998.

In addition, GSA is pilot testing a program called "Ponding", which is an effort to consolidate about 1.2 million square feet of leased office space in 37 federal projects. GSA is funding this program with the goal of identifying 600,000 square feet of underutilized space. This space could then be leased to other agencies or turned back to the lessors and the leases terminated. GSA hopes to demonstrate to Congress that, by funding the cost of space consolidations, long-term savings can be realized.

GSA officials told us that GSA is now formally considering the effects of federal agency downsizing and space reduction plans in its forecast of rent collections, which in large part make up GSA's federal building fund used to fund real property management activities. GSA said that its regional asset managers, who usually have specific knowledge of pending actions relating to local agencies' space requirements, are now reviewing the data supporting GSA's rent collection estimates to improve their accuracy. With improved rent collection estimates, GSA officials believe that the agency will be positioned to better manage the federal building fund.

Although it is too early to assess the effectiveness of any of these GSA actions, in discussions with OMB staff responsible for reviewing GSA's budget, they told us that they believe that actions taken or under way by GSA will position GSA to more effectively manage potentially unneeded and underutilized federal office space that might result from downsizing.

Our work updating the space management strategies of the 12 executive branch agencies has also just begun. Although we are not in a position to report on these activities at this time, we are aware of one agency's achievements in the area of space management. We recently reported that NASA has achieved an estimated $250 million in cost reductions through fiscal year 2000, mostly from moving contract personnel from off-site leased space into agency-owned space left vacant by staff reductions related to NASA's downsizing efforts.[2]

[2]NASA INFRASTRUCTURE: Challenges to Achieving Reductions and Efficiencies (GAO/NSIAD-96-187, Sept. 9, 1996).

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions you or the other Member of the Subcommittee might have at this time.

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

http://www.gao.gov