

Testimony of the Honorable Clay Johnson III
Deputy Director for Management
Office of Management and Budget

before the

Subcommittee on Federal Financial Management, Government Information and International
Security of the
Senate Committee on Homeland Security and Governmental Affairs

May 24, 2007

The Federal Government is achieving measurable results in meeting the President's goal to improve Federal real property management. When the President signed Executive Order (EO) 13327, Federal Real Property Asset Management on February 4, 2004, he charged Federal agencies to manage their real property portfolios at the right size, cost, and condition to most effectively serve program missions and goals. He then launched a new initiative under the President's Management Agenda (PMA) to hold agencies accountable for meeting key milestones and performance outcomes highlighted in the EO. In just over three years, the major elements of the EO and PMA initiative are in place and yielding significant results. Specifically:

- o The Federal Real Property Council (FRPC) established the Federal Real Property Profile database which holds inventory and performance data on more than 1.2 million assets with a replacement value of more than \$1.5 trillion.
- o Agencies have asset-level performance data to assist in decision-making such as identifying those assets in need of investment and unneeded assets suitable for disposal.
- o Agencies have disposed of more than \$4.5 billion in unneeded Federal real property which puts us half way to meeting the Administration's belief that we have the opportunity to dispose of \$9 billion by 2009.

Moving forward, we will work closely with the Government Accountability Office (GAO) to implement the necessary steps to remove real property management from the "high risk" list. In fact, our approach to date has been consistent with many of the recommendations outlined in GAO's most recent report (GAO 07-349, April 2007). Namely, we have:

- o promoted more effective property management **leadership**;
- o improved government-wide real property **information**; and
- o provided enhanced **asset management tools** to make federal real property management more effective.

Leadership. Today, Senior Real Property Officers are providing dedicated leadership to their agencies, and are active participants in the FRPC and its committees. I chair the FRPC and, since the FRPC began in May 2004, have met with these individuals on a quarterly basis. Without their leadership, the accomplishments that I share with you today would not have been possible.

Information. Since December 2005, the government has also developed and maintained a more complete inventory of real property portfolio. Today, agencies are reporting a common set of inventory and performance data, defined by the FRPC, to a government-wide inventory. Further, the inventory and performance data is reported at the constructed or individual asset level (e.g., a building on a Federal campus versus reporting the campus itself) which means that there is transparency to the lowest level of asset detail.

I can also attest to the fact that the data is becoming more reliable each year. In the second year of inventory reporting, we saw improvements in agency submissions and were able to identify specific data problems in need of correction. The visibility of asset level data and the availability of comparative information across reporting years allowed us to quickly identify and address problems. Further, each agency, through the PMA, is now required to submit data integrity plans to the Office of Management and Budget (OMB) to ensure that future submissions are accurate.

Asset Management Tools. In 2004, most agencies did not have asset management plans. Today agencies not only have these plans, but all of the plans address the FRPC Asset Management Guiding Principles as well as the agency strategies for asset acquisition, management, and disposition. In addition, agencies have established three year timelines that detail initiatives and specific capital asset projects to meet the goals and objectives outlined in their asset management plans. Finally, the FRPC has established a decision-tool, known as the Performance Assessment Tool, which assists agencies in analyzing the health of their portfolio. Agencies are using the inventory and performance data in conjunction with the Performance Assessment Tool to prioritize their investments to improve asset condition and identify assets suitable for disposition. Through the PMA, OMB is ensuring that all major landholding agencies are utilizing these tools in a manner that ensures better real property management, with emphasis on identifying unneeded assets and establishing and meeting annual disposal targets. Included as an attachment to this testimony is additional information on the FRPC Asset Management Guiding Principles and the Performance Assessment Tool.

Moving Forward. I have highlighted the tremendous amount have work that has been done in laying a foundation for improved real property asset management, but Executive Order 13327 is only a first step. We now must implement our strategic vision for leveraging these accomplishments to build and expand on the successful results achieved to date. I believe that we need additional tools to assist in making real property management more effective. The President's Fiscal Year 2008 budget includes a proposal for a real property disposal pilot program which would provide us with the opportunity to explore other reforms to improve the existing disposal process and right-size the real property asset portfolio. Both OMB and GAO agree that agency asset management and disposition efforts could be furthered through legislative enhancements to the disposition process. The President's proposal would establish a five year disposal pilot providing necessary legislative flexibilities to allow agencies to:

- o Take direct to market those assets which are most suitable for sale,
- o Recover disposal costs, and
- o Retain 20 percent of the net proceeds to address the agency's mission critical real property capital asset needs.

I believe that this pilot would provide the necessary incentive for agencies to move forward with more challenging disposal actions that have previously been cost prohibitive for custodial agencies.

In closing, the Federal Government has made significant progress in address many of the recommendations that GAO has highlighted in real property and the real property community is pleased that GAO recognized this progress in its most recent report. We look forward to our continued work with this Congress and GAO on ways to further improve real property management.

Federal Real Property Council Asset Management Guiding Principles:

1. Support agency missions and strategic goals
2. Use public and commercial benchmarks and best practices
3. Employ life-cycle cost-benefit analysis
4. Promote full and appropriate utilization
5. Dispose of unneeded assets
6. Provide appropriate levels of investment
7. Accurately inventory and describe all assets
8. Employ balanced performance measures
9. Advance customer satisfaction
10. Provide for safe, secure and healthy workplaces

Federal Real Property Council Performance Assessment Tool:

The FRPC Performance Assessment Tool (PAT) uses the inventory and performance data reported annually by each agency to the FRPP database to assist the agencies in managing their real property portfolios. The PAT sorts the real property data into different categories (based on a series of filters) to better identify those assets that should be analyzed for potential disposal, prioritized for condition or utilization improvements, or managed at the current cost and condition. Authorized agency administrators of the PAT have the ability to run reports and tailor such reports to highlight specific inventory or performance factors such as cost, condition, utilization, geographic location, or asset type.

The PAT also has the capability to produce inter-agency reports focusing on underutilized and excess assets available for sharing or Federal transfer. Agency users can query the available data to locate information by asset type, asset use, asset size, and location. Based on the search criteria, the PAT generates a list of assets along with the custodial agency names and contact information.