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FEDERAL REAL PROPERTY

Overreliance on Leasing Contributed to High-Risk Designation

Highlights of [GAO-11-879T](#), a testimony before the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

The federal government's real property portfolio includes more than 900,000 buildings and structures worth hundreds of billions of dollars. Many of these properties are leased from private-sector owners, often at total costs that would exceed what the government would pay for ownership. Overreliance on costly leased space was one of several factors that contributed to GAO's designation of federal real property management as a governmentwide high-risk issue. The administration's proposed Civilian Property Realignment Act (CPRA) would reform federal real property management and disposal. For this subcommittee, GAO is currently examining opportunities for consolidating federal operations and moving them from leased space to federally owned sites.

This statement identifies (1) the factors that contribute to the government's reliance on costly leasing, (2) how CPRA may provide an opportunity to reduce reliance on leasing, and (3) federal agencies' independent leasing authorities and General Services Administration's (GSA) delegations of leasing authorities. To do this work, GAO relied on its prior work and reviewed CPRA and other relevant reports.

What GAO Found

The decision to lease rather than own space for federal operations is often influenced by factors other than cost-effectiveness, including budget issues and operational requirements. Over the years, GAO's work has shown federal building ownership often costs less than operating leases, particularly for long-term space needs, and increasing ownership in these cases could save millions of dollars. Starting in 2008, GSA, the central leasing agent for most agencies, has leased more space than it owns. As GAO has reported, though, federal budget scoring rules can create challenges for new construction. Specifically, budget authority for ownership options must be recorded fully up front in the budget to appropriately reflect the government's commitment. For GSA operating leases, however, only the budget authority needed to cover the annual lease payments is required. This reduces the upfront funding commitment but generally costs the federal government more over time. Federal agencies' decisions to lease rather than own space may also be driven by factors such as cost, security requirements, the need for flexibility, and smaller space needs. In such instances, leasing may be practicable. Although GSA's goal is to cover the administrative costs of private sector leases with fees it charges the tenant agencies, it has been unable to do so in recent years—losing more than \$100 million in fiscal year 2009—raising concerns about the agency's management of its leased properties.

CPRA may provide an opportunity to reduce the government's overreliance on leasing. CPRA does not explicitly address the government's overreliance on leasing, but one of CPRA's purposes—to realign civilian real property by consolidating or colocating operations and reconfiguring space to increase efficiency—could help to reduce the governments' overreliance on leasing. For example, CPRA could identify opportunities for federal civilian agencies—many of which currently are located in leased space—to colocate on U.S. Postal Service property.

Through legislation, many agencies have received independent leasing authority through their enabling legislation or in appropriations acts. Other agencies have received leasing authority through a GSA delegation. GSA may delegate to agencies leasing authority for general purpose, categorical and special purpose space. In November 2007, GSA amended its delegations of leasing authority to increase oversight and facilitate compliance with all applicable laws and regulations governing the acquisition of leases after audits found instances in which agencies failed to meet the conditions of their leasing delegations.

View [GAO-11-879T](#) or key components. For more information, contact David Wise at (202) 512-2834 or wised@gao.gov.