Why GAO Did This Study

Federal real property projects are fully funded when Congress provides budget authority and appropriations for the estimated full cost of the projects up front—at the time they are undertaken. However, as agencies work to balance limited resources with mission demands, many have turned to approaches other than full upfront funding to acquire, renovate, or dispose of federal real property, such as buildings, structures, and land. GAO was asked to review alternative mechanisms for managing federal real property. This report examines (1) agency experiences funding federal real property projects, (2) some of the alternative funding mechanisms selected agencies use, as well as agency experiences using selected mechanisms, and (3) alternative budgetary structures within the current unified budget that may potentially help Congress and agencies better recognize the cost of real property projects and associated returns, promoting both transparency and fiscal control. GAO reviewed case study projects from 4 agencies among the top 10 in federal real property holdings and chosen based on their use of alternative funding mechanisms, as identified in our past and ongoing work. Finally, GAO identified alternative budgetary structures that may support real property projects and principles for considering them by reviewing published reports and interviewing federal budget staff and experts.

What GAO Found

Officials at four selected agencies—the General Services Administration (GSA), U.S. Department of Agriculture (USDA), the Department of Veterans Affairs (VA), and the Department of the Interior (Interior)—experienced challenges receiving full upfront funding for federal real property projects through the annual appropriations process. For example, due to budget constraints, GSA acquired one property between 2008 and 2012. In addition, GSA has been unable to access funding to complete renovations in Interior’s headquarters building due to obligation limitations in the GSA-administered Federal Buildings Fund (FBF). The FBF, which is the primary funding source for operating and capital costs associated with federal space, held an unobligated carryover balance of $4.7 billion at the end of fiscal year 2013 as a result of congressional limits on obligations. Officials noted that authority to retain proceeds provides a key incentive to initiate disposals, as agencies without this authority must request upfront funding for disposal costs while resulting proceeds are paid to the Department of the Treasury. Nonetheless, officials at selected agencies with the authority to retain disposal proceeds cited barriers to disposals, such as poor market demand, historical status or necessary remediation.

Instead of full upfront funding, selected agencies sometimes used a variety of alternative funding mechanisms to meet their real property needs by leveraging authorized monetary resources, such as retained fees, and non-monetary resources, such as property exchanged in a swap or space offered in an enhanced use lease. Alternative funding mechanisms are not universally available to all agencies; even within an agency, legal authorities may differ across agency components. For alternative funding mechanisms that involve working with a partner, such as in a land swap, the agency’s ability to find an appropriate partner, manage that partnering relationship, and share risk—both explicit and implicit—with the partner affected project outcomes. For example, because of legal, cost, and other challenges, officials from USDA’s Agricultural Research Service (ARS) said that ARS held onto land for about 10 years while seeking an appropriate partner to successfully complete the land swap.

Changes to the budgetary structure itself—within the bounds of the unified budget—might provide a more consistent way to meet real property needs while helping Congress and agencies make more prudent long-term fiscal decisions. Alternative budgetary structures should balance tradeoffs across two key GAO-identified budgeting and capital planning principles: (1) promoting transparency and fiscal control with regard to the funding of federal real property; and (2) providing agencies the flexibility to facilitate the acquisition, repair and alteration, and disposal of federal real property in support of federal missions. GAO provides alternative budgetary structure options for Congress to consider. For example, in one option Congress would make the full balance of the FBF available for funding real property projects, which could create room for additional agency flexibility but may reduce fiscal control. Another option would establish a government-wide capital acquisition fund with authority to borrow from the Federal Financing Bank for approved projects, which could improve transparency of both costs and benefits upfront and over time while business case analyses could provide a means of assuring fiscal control.