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FEDERAL BUILDINGS

Billions Are Needed for Repairs and Alterations

Statement of Bernard L. Ungar
Director, Government Business Operations Issues
General Government Division

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Federal Buildings: Billions Are Needed for Repairs and Alterations

The General Services Administration (GSA) has struggled to meet the repair and alteration requirements at government-owned buildings that it manages. GAO recently reported that billions of dollars are needed to satisfy the repair and alteration needs at federal buildings, the Federal Buildings Fund (FBF) has not produced the revenues needed to meet all repair and alteration needs, repair and alteration program data are problematic, and GSA has not yet fully institutionalized its thinking and planning about how best to strategically respond to its multibillion-dollar repair and alteration needs. This situation is not new. Almost a decade ago —in May 1991—GAO reported that federal buildings had suffered from years of neglect and that about $4 billion was needed to bring some of these buildings up to acceptable quality, health, and safety standards. GAO's 1991 report pointed out that FBF historically had not produced sufficient revenues to finance all needed repairs and alterations at federal buildings. GAO also identified inadequate program data and the lack of a strategic approach to meeting repair and alteration requirements as other factors that impeded GSA's ability to satisfy repair and alteration needs. In fact, GAO's 1991 report made recommendations, which GSA has yet to fully implement, aimed at having GSA adopt a more strategic approach, improving program data, and exploring financing opportunities for repairs and alterations.

GSA officials recognize that more needs to be done to effectively respond to increasing demands for repairs and alterations. GSA has several initiatives under way that, if fully developed and effectively implemented, could satisfy GAO's previous recommendations, lead to better program oversight, and promote a more strategic approach to meeting repair and alteration requirements. GSA's ongoing initiative to standardize and improve each building's asset business plan—a document that provides a wide array of physical characteristics and financial information—should provide GSA's program managers with consistent and up-to-date information about the repairs and alterations, the critical nature of each work item, how long a work item has been delayed, and the adverse consequences of delaying repair and alteration work. GSA's initiative to develop a comprehensive plan that will identify, in priority order, the repair and alteration work that needs to be funded within a 5-year period should go a long way toward providing key decisionmakers the needed context to fully understand what needs to be done and how best to do it. To help promote the chances for these initiatives to succeed, GAO has recommended that GSA develop an action plan with specific time frames that will guide the development and implementation of the initiatives and serve as a baseline for gauging progress and performance.

Federal Buildings: Billions Are Needed for Repairs and Alterations

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to be here today to discuss the results of our work on the General Services Administration's (GSA) Repairs and Alterations Program. We undertook this work at the request of this Subcommittee; and, as agreed, we focused our work primarily on three issues: (1) the extent of repairs and alterations that have been identified at government—owned buildings managed by GSA, (2) factors that impede GSA's ability to satisfy its repair and alteration requirements, and (3) GSA's efforts to improve its management of repairs and alterations. The Subcommittee requested this work because of concerns that federal buildings may need costly repairs and alterations to restore them to acceptable quality and safety standards. My statement is based on our March 30, 2000, report to this Subcommittee entitled Federal Buildings: Billions Are Needed for Repairs and Alterations (GAO/GGD-00-98).

As the federal government's real property manager, GSA provides office space for most federal agencies. In this capacity, GSA is responsible for keeping government-owned buildings it manages in good repair to ensure that the value of these assets is preserved and that tenants occupy safe and modern space. Repairs and alterations are primarily identified through building inspections and evaluations done by GSA staff or contract architect-engineering firms. Identified repair and alteration requirements are supposed to be entered into a computerized database called the Inventory Reporting Information System (IRIS). Repairs and alterations and other capital and operating expenditures are financed by the Federal Buildings Fund (FBF).

As you know, FBF, which is administered by GSA, is a revolving fund authorized and established by the Public Buildings Amendments of 1972. Beginning in 1975, FBF replaced direct appropriations to GSA as the primary means of financing the operating and capital costs associated with federal space. GSA charges federal agencies rent, and the receipts from the rent are deposited in FBF. In addition, Congress may appropriate additional amounts to FBF. Congress exercises control over FBF through the appropriations process that sets annual limits—called obligational authority—on how much of the fund can be expended for various activities. In fiscal year 2000, Congress appropriated about $599 million in new obligational authority from FBF for repair and alteration work.

Let me begin by saying that GSA has struggled over the years to meet the repair and alteration requirements identified at its buildings. Our recent work showed that billions of dollars are needed to satisfy the repair and

alteration needs at federal buildings, FBF is not producing the revenues needed to meet all repair and alteration needs, repairs and alterations program data are problematic, and GSA has not yet fully institutionalized its thinking and planning about how best to strategically respond to its multibillion-dollar repair and alteration needs. This situation is not new.

Almost a decade ago—in May 1991—we reported that federal buildings had suffered from years of neglect; and as a result, about $4 billion was needed to bring some of these buildings up to acceptable quality, health, and safety standards.[1] Our report pointed out that FBF historically had not produced sufficient revenues to finance all needed repairs and alterations at federal buildings. It also identified incomplete and unreliable program data and the lack of a strategic approach to meeting repair and alteration requirements as other factors that impeded GSA's ability to satisfy its repair and alteration needs. In fact, the report made recommendations, which GSA has yet to fully implement, aimed at adopting a more strategic approach for managing repairs and alterations, improving program data, and exploring financing opportunities for repair and alteration needs.

I would like to point out that GSA officials recognize that more needs to be done to effectively respond to increasing demands for repairs and alterations. In fact, GSA has several initiatives under way that, if fully developed and effectively implemented, could satisfy our previous recommendations. These initiatives could also lead to better program oversight and promote a more strategic approach for meeting repair and alteration requirements. I will have more to say about these initiatives later, but first I would like to briefly discuss the results reported in our March 2000 report.

Repair and Alteration Needs

As of October 1, 1999, GSA's data on the repair and alteration work that needed to be completed at federal buildings included 5,585 items that collectively were estimated to cost about $4 billion.[2] GSA's data showed that repairs and alterations were needed at 903 buildings, or 54 percent of the 1,682 federal buildings it managed. Furthermore, this inventory is not static. New work items are constantly being identified and added to IRIS, and completed items are deleted.

[1] Federal Buildings: Actions Needed to Prevent Further Deterioration and Obsolescence (GAO/GGD-91-57, May 13, 1991).

[2] The estimated amount was calculated using GSA's automated database of repair and alteration work, referred to as IRIS. We found that IRIS contained the best data that were available for estimating total needs; however, we adjusted these data in cases where limited testing showed inaccuracies and incompleteness. These data problems are discussed later in the text.

It should be noted that the amount and types of repairs and alterations needed varied from building to building. In fact, GSA data showed that 779 of its buildings did not have repair and alteration work items in inventory—that is, no work items were identified as needing funding. In addition, the repair and alteration work identified at almost one-half of the 903 buildings was estimated to cost less than $500,000 per building. Our analysis showed that many of these 446 buildings and the 779 without needs were relatively small office buildings and border stations. On the other hand, 44 buildings needed repairs and alterations that were estimated to cost more than $20 million per building. Furthermore, these buildings collectively accounted for almost 60 percent of the nearly $4 billion estimated as needed to fund all identified repairs and alterations. Also, the buildings with the highest dollar repair and alteration needs were typically large office buildings or courthouses.

Our analysis of the detailed information obtained on the conditions of these 44 buildings showed that their average age was 49 years. Although the buildings are located throughout the country, 16 of them are in the Washington, D.C., area. Also, 7 of the 44 are included on the National Historic Register. The amount of repair and alteration work needed on these 44 buildings totaled about $2.4 billion, ranging from approximately $187 million at the Dwight D. Eisenhower Building in Washington, D.C., to over $21 million at a federal building and courthouse located in San Diego, CA. The types of repairs and alterations needed varied. However, they typically involved repairs to major building components, such as electrical, plumbing, heating, ventilation and air conditioning systems; fire alarm and/or sprinkler systems; or other fire and life safety items

We also found that some of the repair and alteration work needed on the 44 buildings was apparently identified years ago, but for various reasons this work had not yet been performed. Although GSA does not have a goal of how long it should take to do repairs, and its database did not routinely track how long repairs and alterations have been delayed or held in inventory, our analysis of the available data suggests that some of this work was identified more than 5 years ago. Our analysis of the detailed records for the 44 buildings showed that a total of 674 work items were in inventory. Of these 674 items, GSA's database did not contain a date indicating when the work was identified on 156 items. Of the remaining 518 work items, we found that 218 of them were identified more than 5 years ago, and 49 of these more than 10 years ago. We discussed this situation with GSA officials, who told us that some repair and alteration work remains in inventory or unaccomplished for years because it is not deemed important enough to compete for scarce funding.

The issue of delayed repair and alteration work is not new. In fact, a backlog of this work existed when we last reviewed GSA's repair and alteration program in 1991. At that time, we found that more than one-third of the 25 buildings included in our analysis had major repair and alteration needs that had been delayed for 3 to 15 years. We cited the Pentagon as a classic example of disinvestment in federal facilities because repairs and alterations at this building had been delayed for 10 years. As a result, GSA estimated that a billion-dollar renovation was needed to prevent further deterioration. We also reported that other buildings had been neglected, although not as badly as the Pentagon; and that at least $3 billion in identified repairs and alterations were needed to bring these buildings up to acceptable quality, health, and safety standards.

GSA officials said they recognize that the physical condition of many federal buildings is far from ideal, that a significant inventory of repair and alteration work exists, and that some buildings cannot support 21st century operations. These officials stress, however, that federal buildings have not been and are not being neglected and that examples of serious deterioration of these buildings are few and far between. GSA officials also said that given the age of their inventory and the limited resources available to fund repairs and alterations, they take pride in knowing that the agency has kept many buildings operational far beyond their normal life expectancy.

Factors That Impede GSA's Ability to Satisfy Repair and Alteration Needs

Funding limitations, inadequate program data, and the lack of a strategic approach for meeting repair and alteration requirements are three factors that impede GSA's ability to satisfy the multibillion-dollar repair and alteration needs at its buildings. Despite a lengthy discussion of these factors in our 1991 report, they continue to exist. In that report, we made several recommendations aimed at promoting more informed congressional decisionmaking and preventing federal buildings from becoming deteriorated and functionally obsolete. Our analysis of GSA's efforts to respond to these recommendations showed that GSA's initiatives fell short, and more can be done.

GSA officials continue to cite funding limitations as the major reason why all repairs and alterations are not getting done. Over the years, FBF has not produced sufficient resources to fund all identified repairs and alterations and at the same time cover the day-to-day operating costs of federal buildings and provide all of the funding needed for the construction of new buildings. According to GSA, the funding deficiency is exacerbated by the increased demand for repairs and alterations associated with aging buildings. For example, demands on buildings' electrical systems have

risen due to new office technology, and there is a greater demand for more stringent health and safety protection.

Our analysis of the funding situation showed that during the 6-year period from fiscal year 1994 through 1999, GSA received, on average, about $580 million out of FBF each year to complete repairs and alterations at its buildings. During these years, many repairs and alterations were made. However, at the same time, new requirements were identified and added to GSA's inventory of repair and alteration work. Despite averaging about $580 million a year for making repairs and alterations, GSA data showed that at the end of fiscal year 1999, there was still about $4 billion in identified work.

In fiscal year 2000, Congress appropriated about $599 million in new obligational authority from FBF for repairs and alterations. GSA officials said they intended to request $900 million annually in new obligational authority for this program for fiscal year 2001 through fiscal year 2005.[3] GSA officials told us that this significant increase in funding might be possible because of savings obtained from improved operations at federal buildings and additional revenues resulting from leasing previously unoccupied space. But, even if GSA gets this increased funding, our analysis indicates GSA would face billions in repair and alteration needs during each of the next 6 years. Further, we estimated these needs at about $2.6 billion at the end of fiscal year 2005.

We recognize that funding limitations could be a major reason why needed repairs and alterations are not getting done. However, our work shows that GSA has not done all it could to address the building disinvestment problem. For example, GSA's repair and alteration program data are problematic, as they were when we reported on this issue in 1991. GSA's current computerized database of repair and alteration work items—IRIS—contains inaccurate and incomplete information. Although we did not systematically test IRIS, we found instances where (1) certain GSA regions did not include all repair and alteration requirements in the database; (2) major repairs and alterations were identified as still being in inventory when, in fact, they had already moved into design, construction, or had been completed; (3) work items were included in the inventory when they should have been deleted because, for example, they were no longer needed, had become part of another project, or were duplicates of

[3]Although GSA's goal was $900 million in new obligational authority for funding repairs and alterations for each year, the President's fiscal year 2001 budget request included only $721 million for repair and alteration work.

other work items; and (4) construction cost estimates were not always current.

We also found that data currently available on repairs and alterations do not allow program managers to easily determine the length of time that work has been in inventory, the criticality of each work item, or the possible adverse consequences associated with delaying repair and alteration work. Furthermore, in most of the cases we examined, the explanation contained in the database on why the repair and alteration work was needed was vague, did not reference the criticality of the work, and did not contain information on the possible adverse consequences associated with delaying repairs and alterations.

We believe that reliable and complete information about identified repairs and alterations is essential for effective management and oversight of program activities. Without such information, it is difficult for the program managers to (1) quantify the total amount of repair and alteration needs, (2) effectively target the most critical needs and set priorities within and among the 11 GSA regions, and (3) justify to the Office of Management and Budget (OMB) and Congress the need for additional repair and alteration funding. Simply stated, inadequate program information does not permit informed decisionmaking.

We also noted that GSA has not made much progress in developing a strategic approach to meet its repair and alteration requirements. This was a major issue in our 1991 report, which discussed, in some detail, the shortcomings associated with managing repair and alteration requirements on a project-by-project basis and GSA's need for a comprehensive, long-term strategy for effectively meeting its building repairs and alteration needs. However, GSA continues with a project-by-project mind set and has not yet developed a comprehensive plan that (1) identifies its total repair and alteration needs and corresponding funding requirements, (2) establishes the relative benefits or priorities of all competing projects, and (3) proposes a strategy and the funding needed to repair or modernize its most seriously deteriorated buildings. With such a plan, Congress and OMB would be in a better position to fully understand GSA's total repair and alteration needs and associated funding requirements, as well as the cost-benefit implications of making or not making needed repairs and alterations. The information in the plan would provide the needed context for Congress and OMB to better understand the magnitude of the problem and permit decisionmakers to make (1) more informed decisions about annual funding levels and which particular projects to fund and (2) more knowledgeable trade-offs when allocating scarce resources among

competing projects. Finally, GSA would be in a better position to target limited resources to buildings with the greatest needs.

GSA Plans Improvements

Although GSA has yet to fully implement the recommendations in our 1991 report, it is moving in the right direction. GSA officials recognize that more should be done to improve the management and oversight of building repairs and alterations. To this end, GSA has several initiatives under way that, if fully developed and implemented, could satisfy our previous recommendations. These initiatives could also lead to better program oversight and a more strategic approach to managing repair and alteration needs.

GSA's primary initiatives involve standardizing and improving the asset business plan[4] that is prepared for each building in its portfolio and developing a comprehensive plan that identifies, in priority order, all prospectus-level repair and alteration work that needs to be funded during a 5-year period. In addition, GSA has a strategy aimed at increasing revenues in FBF, which could make more funds available for repairs and alterations. GSA has also included specific repair and alteration goals in its annual performance plan.

For a number of years, GSA has required that an asset business plan be prepared for all buildings included in its portfolio. But only recently has it taken steps to help ensure that these plans are consistently prepared, accessible to all program managers, and used to develop standardized management reports about the repair and alteration requirements at all of GSA's buildings. During the fall of 1999, GSA established a standardized format and standard data elements that must be included in all asset business plans. Prior to this date, each of the 11 regional offices had significant discretion in determining the format of its asset business plans, the detailed information contained in its plans, and how these plans would be used in determining which repairs and alterations would be funded. Therefore, the asset business plan of the past did not lend itself to collection and comparison of information about the building repairs and alterations within a region, let alone among the 11 regions.

According to GSA officials, when the new asset business plans are fully implemented, they are to identify all repair and alteration needs over the entire life cycle of a building. With this information, GSA managers should

[4]An asset business plan provides a wide array of information related to a building's physical characteristics, the rent revenues and expenses associated with operating the building, and the repair and alteration requirements that have been identified.

be in a better position to determine the critical nature of each work item, how long each work item has been delayed, and the adverse consequences of delaying repair and alteration work. The plans are to be on an automated nationwide network and therefore, readily available for all program mangers to use. The asset business plans are also to directly feed into and provide key data for GSA's 5-year repair and alteration plan.

In conjunction with the asset business plan, GSA also has an ongoing effort aimed at developing a 5-year repair and alteration plan that is to include all prospectus-level work in priority order and the estimated funding needed to complete this work. According to GSA Portfolio Management officials, this plan will be updated on an annual basis, and it may also include an estimate of the nonprospectus-level funding that will be allocated each year to GSA's regions. The officials told us that the exact format and content of the 5-year plan are still evolving and are somewhat dependent on the development of the asset business plans. The asset business plans will ultimately provide much of the information that will become part of the 5-year plan.

According to GSA officials, the 5-year plan is to be used as an internal document to communicate and share total repair and alteration requirements among program managers in headquarters and the regions. GSA program officials said they envision that the plan will identify and prioritize the most critically needed repair and alteration projects throughout GSA's building inventory. With this information, program officials should be able to more easily target the buildings with the greatest needs, be in a better position to allocate scarce resources, and monitor progress in reducing the inventory of major repair and alteration work. These officials told us that they prefer to call the 5-year plan a 3- to 5-year investment outlook. They told us that the plan will be more than a listing of projects and is intended to be an overall strategy document that will change annually so that it will best address current and future repair and alteration needs. GSA officials also said that they would be willing to share the 5-year plan with OMB officials and congressional oversight committees because the plan could be a useful oversight tool. They realize that the plan would provide OMB and congressional officials a broader context on the magnitude of GSA's repair and alteration needs and a better understanding of the trade-offs involved in funding or not funding requested projects.

To successfully implement the initiatives discussed above, GSA officials realize that they need consistent, accurate, and complete information on all repair and alteration requirements. They said that the current computer

system—IRIS—is capable of providing reliable data. However, they recognize that the quality and consistency of IRIS data need improvement. They also recognize that other tools are needed to provide more consistent cost estimates and updates and comparable priorities among regions. According to these officials, the IRIS system was changed in July 1999 to record when new work requirements were entered into the inventory. They also said that they have other actions under way and planned that will establish standards for and measures of data accuracy in IRIS and other Public Building Service systems. They went on to say that GSA is also testing software packages that are supposed to (1) consistently record and track the status of each identified repair and alteration work item, (2) develop more accurate cost estimates for work items, and (3) assist in establishing priorities for identified repairs and alterations.

GSA officials estimate that the asset business plan and 5-year repair and alteration plan initiatives should be completed within the next 2 years. However, they do not have an action plan with specific time frames that could guide their development and implementation and better promote their chances of success. Such a plan could, among other things, clearly lay out expectations, serve as a baseline to gauge progress and performance, and be used to hold project managers accountable for results. To help promote the chances for its initiatives to succeed, we recommended that the Administrator of GSA develop an action plan, with time frames, that will (1) guide the development and implementation of its initiatives and (2) serve as a baseline for gauging progress and performance. GSA program officials, in providing oral comments on a draft of this testimony, agreed with the recommendation.

In addition to these ongoing initiatives, GSA has developed a strategy that is aimed at producing more revenues for FBF to help respond to its multibillion-dollar repair and alteration needs. Specifically, GSA program officials give priority to those repair and alteration projects that have the greatest potential to increase the inventory, desirability, and value of rentable space. When previously vacant space is rented, additional revenues are generated for FBF, making more funds available for new obligational authority to be provided by Congress for repairs and alterations. GSA officials also said they are exploring other ways to increase funds in FBF. They said that one way is to try to get approval to retain revenues from sales of assets no longer needed by the government. They said they are also considering exploring whether Congress would be receptive to directly appropriating funds for the repairs and alterations program and have GSA repay these appropriations from additional rent revenues generated from completed projects.

Finally, GSA has made its repairs and alterations program a part of its annual performance plan. Specifically, GSA's fiscal year 1999/2000 plan included three performance goals: (1) complete all repairs and alterations on time, (2) minimize cost escalation on repairs and alterations, and (3) meet client agency space needs at the best value to the client and taxpayer. Although these goals do not specifically address the issues discussed in this testimony, they recognize the importance of effective repair and alteration program management and the need to be accountable for producing measurable results. Given this, GSA's annual performance plan process could be a vehicle for discussing the merits of developing specific goals related to these issues.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions you or other Members of the Subcommittee may have at this time.

Contact and Acknowledgement

For future contacts regarding this testimony, please contact Bernard L. Ungar, Director of Government Business Operations, on 202-512-8387. Individuals making key contributions to this testimony include Gerald Stankosky, James G. Cooksey, William Dowdal, Martin DeAlteriis, Joshua Bartzen, and Thomas Baril.

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