

Leonard Gilroy
Director of Government Reform
Reason Foundation

Testimony on “Federal Geospatial Spending, Duplication and
Land Inventory Management”

May 3, 2012

U.S. House of Representatives, Committee on Natural Resources,
Subcommittee on Energy and Mineral Resources

Mr. Chairman and members of the Subcommittee, thank you for the invitation to testify. I am Leonard Gilroy, Director of Government Reform at the Reason Foundation, a non-profit think tank that researches market-based policy and best practices for efficient and effective government. I am also an urban planner by training and have practical experience in geographic information systems (GIS) and their application to land management.

Managing real property can often be considered a mundane chore in the public sector. Each government agency often has its own monitoring and tracking methods, which are often not compatible or interoperable with other agencies, leading to a lack of standardized reporting methods at agencies and departments. Without the ability to know what government agencies own, it becomes very difficult to manage those assets in the most cost-effective and efficient ways.

In June 2010, Reason Foundation published a report (“*Knowing What You Own: An Efficient Government How-To Guide for Managing Federal Property Inventories*,” available at: reason.org/studies/show/what-the-federal-government-owns) outlining the case for a federal real property inventory that is a central record of government-owned land and assets and an important component of efficient property management. In that report we assert that government initiatives to develop an adequate portfolio management system for publicly owned real estate are a sensible step towards improved asset management and public accountability and should be given serious consideration.

Real property inventories offer a range of benefits:

- A comprehensive and current list of land and assets would allow the government to assess whether public property is being used and maintained in the most efficient manner possible.
- Inventories serve as a tool to assess the potential value of divesting underutilized or unnecessary land or assets, which can generate revenues for government and lower maintenance and operations costs.
- Selling or leasing assets to the private sector can expand the tax base and encourage economic growth.

- Inventories can potentially help lower lease and maintenance costs through space consolidation and more efficient utilization.
- Inventory information helps governments plan with more precision, improves efficiency and cost effectiveness and increases officials' ability to monitor the use of taxpayer money.

Unfortunately, when it comes to knowing what it owns, the federal government is lacking. The absence of a robust real property inventory presents a major challenge for right-sizing the federal property portfolio and causes higher than necessary operating costs and maintenance responsibilities.

The U.S. Government Accountability Office (GAO) has long noted deficiencies in federal real property management. For example, a 2002 GAO report found that the international inventory of federal real property “contained data that were unreliable and of limited usefulness. Therefore decision-makers, such as Congress and the OMB, do not have access to quality data on what real property assets the government owns, their value, how efficiently assets are being used and what the overall costs are involved in preserving, protecting and investing in them.”

A January 2003 GAO report found that over 30 federal agencies control hundreds of thousands of real property assets worldwide, including facilities and land, worth hundreds of billions of dollars. Many of these assets are no longer consistent with agencies' missions. Others are no longer needed. And many of the assets are in an alarming state of disrepair.

Despite these and similar reports, the federal government has taken little action. Since January 2003, GAO has designated real property management as a “high-risk” activity. A 2011 GAO report noted that: “In designating federal real property management as a high-risk area, GAO reported that despite the magnitude and complexity of real-property-related problems, there was no governmentwide strategic focus on real property issues and governmentwide data were unreliable and outdated.”

A separate 2011 GAO report found that: “The federal real property portfolio, comprising over 900,000 buildings and structures and worth hundreds of billions of dollars, presents management challenges. [...] The federal government holds many excess and underutilized properties that cost billions of dollars annually to operate.” The report also found that in fiscal year 2009, 24 federal agencies (including the Department of Defense) reported over 45,000 underutilized buildings that cost taxpayers \$1.6 billion per year to operate.

Notwithstanding some recent improvements by the Obama administration and real-property-holding agencies in their strategic management of real property—in part by establishing an interagency Federal Real Property Council designed to enhance real property planning processes and improve the reliability of federal real property data—GAO has consistently found persisting problems related to unneeded property and leasing.

The federal government should take note of what states such as Georgia, Ohio and Virginia have done recently. They are taking proactive steps to develop real property inventories, track the property they own and analyze the information to determine what, if any, of that property can be divested or used more efficiently.

Our report found that 16 states had well-functioning inventory systems, 17 states were developing a real property inventory, and 17 states (plus Washington D.C.) lacked an inventory.

Some recent state level developments on real property inventories include:

Georgia: In the early 2000s, former Governor Sonny Purdue's "Commission for a New Georgia" recommended that the state centralize its management of capital assets to improve efficiency, reduce lease costs, generate revenue through divestiture and lower the costs of capital construction. Most agencies handled their own space management, with little or no opportunity for comprehensive management. The Commission found that the state's \$10.5 billion portfolio of over 11,000 facilities was losing value due to poor maintenance, emerging safety issues, and underutilization.

In 2005, Governor Perdue issued an Executive Order creating the state's first State Property Officer and restructuring the State Property Commission to bring overlapping, multi-agency management of real estate into one portfolio, with a central manager. Governor Perdue also ordered the state's first comprehensive, enterprise-wide asset inventory.

These moves led to the development of Georgia's first comprehensive, GIS-based inventory of government land and facilities, the Building, Land and Lease Inventory of Property (www.realpropertiesgeorgia.org). This Web-based GIS offers the ability to create maps and download information to spreadsheet and database software.

According to Governor Perdue, Georgia's first State Property Officer consolidated the overlapping real estate responsibilities of four agencies and organized the state's property holdings into one management portfolio. As a result, the state has sold surplus assets (over \$15 million in FY07 and FY08 alone, according to the State Property Commission), renegotiated leases at lower rates and adopted uniform construction guidelines. In a 2008 article, Perdue wrote: "Five years ago, nobody in government could say with certainty how many buildings the state owned. Today, anyone can go to a public website to look up detailed records on every single government building, piece of land, or lease."

Ohio: In December 2008, former Ohio Governor Ted Strickland signed a bill into law that increased state real property management, established a council to oversee facilities operation and maintenance and increased requirements on state spending transparency. This included the development of a searchable, Web-based list of land and assets, with a feature for citizens to report public property they know of that the state might have missed during inventory development.

The state's initial survey found large amounts of unimproved land along state roads and highways. Properties designated for public office space or storage were discovered to be vacant and unused. Still other state-owned parcels were identified as too small or peculiarly shaped as to be virtually unusable for government, but had been ignored for years, precluding opportunities to generate potential tax revenues and economic growth through divestiture.

Virginia: In 2011, Virginia Governor Bob McDonnell signed H.B. 2003 into law, requiring the state's Department of General Services to develop a comprehensive real property inventory (to be annually updated), along with a Web-based listing of surplus real property. Accelerating the regular divestiture of unused or underused property was a key focus, and 50 percent of the net proceeds from asset lease or divestiture are directed to the State Park Acquisition and Development Fund under Virginia law.

Oklahoma: Oklahoma began taking important steps toward better real property management in 2011 with the passage of H.B. 1438 ("Oklahoma State Government Asset Reduction and Cost Savings Program,") which requires the state's Director of Central Services to publish a report detailing state-owned properties, including a list of the five percent most underutilized properties, the value of those properties and the potential for purchase if sold. The bill's sponsor, House Speaker-Elect T.W. Shannon, introduced separate legislation in 2012 (H.B. 2262, signed into law in April) creating a Maintenance of State Buildings Revolving Fund to which proceeds from any sales of state assets will be deposited for expenditure on the maintenance and repair of the state's aging buildings and properties.

The aforementioned 2010 Reason Foundation study—*“Knowing What You Own: An Efficient Government How-To Guide for Managing Federal Property Inventories,”* available at reason.org/studies/show/what-the-federal-government-owns—recommends 12 steps based on best practices in these and other states:

- Take the initiative to build an inventory
- Conduct an inventory of inventories
- Use GIS technology to map and catalogue real property data
- Centralize the management of real property data
- Standardize reporting methods for all agencies and divisions
- Put the inventory online for public access
- Manage the inventory beyond mapping
- Make the inventory continual and dynamic
- Divest unneeded and underutilized land and assets
- Utilize the wide range of private sector expertise
- Build the inventory to fit prescribed policy goals
- Look beyond financial benefits

While one piece of legislation cannot address all 12 recommendations, H.R. 1620, along with similar language in H.R. 4433, would accomplish a number of these

recommendations and begin an important process to maximize the efficiency and effectiveness of federal real property management.

In March 2012, the U.S. House of Representatives passed a bipartisan bill, the Excess Federal Building and Property Disposal Act (H.R. 665), which addresses the GSA's federal real property database, the Federal Real Property Profile (FRPP). Though an important step, there were some limitations that are addressed in the bills under consideration today. For example the FRPP, as well as Executive Order 13327 ("Federal Real Property Asset Management") issued by President Bush in 2004, excludes the public lands of the Interior Department and U.S. Forest Service, agencies that have vast land holdings, particularly in the West. Additionally, the FRPP is not GIS-based; it is a spreadsheet making it inadequate in terms of completeness or in maximizing utility and transparency to citizens.

I would like to conclude my testimony with a brief comment on H.R. 4433. In addition to providing a parcel-based land inventory, the bill supports partnering with the private sector to acquire commercially-available geospatial services. Reason Foundation has written frequently on such public-private partnerships and contracting techniques, including their application to surveying, mapping and other commercially available geospatial activities. We believe that the private sector offers a broad, diverse portfolio of capabilities and technologies that can support public sector endeavors, and we recommend that government at all levels utilize the private sector for commercial activities and avoid duplicating services private enterprise is already efficiently providing. H.R. 4433 is consistent with that approach.

Considering the nation's ongoing economic challenges, the government should take proactive steps to maximize the value of its resources, ensure efficient management and enable private sector economic growth through asset divestiture. Real property management is not a partisan issue, nor is it an issue of spending priorities. It is an issue of good governance and fiscal responsibility.

In conclusion, I applaud the Subcommittee for considering the many benefits of developing a real property inventory. It would represent an important step toward bipartisan, responsible stewardship of public assets and resources and improved transparency and accountability to taxpayers. Thank you again for the opportunity to testify on this important subject.