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# Highlights

Highlights of GAO-12-646, a report to the Chairman, Subcommittee on Federal Financial Management, Government Information, Federal Service, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

GSA serves as the primary steward of the federal government's civilian real property portfolio of nearly 10,000 assets. Since 1972, GSA has funded its real property acquisition, operation, maintenance, and disposal through the rent it collects from tenant agencies that is deposited into the FBF. GAO has previously reported, however, that the FBF has faced difficulty providing sufficient resources to support GSA's mission.

GAO was asked to examine (1) the factors affecting the resources in the FBF, (2) GSA's potential repair liability and the implications for the FBF, and (3) the information GSA considers when evaluating capital investments and how these practices compare to leading practices for prioritizing capital investments. GAO reviewed legislation and GSA documents and compared leading practices on making capital investment decisions from OMB and GAO capital planning guidance to GSA practices. GAO also analyzed budget and financial data from fiscal years 2006 through 2012, facility condition data from fiscal year 2011, and interviewed GSA officials and OMB staff.

## What GAO Recommends

GAO recommends that GSA (1) document in its budget submission how it prioritizes capital investments and (2) develop and annually submit a 5-year long-term capital plan to OMB and Congress. GSA agreed with our recommendations. Technical comments from GSA and OMB were incorporated as appropriate.

View GAO-12-646. For more information, contact Dave Wise at (202) 512-2834 or wised@gao.gov.

July 2012

# FEDERAL BUILDINGS FUND

## Improved Transparency and Long-term Plan Needed to Clarify Capital Funding Priorities

## What GAO Found

The Federal Buildings Fund's (FBF) balance has increased from $56 million in fiscal year 2007 to $2.2 billion in fiscal year 2012 primarily due to the growing difference between the resources provided to the FBF and the General Services Administration's (GSA) use of these funds as determined through the budgeting and appropriations process. In the last 2 years, Congress has provided fewer resources than requested by the executive branch and generated by the FBF. Office of Management and Budget (OMB) staff and GSA officials stated that if GSA were able to spend all of the funds collected by the FBF each year, these funds would generally be sufficient to fund GSA's needs. However, GSA, through the annual President's Budget Request, has sought less obligational authority than the balance available in the fund. While the FBF's balance has increased, various factors have limited the fund's income. Funds from operations—revenue less costs excluding depreciation—that contribute to FBF income have declined from 2006 to 2011 when adjusted for inflation. Revenues have declined while costs have outstripped inflation over this time period. In addition, portions of GSA's inventory operate at a loss. For example, about 30 percent of GSA's owned assets lost money in 2011, while GSA's total leased portfolio lost about $75 million. Despite the losses in its leased portfolio, GSA continues to rely extensively on leasing. GSA is taking steps to reduce the size of its overall real estate portfolio.

GSA has identified $4.6 billion in maintenance and repairs expected from 2012 to 2021 and anticipates that nearly a quarter of this amount is needed immediately. However, funding for maintenance and repairs has declined since 2006. GSA officials noted that reduced funding for capital reinvestments could result in deferred maintenance and repairs, and increase the cost and extent of such work in the future. These concerns are consistent with the National Research Council's findings that each $1 in deferred maintenance and repair work results in a long-term capital liability of $4 to $5.

GSA's use of information to make capital investment decisions conforms to some leading practices from GAO and OMB guidance, but GSA lacks a transparent process for prioritizing projects and a comprehensive long-term capital plan that fully aligns with leading practices. GSA keeps a baseline of information on its assets and needs—as leading practices suggest—through various tools and databases. GSA's process and guidance for evaluating capital investment alternatives substantially meet leading practices as its project planning process explores alternatives to meeting investment needs. GSA's process for prioritizing capital investments partially meets leading practices, but its project prioritization transparency could be improved by laying out in its annual budget submission how it uses its criteria to determine which projects get selected for funding over others. In addition, an improved comprehensive long-term capital plan could further GSA's ability to make informed choices about long-term investment decisions. Both OMB and GAO guidance emphasize the importance of developing a long-term capital plan to guide the implementation of organizational goals. Having such a plan would enable GSA and Congress to better evaluate a range of priorities over the next 5 years. In short, more transparency through a comprehensive long-term capital plan would allow for more informed decision making by GSA and Congress among competing priorities.