United States General Accounting Office
Washington, DC 20548

Resources, Community, and
Economic Development Division

B-285644

June 30, 2000

The Honorable Larry Combest
Chairman
The Honorable Charles W. Stenholm
Ranking Minority Member
Committee on Agriculture
House of Representatives

Subject: U.S. Department of Agriculture: State Office Collocation

The Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994[1] directed the Secretary of Agriculture to streamline and reorganize the U.S. Department of Agriculture (USDA) to achieve greater efficiency, effectiveness, and economies in its organization and management of programs and activities. Following passage of the act, USDA began a major effort to, among other things, collocate the state offices of its three field-based agencies—the Farm Service Agency (FSA), the Natural Resources Conservation Service (NRCS), and Rural Development (RD).[2] These state offices provide policy interpretation and technical advice to their field representatives located in USDA county service centers throughout the nation. The county service centers deliver USDA programs to farmers, rural residents, and communities. At the time of the act, these three agencies' state offices could be, and often were, located in different cities within a given state. Collocation therefore meant locating these three state offices at one site in order to share space and administrative personnel and, potentially, to eliminate duplicative overhead expenses. By March 10, 2000, USDA had collocated state offices in 26 states. At that time, USDA also announced its collocation decisions for the three agencies' state offices in the remaining 26 states. These decisions were based on recommendations in collocation plans submitted by officials in USDA state offices. USDA's announcement noted that the moves in these latter 26 states were expected to save $9 million by 2008 and to result in better, more efficient, less costly service to USDA customers.

Concerned about the reasonableness of the process USDA used to reach the state collocation decisions announced in March, you asked us to determine (1) what

[1] P.L. 103-354, Oct. 13, 1994.

[2] USDA has 52 state offices, including offices in the Commonwealth of Puerto Rico and the Territory of Guam.

criteria USDA established to guide its collocation decisions, (2) whether USDA consistently applied each of the criteria in making its collocation decisions, and (3) how USDA validated the cost data submitted by the three agencies' state offices to support their collocation recommendations and whether they included all relevant costs. In addition, in a related matter, you asked us to identify examples of federal agencies that have realized economic benefits in relocating their offices because they asked communities to offer financial benefits as an incentive to relocate in those communities.

In summary, USDA established 10 criteria to be considered in making collocation decisions. These included several criteria directly related to cost considerations, such as the one-time costs and savings resulting from the collocation, as well as other criteria not directly cost-related. These other criteria included the availability of transportation and the location of the collocated office central to the agencies' activities and near other USDA, federal, and state government agencies. USDA did not establish guidance on how state and headquarters officials should weigh the relative importance of the 10 criteria in making their collocation decisions. As a result, USDA state agency officials in several states could not reach consensus on where to locate their combined state offices.

The extent to which USDA used each of the individual criteria in making collocation decisions or to which it consistently applied each criterion is unclear because USDA did not establish procedures that required state or headquarters officials to document the impact that each criterion had on their decisions. According to our review of the limited available documentation for the final collocation decisions, USDA appeared to focus primarily on one criterion—the one-time cost of the collocation. This cost item includes the estimated cost to relocate employees, the expenses of moving offices, and the estimated savings associated with combined office space.

To validate the reasonableness of the cost data submitted by state office officials to support their recommendations, USDA headquarters officials asked state officials to verify that certain cost estimates contained in their collocation plans were current. However, USDA did not make sure that all relevant costs were included in the cost estimates. For example, the estimates did not consider the costs of severance pay for employees who do not relocate and the payment of relocation costs and training for experienced replacement employees drawn from other agency offices. The omission of these costs, as well as other adjustments that USDA made to the state cost estimates, tend to overstate the overall savings USDA expects from its collocation efforts.

Concerning the issue of encouraging communities to offer incentives for relocation, we identified one, albeit dated, case in which a federal agency realized economic benefits by encouraging such competition. In our 1990 report on facilities location policy, we noted that the Bureau of Engraving and Printing was able to generate widespread competition in meeting its space needs and was able to obtain considerable savings for the government. However, USDA did not consider economic incentives in selecting collocation sites. USDA's position in this regard is based on a concern that considering economic incentives could create competition among communities and would in effect shift the financial burden from the federal government to local community taxpayers—that is, local taxpayers would be subsidizing a federal activity.

Background

On March 26, 1998, USDA instructed the FSA, NRCS, and RD state agency leaders in the states that did not have collocated state offices to develop collocation plans by June 1,1998. These plans were to include recommendations for the location of the collocated state office. USDA divided the states into two groups. The group whose offices were 50 miles or less apart were projected for collocation by October 1, 2000, and the group whose offices were more than 50 miles apart were projected for collocation by December 2002. USDA reviewed and analyzed the data submitted by the state offices and in some cases requested clarifying or updated information. Using the results of this analysis, USDA's National Food and Agriculture Council, composed of the FSA, NRCS, and RD agency heads, recommended collocation sites to the Secretary of Agriculture. On March 10, 2000, USDA announced the Secretary's decision on collocation sites for the 26 states that had not collocated during the intervening period—18 involved moves of 50 miles or less; 8 involved moves of more than 50 miles. As of June 1, 2000, none of the collocations of offices requiring moves of more than 50 miles had been initiated.

Enclosure I provides information on the current office locations and the site selected for the collocated office for the 26 states. USDA's announcement said the collocation of these offices was expected to save $1.3 million during the next 5 years and over $8.9 million by 2008 and to result in better, more efficient, less costly service to USDA customers.

Criteria for Collocation Decisions

USDA established 10 criteria to be considered in making collocation decisions. These criteria were (1) space availability in existing state office locations, (2) the availability of suitable space controlled by the General Services Administration (GSA) or owned or leased by USDA; (3) a location, to the extent possible, in a central business area; (4) the acquisition costs of new space when existing space was not adequate; (5) the availability of transportation; (6) a location central to all agency activities, (7) the location of other USDA, federal, and state government agencies; (8) market conditions, lease costs, and the availability of potential office locations, (9) unique, mission-related issues, and (10) one-time relocation costs and savings resulting from collocation. This last criterion was listed as a separate item for which the states were instructed to provide detailed information, including estimated office moving expenses, estimated savings associated with combined office space, and the estimated cost to relocate employees. The largest cost component—the cost of relocating an employee—included such items as the sales commissions and fees on the sale and purchase of an employee's residence as well as the payment for moving household effects.

USDA's procedures for making collocation decisions did not provide guidance on how headquarters or state officials should weigh the relative importance of individual criteria in reaching their decisions. The procedures that USDA used for making collocation decisions consisted primarily of March 1998 guidance to state agency officials directing them to respond to the 10 criteria. The guidance also provided a format for reporting selected cost items, such as office moving expenses and relocation costs. However, the guidance provided no directions on which of the criteria were most important and should be weighed more heavily than others. For example, USDA provided no elaboration concerning the relative importance of mission-related criteria to the one-time relocation cost criteria. Furthermore, none of the criteria provided guidance on the location characteristics that would help ensure that the selected site was best suited for carrying out the mission of a collocated state office (for example, a location in the state capital or a location near a land grant university). As a result, USDA state officials could not reach consensus on sites for a collocated state office for seven of the eight states involving the relocation of offices more than 50 miles.

USDA's Use of Criteria Is Unclear

USDA's procedures for making collocation decisions did not require that USDA state or headquarters officials document the extent to which each of the individual criteria influenced their decisions. As a result, it is difficult to determine exactly how each of the criteria was used during the decision-making process.

In making final collocation decisions, USDA headquarters officials did not document the extent to which each of the individual 10 criteria influenced USDA's final decision. However, on the basis of our review of documents explaining the final decisions, it appears USDA generally focused its decision on one of the criteria—the one-time cost of the collocation. Concerning Texas, for example, USDA's explanation noted that Temple was the lowest cost alternative and stated, "relocating the least number of employees and families makes Temple the logical alternative for a collocated state office." USDA's estimates showed the cost to collocate the office in Temple was about one-half the cost of the other site under consideration.

In all but one of the eight states involving relocations of more than 50 miles, USDA selected the location that its estimates showed as the lowest cost alternative. In Kansas, however, USDA selected a collocation site primarily because it was located centrally between two alternative sites, even though it was not the lowest cost alternative. USDA's explanation stated that the RD, FSA, and NRCS national agency heads believed that this location best met program performance needs. Furthermore, USDA noted relocation costs for the chosen collocation site may possibly be lower than estimated if employees from the other sites commute rather than relocate.

USDA Conducted a Limited Review of Data Submitted by State Offices and Did Not Include All Relevant Relocation Costs

USDA's March 1998 guidance required its non-collocated state offices to provide, by June 1998, a cost analysis that included the costs for the existing separate state offices and estimated costs for collocated state offices in support of each state's recommended collocation site. In March 1999, USDA provided a schedule to the states that contained certain cost information from the original state submissions—lease costs, office moving costs, and employee relocation costs. USDA asked the states to verify the accuracy of these data elements. USDA generally accepted the verified data as presented by the states.

USDA did not require the states to submit estimates of some relevant costs. For example, most employees who leave the agencies are entitled to severance pay, and all are entitled to a lump sum payment of annual leave. USDA estimated that 67 percent of the affected employees would not relocate but did not estimate the cost of severance pay or the lump sum annual leave payment for them. Agency officials told us about increased costs, such as severance pay, lump sum annual leave payments, and training costs, that could be associated with some or all of those who do not relocate. However, USDA did not include estimates of these cost elements in projecting total one-time collocation costs. By ignoring these factors, USDA has understated the cost of collocation.

Furthermore, USDA made across-the-board adjustments to the estimated employee relocation costs that tended to overstate its estimate of overall savings from the collocation effort. For example, USDA estimated that 33 percent of employees would move and that the cost of each move would be $32,000 or less, and adjusted the state-submitted cost estimates accordingly. This adjustment reduced USDA's estimated one-time cost of relocating employees from $12 million to $4.3 million. However, the adjustment did not take into account the fact that, in all likelihood, USDA would have to incur relocation costs for relocating the experienced personnel necessary to replace those who chose not to relocate. USDA state office officials said the state office positions typically require employees who are experienced in administering the agencies' programs, and the positions generally are not filled at an entry level. As a result, when one employee chooses not to move, the agency frequently must relocate another person from a district or county office or from another state to fill the position. If this is the case, then the costs for relocating personnel could increase from the $4.3 million that USDA currently estimates up to as much as the states originally estimated, $12 million, depending on how many employees have to be reimbursed for relocation expenses.

Competition Can Help Agencies Reduce Costs

We found no recent examples in which communities offered financial benefits as incentives for locating federal facilities or offices in their communities. However, in our 1990 report on GSA's facility location policy,[3] we noted one instance in which a federal agency—the Bureau of Engraving and Printing—was able to generate widespread competition among communities that were interested in meeting the agency's space needs and was able to obtain considerable savings for the taxpayers

[3] *Facilities Location Policy: GSA Should Propose A More Consistent and Businesslike Approach* (GAO/GGD-90-109, Sept. 28, 1990).

as a result. The Bureau received expressions of interest from 82 localities for an expansion facility, 4 of which offered no-cost land and buildings. It ultimately selected the Fort Worth, Texas, offer. The 100 acres of land and a building shell that the city offered in exchange for locating the federal facilities in it were valued at over $12 million. Bureau officials were confident that similar benefits could be obtained by other agencies if they sought them because of the willingness of communities to develop employment opportunities.

We recommended that GSA develop a location policy that would require agencies, in meeting their needs, to maximize competition and select sites that offer the best overall value to the government. GSA did not act on the recommendation, citing a view that agencies are better able than GSA to determine their facility needs. In fact, GSA subsequently revised the Federal Property Management Regulations to remove the suggestion that agencies consider incentives from local governments when establishing the area to be considered for locating federal offices.

USDA did not encourage competition among communities in selecting sites for collocation. USDA was concerned about the legality of accepting certain types of incentives that had been suggested by interested communities—such as employee relocation expenses, job placement services, or job training funds. USDA viewed the acceptance of other types of incentives, such as reduced or free rent, to be legal but not sound public policy if used to select between competing communities. USDA officials said that encouraging competition among communities would ultimately inappropriately shift the funding burden from the federal government to local governments. USDA's policy is that economic incentives will not be considered in selecting the city for collocation, but they can be accepted once the city is determined.[4]

Observations

Well-founded USDA collocation decisions are important because they will significantly affect how effectively and efficiently the Department carries out its mission for many years to come. We did not determine the validity of the individual collocation decisions that USDA made—this was beyond the scope of our study. However, the process used to reach these decisions raises doubt about whether the chosen collocation sites put USDA in the best position to meet its mission over the long term. In particular, USDA's process did not include developing procedures that provided guidance on how to weigh the relative importance of cost and mission-related factors. Furthermore, the process did not incorporate all relevant costs in estimating costs associated with collocated sites. Finally, USDA's process did not allow communities to compete for state office locations by offering economic incentives for locating offices in their communities. The problems we identified raise doubts about the adequacy of the basis for its collocation decisions—especially for

[4] For a number of years, USDA accepted free space under cooperative agreements with various local governments, universities, and soil and water districts. In this regard, USDA reports that it currently accepts free space in over 200 sites across the country.

those eight decisions involving major relocations of employees and their families (office relocations of more than 50 miles).

Agency Comments

We provided USDA with a draft of this report for its review and comment. USDA said that the draft report was incorrect in stating that USDA established 10 criteria to be considered in making collocation decisions. According to our review of USDA's guidance to the states, it is clear to us that USDA established 10 criteria. The tenth criteria—one-time costs/savings for collocation—was listed separately from the other nine criteria, but it was included in the guidance. USDA also expressed concern that the draft implied that USDA downplayed or ignored regulatory or programmatic criteria in favor of cost considerations. USDA said the documentation may not have clearly established the weight given to the non-cost criteria but stated that the degree of involvement by the state leaders and agency heads in the process provides some indication that these factors were considered and evaluated. We agree that there is some evidence that state leaders and agency heads considered non-cost criteria, but such evidence was not adequate to show the extent to which the cost and non-cost criteria were used to make the decisions. More importantly, however, USDA did not establish guidance to ensure that the various factors were applied consistently in making the collocation decisions. USDA also expressed concern that the Bureau of Engraving and Printing example in the draft was different from the situation facing USDA in that the example related to an expansion of a production facility rather than the relocation of a professional and managerial facility. Our intent was not to imply that the situation was identical but merely to provide an example of a federal agency's successful use of competition. USDA also provided technical clarifications, which we incorporated as appropriate. USDA's comments and our responses are presented in detail in enclosure II.

Scope and Methodology

We reviewed relevant documents and interviewed cognizant USDA headquarters officials to obtain information on USDA's collocation site selection process. To obtain perspective on the issues and to better understand the state submissions, we visited the FSA, RD, and NRCS state offices in Illinois, Kansas, and Texas. To obtain information about policies and practices for locating federal facilities, we interviewed

GSA headquarters officials. We performed our work from March through June 2000 in accordance with generally accepted government auditing standards.

- - - -

Please call me at (202) 512-5138 if you or your staff have any questions about this report. Key contributors to this report were Ronald E. Maxon, Jr.; Robert R. Seely, Jr.; and Dale A. Wolden.

Robert E. Robertson

Associate Director, Food
and Agriculture Issues

Enclosures - 2

USDA State Office Collocation Sites

State	Current locations	USDA-selected collocation site
Alabama[a]	Farm Service Agency (FSA)—Montgomery Natural Resources Conservation Service (NRCS)—Auburn Rural Development (RD)—Montgomery	Montgomery
Alaska[b]	FSA—Palmer NRCS—Anchorage RD—Palmer	Palmer
Arizona[b]	FSA—Phoenix NRCS—Phoenix RD—Phoenix	Phoenix
Connecticut[b]	FSA—Windsor NRCS—Storrs	Storrs
Delaware[b]	FSA—Dover NRCS—Dover RD—Camden	Dover
Hawaii[a]	FSA—Honolulu NRCS—Honolulu RD—Hilo	Honolulu
Illinois[a]	FSA—Springfield NRCS—Champaign RD—Champaign	Champaign
Iowa[b]	FSA—Des Moines NRCS—Des Moines RD—Des Moines	Des Moines
Kansas[a]	FSA—Manhattan NRCS—Salina RD—Topeka	Manhattan
Maryland[b]	FSA—Columbia NRCS—Annapolis	Annapolis
Mississippi[b]	FSA—Jackson NRCS—Jackson RD—Jackson	Jackson
Montana[b]	FSA—Bozeman NRCS—Bozeman RD—Bozeman	Bozeman
Nebraska[b]	FSA—Lincoln NRCS—Lincoln RD—Lincoln	Lincoln
Nevada[b]	FSA—Reno NRCS—Reno RD—Carson City	Reno
New Hampshire[b]	FSA—Concord NRCS—Durham	Durham
New Jersey[b]	FSA—Bordentown NRCS—Somerset RD—Mt. Holly	Trenton
North Dakota[a]	FSA—Fargo NRCS—Bismarck RD—Bismarck	Bismarck
Oregon[b]	FSA—Tualatin NRCS—Portland RD—Portland	Portland
Puerto Rico[b]	FSA—Santurce	Hato Rey

	NRCS—Hato Rey RD—Hato Rey	
South Carolina[b]	FSA—Columbia NRCS—Columbia RD—Columbia	Columbia
Tennessee[b]	FSA—Nashville NRCS—Nashville RD—Nashville	Nashville
Texas[a]	FSA—College Station NRCS—Temple RD—Temple	Temple
Vermont[b]	FSA—Burlington NRCS—Winooski	Burlington
Washington[a]	FSA—Spokane NRCS—Spokane RD—Olympia	Spokane
Wisconsin[a]	FSA—Madison NRCS—Madison RD—Stevens Point	Madison
Wyoming[b]	FSA—Casper NRCS—Casper RD—Casper	Casper

[a] Collocation of sites more than 50 miles apart.

[b] Collocation of sites located 50 miles or less apart, including at one site within a metropolitan area from multiple locations within the area.

Source: USDA.

Comments From the U.S. Department of Agriculture

Note: GAO comments
supplementing those in
the report text appear
at the end of this enclosure.

Comments From the U.S. Department of Agriculture

Note: GAO comments
supplementing those in
the report text appear
at the end of this enclosure.

USDA

United States Department of Agriculture
National Food and Agriculture Council

June 26, 2000

Lawrence J. Dyckman
Director, Food and Agriculture Issues
Resources, Community, and Economic Development Division
United States General Accounting Office
Washington, DC 20548

Dear Mr. Dyckman:

Attached please find the comments of the Department of Agriculture to the draft report entitled U.S. Department of Agriculture: State Office Collocations (GAO/RCED-00-208R). On behalf of the USDA agencies involved in the state office collocation effort, I appreciate the opportunity to provide our views on the issues GAO has raised.

I look forward to receiving the final report. If you have any questions, please feel free to contact me at 202-720-6700.

Sincerely,

Cheryl L. Cook

CHERYL L. COOK,
Executive Officer

cc: Richard Rominger, Deputy Secretary

Pearlie Reed, Chief
Natural Resources Conservation Service

Keith Kelly, Administrator
Farm Service Agency

Inga Smulkstys, Deputy Under Secretary
Rural Development

1400 Independence Avenue, SW • STOP 0199
Washington, DC 20250-0199 • TEL (202) 720 5236 • FAX (202) 720 6101

Comments on Draft Report:
GAO/RCED-00-208R

General Comments

From an overall perspective, there are a number of issues discussed in the draft report that suffer by not being presented in a fuller context. However, recognizing that brevity was also a goal of the report, the following comments focus on 3 factual clarifications that are needed and the GAO's analysis of 4 key elements highlighted in the report. These comments are representative of the types of concerns we have with the draft report in general.

Factual Clarifications Required

- ***The draft report incorrectly states the USDA policy for relocation expenses reimbursement.***

See comment 1.

USDA policy is to consider relocating and reimbursing employees for their relocation expenses when a change in the official duty station increases the commuting distance at least 10 miles. This is in compliance with the requirements of the Federal Travel Regulation, which further allows agency discretion to disapprove relocation expenses after considering factors such as the availability of mass transit, the location's normal commuting patterns, and so on. This policy was clarified for the states before the collocation recommendations were formulated, and clarified to the GAO during their review.

- ***The draft report incorrectly states that USDA was concerned about the "legality or appropriateness" of encouraging competition among communities for locating its facilities.***

See comment 2.

USDA was never concerned with the legality of competition. Our concern focused on the type of compensation offered and our ability to accept items suggested as possible incentives by interested communities and Members of Congress. Examples included employee relocation expenses, job placement services, job training funds and other payments from the competing nonfederal sources, which appear to be personal benefits to the employee and counter to some appropriation law principles. In addition, there was a concern about the Secretary's gift authority, which prohibits accepting gifts from parties interested in doing business with the Department, that receive USDA funds or benefits, or are regulated by USDA. Reduced rent for a period of time or free rent, among other similar types of incentives, were viewed as acceptable and consistent with current USDA practices, although not in the context of using them to select among competing communities.

- ***The draft report incorrectly states that USDA established 10 criteria to be considered in making collocation decisions.***

See comment 3.

The National FAC provided the states with a set of 9 criteria to be considered in arriving at the State FAC's collocation recommendation. Criterion 4 addressed acquisition costs and included mention of cost elements such as [lost] time and relocation expenses. Criterion 8

addressed a central location and the impact on future [travel] costs. Criterion 8 included consideration for [anticipated] lease costs. The GAO added a tenth criterion in the draft report: "one-time relocation related costs and savings resulting from collocation." These costs were both intrinsically or specifically found in multiple criteria. The decision to add a tenth criterion offers support for the claim that "USDA appeared to focus primarily on one criterion__the one-time cost of the collocation." We suggest that the tenth criterion be correctly attributed to the GAO, and that a reason for its addition be provided.

Comments on the GAO Analysis

The draft report's analysis includes coverage of the following 4 key topics: 1) The fate of the 67 percent of employees not relocating to the selected State Office site; 2) USDA's reduction of the state's relocation cost estimates to 33 percent; 3) the Bureau of Engraving and Printing (BEP) experience with competing a federal facility location; and, 4) the cost benefits of competing locations among interested communities.

See comment 4.

- *The premise regarding the 67 percent of employees that do not relocate is that all would decide to either leave government service or take other positions with the agency, rather than to relocate (subjecting USDA to severance pay and/or recruitment and relocation costs). We believe this does not take into account USDA's expressed willingness to find an employee friendly solution to keep experienced and valued employees working with their agencies. Recent experiences with USDA reorganizations demonstrate that we have been able to accommodate employees with alternate work locations and schedules that permit working in and out of the newly assigned duty station. The analysis also does not consider that replacement personnel may be found in local offices situated near the new collocation site.*

See comment 5.

- *The draft report states that by reducing the submitted relocation cost estimates to 33 percent (from $12 million down to $4.3 million), USDA did not consider the cost to relocate the replacement employees, which would result in increasing the cost approximately back to the original estimates. This analysis presumes 1) that all replacement employees would be hired or reassigned from elsewhere and 2) that all would require relocation reimbursement. Clearly these assumptions are too narrow in terms of the possibilities for replacing and/or relocating employees.*

See comment 6.

- *The comparison of the BEP experience to the current situation facing USDA (and possibly other government agencies with relocation potential) is similarly narrow in scope. According to the 1990 GAO report (GAO/GGD-90-109), BEP was seeking an expansion site for better access to western Federal Reserve Banks. The BEP requirement was different from the current USDA situation, in at least two important regards: it was an expansion, involving constructing (not leasing) a new facility with nonappropriated funds; and, it was a production facility with workforce requirements (the majority to be recruited from the new locality) that are different from USDA's largely professional and managerial State Office workforce. With a similar view, the 1990 GAO report goes on to describe the differences in how the private sector locates "front" office (or headquarters) and "back" office (or administrative, clerical, production) facilities.*

- *In its referenced 1990 report, the GAO repeatedly emphasizes that the private sector model for making location decisions and seeking incentives is largely driven by the pursuit of low costs and favorable local labor market conditions. The USDA requirement in this regard is different in that it seeks to retain as many of its skilled employees as possible, while achieving the economies and benefits of collocation and holding down implementation costs. These differences aside, the GAO acknowledges in its draft report that the BEP example is the only one it found in looking back on the issue of competing for federal facility locations.*

See comment 7.

The draft report also states that the GAO recommended to GSA that it develop a policy that would require agencies to maximize competition when selecting a site. It is instructive to note that GSA later deleted 1994 language from the Federal Property Management Regulations that suggested that agencies consider incentives from local governments when establishing the "delineated area" to be used for locating Federal offices. USDA contacted GSA early in the State office collocation process and tried to enlist their assistance with conducting competitive lease acquisitions (using an incentive component) for USDA, since GSA has broader gift acceptance authority. GSA declined. They have stated that the Department of Defense experience in the early 1990's deemed "competing cities" to be poor public policy which may run counter to other Federal assistance programs.

See comment 8.

As stated by the GAO, cost and labor market considerations are primary drivers when the private sector seeks incentives in competing its facility locations. Thus, cost can be both a primary and acceptable consideration in making location decisions. Ironically, the draft report appears to place a negative connotation on USDA's high level of concern with cost factors, particularly given the austere USDA budget climate.

Concluding Comments

See comment 9.

We differ in the view offered by the GAO that USDA downplayed or ignored program delivery considerations in favor of cost considerations. The documentation reviewed by the GAO may not have clearly established the weight given to the other criteria used, but the high degree of involvement by the state leaders and agency heads in this process provides some indication of the importance of the program factors that were considered and evaluated. The state leaders interviewed by the GAO were not hesitant to point out their concerns about matters other than cost. They were similarly forthcoming with their agency heads. The part that these other criteria played in National FAC collocation discussions was related by USDA headquarters officials during their GAO interviews.

See comment 10.

Finally, we suggest that the GAO include in their introductory summary the following statement found in the Observations section of their draft report, "We did not examine the validity of the individual collocation decisions that USDA made__this was beyond the scope of our study." In our view, some examination of the individual decisions, particularly in states without the unique or politically charged atmospheres found in Texas, Kansas and Illinois, may have added value to the GAO review.

GAO Comments

1. We deleted reference to USDA's relocation reimbursement policy, and we revised our discussion to reflect that USDA's guidance separated the non-collocated states into two groups, with those 50 miles or less apart scheduled for earlier collocation action than those more than 50 miles apart.

2. We revised the report to clarify that USDA's legal concerns related to the acceptance of certain types of incentives and not to the issue of competition between communities.

3. We disagree that the draft was incorrect in stating that USDA established 10 criteria. On the basis of our review of USDA's guidance to the states, it is clear to us that USDA established 10 criteria. The tenth criteria—one-time costs and savings for collocation—was listed separately from the other nine criteria, but it was included in the guidance.

4. We revised our discussion to reflect that these costs could be associated with some or all of those who do not relocate.

5. We revised the report to reflect that the costs could increase up to as much as the states originally estimated, depending on how many employees have to be reimbursed for relocation expenses.

6. We revised our report to make it clear that our intent was not to imply that the situation faced by USDA was identical to the example, but rather to simply provide an example of a federal agency that had successfully used competition.

7. We revised our report to include the information that the General Services Administration revised the Federal Property Management Regulations to remove suggestions that agencies consider incentives from local governments when establishing the area to be considered for locating federal offices.

8. We disagree that our report places a negative connotation on USDA's level of concern with cost factors. The report simply notes that USDA focused on costs in making collocation decisions.

9. We revised our report to note our agreement that there is some evidence that state leaders and agency heads considered non-cost criteria. However, such evidence was not adequate to show the extent to which the cost and non-cost criteria were used to make the decisions. More importantly, USDA did not establish guidance to ensure the various factors were applied consistently in making the collocation decisions.

10. We did not change the location of the statement in the report because we believe it is appropriately placed.

(150185)