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before the
Subcommittee on Economic Development, Public Buildings, and Emergency Management
House Committee on Transportation and Infrastructure
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Thank you, Chairman Denham, Ranking Member Norton, and members of the Subcommittee, for the invitation to discuss the President's Civilian Property Realignment Act proposal with you today.

In this year's State of the Union address, the President stated that we cannot win the future with the government of the past. Stated differently, significant improvements in government performance will require significant changes in how we conduct our business. Among these is a bold new approach advanced in the President's FY 2012 Budget for right-sizing the Federal real estate inventory, which builds on the model successfully used in the past for defense properties.

As described in greater detail throughout my testimony, the President proposes to empower an independent Board to break through longstanding bureaucratic, financial, and political barriers in a manner that:

- Converts a broader pool of unneeded real estate into reductions in the Federal deficit;
- Positions the government to ensure that its real estate inventory is better tailored to the realities of how we operate and deliver services in the 21st century; and
- Achieves longer-term and sustainable improvements in real estate related operating costs and energy efficiencies.

Background

Each year, the Federal government wastes taxpayer dollars on government properties that it no longer needs. These properties include roughly 14,000 buildings and structures currently designated as excess and about 55,000 properties identified as underutilized. There are also significant opportunities for realigning our real estate that Federal agencies have yet to identify due to political, financial, and other constraints. We need to take immediate steps to take advantage of the many opportunities that have already been identified to date and simultaneously move forward on additional and more transformational possibilities.

Inefficiency associated with the management of Federal real estate is a longstanding problem. In the 1960's, President Nixon tried to address the problem by creating a Real Property

Management Program.¹ Almost two decades later, President Reagan issued two separate executive orders to try to fix real property management.² In 2004, President Bush issued Executive Order 13327 to create the Federal Real Property Council and order the creation of a Federal inventory (the Federal Real Property Profile) to be maintained by the General Services Administration (GSA).

Accomplishments

As part of the Accountable Government Initiative, President Obama has made real property reform a priority. Last year, the President issued a memorandum titled “Disposing of Unneeded Federal Real Estate” and ordered agency leaders to take aggressive action to reduce their real estate footprint. The President also set a goal of \$3 billion in savings. Agencies have made good progress to date, identifying \$1.7 billion toward meeting this goal by the end of FY 2012. However, our work with agencies on their real estate plans has made it apparent that major savings opportunities, that could yield significantly more than the \$3 billion savings goal, lie within our grasp, but cannot be implemented with the traditional tools available for managing our real property assets. The proposal I am here today to speak to you about represents a significant expansion of the Administration’s efforts.

Building on Past Success

Historically, progress in management of civilian real estate has been relatively modest when compared to the Department of Defense’s Base Realignment and Closure (BRAC) program. Established in the 1980’s, BRAC transformed the military’s real property inventory through its own comprehensive process. Under BRAC, military real estate and opportunities for consolidation are dealt with collectively through a process that includes an independent commission and up or down votes by Congress on a package of realignments, consolidations, and other related actions. This approach helps overcome the roadblocks that had previously made base closure and realignment nearly impossible. BRAC efforts are expected to result in more than \$100 billion in net savings over the next 20 years.

The President’s Civilian Property Realignment Act (CPRA) proposal builds on the best practices of BRAC. Like BRAC, the proposal would establish an independent board of experts to expedite disposal of a selection of unneeded properties and identify opportunities to consolidate agency offices. The CPRA Board would present recommendations to Congress on bundles of identified properties in the greater Federal inventory to be voted on in an up or down manner. Similar to BRAC, the process also streamlines the current authorities that are involved in any disposal or consolidation of properties identified by the Board.

¹Richard Nixon: Statement About a Report of the Property Review Board, July 25, 1972, *available at*: <http://www.presidency.ucsb.edu/ws/index.php?pid=3503&st=&st1=#ixzz1IBqsBude>

² Ronald Reagan: Executive Orders 12348 and 12512, *available at*: <http://www.presidency.ucsb.edu/ws/index.php?pid=42208#axzz1I0qF68zN>; <http://www.reagan.utexas.edu/archives/speeches/1985/42985h.htm>

Most importantly, the CPRA process will be successful because, like BRAC, it is a comprehensive solution to the three primary obstacles standing in the way of efficient real property management: red tape, financial disincentives, and political considerations.

Red Tape

There are more than 20 steps in the process required to sell or otherwise dispose of any given federal property. There are good reasons why these steps exist (e.g. environmental law, assuring good title to land); however, it does not make sense to apply the steps uniformly – it is inefficient to use the same process to sell a small warehouse in a rural location as is used to sell an office building in a downtown urban setting. Inevitably, the red tape involved slows down the disposal or consolidation process and acts as a disincentive for agencies to better manage their inventory.

The CPRA proposal cuts through the red tape in two ways: by accelerating the process through which the government chooses what to do with a property, and then by expediting the implementation of recommended disposals or consolidations for those properties identified by the Board. This approach eliminates the one-size-fits-all process that exists today.

The CPRA Board speeds up the decision of what to do with the properties that it identifies by applying a more rational approach to existing review requirements. After conducting both a review of agency disposal plans and its own independent analysis of agency inventories, the Board will issue a report with a list of recommended actions. This report will include directions to send some of its selected properties directly to sale without going through any other required steps in the disposal process, such as review by certain preferred parties outside of the Federal government. Other selected properties on the list will be set aside and directed immediately to a public benefit conveyance, such as to one of thirteen sponsored programs (e.g. parks, schools, historical preservation, etc.).

The CPRA proposal also speeds up the implementation of sales and conveyances for the properties recommended by the Board for realignment. In some circumstances, properties identified through this process will benefit from environmental authorities that parallel those used by the BRAC commission, which allowed for reduction in transaction time and cost. Instead of undergoing the current step-by-step process that can take up to a year, properties on the CPRA list of recommendations that are chosen for public benefit conveyance will go through reviews concurrent to one another to avoid wasting time. This improved process will accelerate implementation while preserving the core mission of the public benefit program.

Financial disincentives

There are many upfront costs agencies incur when disposing of properties or realigning space, such as for moving expenses, reconfiguring space, environmental remediation, etc. However, in many cases, agencies do not benefit financially from the sale of property by retaining some of the proceeds. Therefore, it can end up costing more money to sell a property than to maintain it in a vacant state from year-to-year, even when there are obvious long-term

savings that could be achieved. On top of this disincentive, often an agency does not have the upfront capital to cover the short-term costs.

To address this issue, the CPRA Board would utilize a revolving fund and would structure the division of proceeds to provide agencies with funding and incentives for disposals and consolidations. The proposal creates an Asset Proceeds and Space Management Fund, a pool of money that the Board can use to provide discretionary logistical and financial support to agencies to ready properties for disposal, consolidation, or reconfiguration, as a result of a Board recommendation. The Board will retain 40% of net proceeds from any disposal that results from a Board recommendation, in order to pay for the Board's continued operations, replenish the funding pool in the Asset Proceeds and Space Management Fund, and provide funding for agencies' capital improvement accounts. The Board will also send at least 60% of the net proceeds from any Board-recommended disposal to the Treasury General Fund for deficit reduction.

Political Considerations

Extremely challenging political realities emerge when the Federal government proposes to vacate, transfer, or sell real estate. Such proposals affect numerous, competing, and legitimate stakeholder interests, each with a different perspective on whether the Federal government should vacate the property and what will become of the property once the Federal government interest ends. For civilian assets today, the inability to resolve these competing interests not only slows or stymies identified opportunities for realignment but also creates a powerful disincentive for Federal agencies to initiate or consider new and bold opportunities for realignment.

The CPRA proposal helps overcome this challenge in a manner similar to the process employed by BRAC. The independent CPRA Board's mission is to balance all views and determine the optimal overall outcome for the taxpayer. Further, the Board will not recommend disposals or consolidations on an individual basis; rather, it will bundle a package of recommendations that succeed or fail together. Following an OMB review, Congress will have 45 days to consider the recommendations, and only a "no" vote can prevent the recommendation from moving forward. Congress, like OMB, cannot veto individual recommendations. Its sole options are either to endorse or reject the whole package. The BRAC process proved that this approach can overcome the challenge posed by competing stakeholders that makes the typical one-by-one property disposal difficult.

Conclusion

The Federal government has tens of thousands of government properties that it no longer needs to fulfill its mission for the American people. This would be an unacceptable waste of taxpayer dollars at any time; but it's particularly unacceptable today, when we have a pressing need to rein in our spending and reduce our deficits. When families are watching every penny, and making tough choices, they have a right to expect their government to do the same and operate as efficiently as possible. We can no longer continue to operate using the costly real property inventory of 60 years ago. By using the BRAC model to address this issue, we can leverage our portfolio to improve the delivery of government services to the taxpayer, reduce the

government's energy footprint, and send proceeds from the sale of unneeded Federal properties back to the Treasury to reduce the deficit. We cannot achieve these important goals using the same techniques that have been failing us since the 1960's. It is time for a bold new step – I invite you to support the President's Civilian Property Realignment Act and help bring about a transformation of real property management.

Thank you for inviting me to testify today. I look forward to answering your questions.