

Statement of the Administrator of General Services

Mr. Chairman, Mr. Ranking Member, and Members of the Subcommittee, Thank you for asking us here today to discuss our legislative proposal to amend the Federal Property and Administrative Services Act of 1949. Accompanying me from GSA's Office Governmentwide Policy are Mr. David Bibb, Deputy Associate Administrator for Real Property and Ms. Becky Rhodes, Deputy Associate Administrator for Personal Property.

Over the past several years, we have worked together on a number of significant issues addressing change and the need for Federal Government reform. Your help was instrumental to our success and we thank you. Today, we have another occasion where we can work together to get things done—Federal asset management reform.

Mr. Chairman, I would like to quote from your opening statement from last April's hearing on Federal Real Property Management—"Overall, the Federal Government has not been a good steward." While we have made many improvements within the existing law collectively, we have not been the kind of stewards and good asset managers that we could have been. Why? Because the business rules by which Federal agencies manage their assets were established over a half-century ago and were obsolete years ago.

As you know, the Federal Property Act is 50 years old. With the dollar value of Federal real and personal property assets estimated to be in the hundreds of billions, it is increasingly imperative that prevailing policies ensure their efficient and effective stewardship. It's time we use the same common-sense property management strategies in the federal government that have already proven successful in private sector. I think that we all recognize that we must make the Federal government more efficient and more accountable. This bill represents a big step forward in achieving that goal. It is simply "good government".

At this time, I would like for David Bibb, to go over the highlights of the bill. I believe you will quickly see that its enactment will result in a governmentwide property management system that "works better and costs less." It reflects the way we should be doing business in the 21st century. Thank you.

STATEMENT OF DAVID BIBB, DEPUTY ASSOCIATE ADMINISTRATOR FOR
REAL PROPERTY, OFFICE OF GOVERNMENTWIDE POLICY,
GENERAL SERVICES ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION AND TECHNOLOGY
U.S. HOUSE OF REPRESENTATIVES

JULY 12, 2000

Chairman Horn and Members of the Subcommittee:

I am David Bibb, Deputy Associate Administrator for Real Property at GSA. I am pleased to appear before you today to discuss our legislative proposal to amend the Federal Property and Administrative Services Act of 1949 (Property Act) for purposes of enhancing governmentwide Federal asset management. Also with me today from GSA's Office of Governmentwide Policy (OGP) is Ms. Becky Rhodes, Deputy Associate Administrator for Personal Property. OGP is responsible for governmentwide policy development, research, best practices sharing and consensus building concerning Government support activities.

Before going into the particulars of the bill, I would like to applaud the subcommittee's continued concern and efforts to identify and address Federal property management issues. Last year in a joint hearing before this subcommittee and the Subcommittee on Economic Development, Public Buildings, Hazardous Material and Pipeline Transportation, GSA and other Federal entities discussed the problems, policies, and procedures surrounding the management and disposal of Federal assets. We testified on a need for improved governmentwide asset management. We are very pleased to be back before you today to discuss a common-sense, good-government bill, "Federal Property Asset Management Reform Act of 2000". This bill is an Administration initiative that provides the needed legislative solutions for improved Federal property management. It was introduced in the Senate on June 28, 2000 as S. 2805. In order for the Government to improve its stewardship of real and personal property assets, certain statutory barriers must be removed, and certain authorities must be modernized to meet the challenges of today's realities.

The Property Act, the law of general application governing properties acquired to carry out Federal agency program missions, is over 50 years old. While much has occurred over the past half-century, the policies governing these assets have generally remained unchanged. With the dollar value of Federal real and personal property estimated to be in the hundreds of billions, it is imperative that governing policies ensure their efficient and effective stewardship on a solid businesslike basis. We firmly believe that enactment of the Property Act Reform bill will do just

that by bringing the policies and business practices by which Federal agencies manage their property assets into the 21st century.

In collaboration with other Federal agencies, GSA undertook a comprehensive review of the Property Act. We identified four concepts that would improve the management of Federal assets. The Property Act Reform bill implements these concepts and will introduce and promote a total asset management approach to property issues and provide Federal managers with business-like incentives, tools and flexibility to prudently manage their assets. The bill reflects common sense strategies and better government. Briefly, the four concepts and proposed implementing provisions are:

Life Cycle Planning and Management. Effective asset management must consider the entire life cycle of property; however, the present focus of the Property Act is oriented toward the disposal phase of an asset. Some agencies presently lack a full range of policy guidance, accountable management structures, information on their property holdings, and planning processes necessary to manage their property holdings effectively in support of their missions.

The Property Act Reform bill will address these shortcomings and incorporate all phases of the asset's life cycle and a strategic perspective into property management decisionmaking. Specifically, the bill proposes:

Asset Management Principles. Under the refocused Property Act, life cycle asset management will be emphasized by the issuance of governmentwide real and personal property Asset Management Principles (AMPs). This official guidance will be used as a baseline by agencies in their decisionmaking processes.

Strategic Real Property Planning. Real property assets are vital to the accomplishment of agency goals; however, there has been a consistent lack of governmentwide strategic asset management planning. The bill would require agencies to develop asset management plans to ensure that decisions on their real property holdings through all life cycle phases are consistent with and supportive of the agency strategic missions, goals and objectives.

Senior Real Property Officer. Each landholding agency will appoint a Senior Real Property Officer to oversee and ensure that assets meet strategic objectives, ensure the observance of AMPs, prepare asset management plans and generally coordinate agency real property functions and processes. Corporations are clearly recognizing the importance and value of the real property and are giving increasing strategic emphasis to real property and the workplace. Major Government landholders should do the same. In the personal property area, agencies already have Property Management Officers to provide this type of support.

Governmentwide Real Property Information Database. One of the fundamental foundations of any coordinated asset planning/management effort is a database of reliable information describing the assets to be managed. While such an inventory has been maintained since 1953, agencies frequently do not apply the resources or share the interest needed to make the inventory complete, accurate and timely. A clear direction from the Congress to agencies to maintain and use the inventory will significantly improve this information system and serve to support sound capital asset management decisions governmentwide.

Flexibility to Optimize Asset Performance. Federal property managers are being encouraged to be more businesslike and innovative. The proposed bill would eliminate current obstacles to that approach and would provide agencies with common sense, businesslike incentives and tools to manage their properties intelligently and to reduce their holdings.

Once again, the present focus of the Property Act is oriented toward the disposal phase of assets. It has been very successful in providing an orderly way to dispose of surplus property and to maximize the use of Federal property for public purposes. However, the Act has not been successful in helping agencies to manage their personal property assets or aging properties that are still needed for their missions, or to maintain property that they no longer need, but cannot dispose of.

As Federal agencies and programs evolve, their facilities needs change. Over time, the average age of Government-owned buildings has increased to nearly 50 years. Many of these buildings have become inefficient and functionally obsolete. Unlike the private sector, most Federal agencies have no opportunity to apply any value that may reside in underused or obsolete property toward meeting their on-going or future facilities needs.

With few exceptions, agencies are not currently authorized to sell, exchange, sublease or outlease capital assets that no longer support their missions, and to use the proceeds for new replacement or capital projects. Funds for acquiring new property or rehabilitating current property must come from appropriations. Agencies lacking sufficient appropriations have to make do with sub-standard facilities. Underused property sits unproductive and agencies have to divert resources to hold such property, resources that could have been used to improve facilities that continue to support agency missions.

To improve this situation, the proposed bill would give agencies several new authorities.

Exchange/Sale (Personal Property). Expand existing authority for agencies to replace personal property to include acquiring services which perform the functions of such replacement property.

Exchange/Sale (Real Property). Authorize landholding agencies to exchange or transfer property with other Federal agencies and enter into agreements with non-Federal entities to exchange or sell property as a means of acquiring replacement property better suited for their mission purposes.

Subleasing. Authorize agencies to sublease unexpired portions of government-leased property.

Outleasing. Authorize agencies to outlease to the private sector assets that must remain in Federal ownership and underutilized portions of non-excess government-owned property to ensure full use and optimum performance of assets.

However, the Administration opposes the use of such outleases (i.e., public-private partnerships) solely or primarily as a vehicle for obtaining private financing of Federal construction and repair projects, because private financing is more expensive to the Federal taxpayer than Government-financing. In this regard, the bill permits an outlease/leaseback arrangement only when it is less expensive than direct Government renovation or construction.

The bill also includes criteria to assure that agencies do not use the tools inappropriately (i.e. retain unneeded properties that should be declared excess or enter into agreements that are not beneficial to the Federal Government). In addition, the use of these tools would require pre-transaction notices to Congress when the value of the property exceeds \$2 million. Further, the potential use of a tool must be reflected in an agency's asset management plan that is linked to the strategic planning process under the Government Performance and Results Act.

Greater flexibility is the key to better agency performance. If enacted, these straightforward business practices will enable agencies to take a huge step toward better utilization of existing real property assets and create an entrepreneurial environment that results in better quality facilities for people who live and work in them.

Incentives for Better Property Management. Federal agencies lack incentives to improve their management practices and facilitate an entrepreneurial attitude. One of the biggest disincentives to property management is the inability of most Federal agencies to realize any gain from redeploying their assets. This has resulted in agencies not pursuing optimal use of property and retaining assets that are of diminished functional value to their missions. The Property Act Reform bill would provide a much needed catalyst for sound asset management decisionmaking and would permit agency use of proceeds as follows:

Personal Property. Authorize agencies to retain proceeds from the sale of surplus personal property to offset direct and indirect disposal costs.

Real Property. Authorize agencies to retain the bulk of proceeds from real property transactions and allow such funds to be used to offset direct and indirect disposal costs and in meeting agency capital asset needs. To strengthen this incentive, the proposed bill would also put agencies in charge of disposing of their surplus real property, an authority that the GSA Administrator currently has alone. Agencies will still have the ability to hire GSA to manage the disposal process and to delegate surplus disposal decision to GSA, if they wish.

If enacted, this incentive will encourage agencies to increase the performance of and maximize the return on Federal real property assets. It will also provide the impetus needed to change the way Federal asset managers view their assets and to improve the decisionmaking process.

Streamline and Enhance Processes. As mentioned earlier, the Property Act has been in existence for 50 years. While there have been several amendments, the fundamental provisions governing property assets have generally remained unchanged. The Governmentwide review of the Property Act identified opportunities to redefine other sections of the Act to deliver savings and improve productivity. None of these changes is major by itself, but taken together, they will increase efficiency, deliver savings, reduce administrative burdens and streamline asset management processes.

Historic Preservation Conveyances. Permit qualified nonprofit institutions to be eligible to receive surplus real property for historic preservation purpose. Conveyances presently can only be made to state and local governments.

Congressional Review of Negotiated Disposals of Surplus Property. Eliminate obsolete limitations and the requirement for explanatory statements on personal property negotiated sales and increase to \$2 million the value threshold for explanatory statements concerning real property.

Property for Homeless Assistance. Streamline the process associated with making real property available for homeless assistance purposes under Title V of the Stewart B. McKinney Homeless Assistance Act. While protecting the rights and priority consideration of homeless groups, the provision would significantly reduce administrative burdens and associated publication costs. It would bring finality to the process, thereby enabling the efficient and effective disposal of property for other purposes, when appropriate.

Public Benefit Conveyances. With the exception of homeless conveyances, eliminate any priority consideration for any specific public benefit conveyance and ensure that all potential conveyances are evaluated equally based on merit.

Abandonment of Property. Expand existing authority to allow non-profit organizations in addition to public entities to acquire abandoned Federal property that has no commercial value.

Donation of Surplus Personal Property. Clarify and remove conflicting provisions pertaining to the donation of personal property and reduce administrative and recordkeeping burdens placed on State surplus property agencies.

Closing.

In conclusion, I would like to say that this reform effort is critical to bringing Federal asset management into the 21st Century. It incorporates private industry practices that will provide the incentives and flexibility needed by agencies to effectively manage their portfolios and personal property assets. It will lead to better use of Federal property and a reduction in unneeded Federal assets across Government. The bill will produce a Property Act that works better—one that properly addresses life cycle asset management and serves the best interests of both the Government and the taxpayer. We believe this proposal is “good government at its best” and we look forward to working with the Committee on this effort.

Mr. Chairman, this concludes my formal statement. I would be glad to answer any questions.