088857
30973

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
OCTOBER 27, 1983

STATEMENT OF

JAMES G. MITCHELL

ASSOCIATE DIRECTOR

GENERAL GOVERNMENT DIVISION

BEFORE THE

SUBCOMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION

HOUSE OF REPRESENTATIVES

ON

H.R. 630, A BILL TO ESTABLISH PUBLIC BUILDINGS POLICIES

FOR THE FEDERAL GOVERNMENT, TO ESTABLISH

THE PUBLIC BUILDINGS SERVICE IN THE GENERAL

SERVICES ADMINISTRATION, AND FOR OTHER PURPOSES

Mr. Chairman and Members of the Subcommittee:

We are pleased to appear before you to discuss H.R. 630, referred to as the Public Buildings Act Amendments of 1983. Among other things, the proposed legislation would revise the method of financing public building construction and would require emphasis on, and disclosure of, GSA's long range planning for its building program.

We are pleased that a number of the bill's provisions are consistent with recommendations contained in our reports. It is primarily in the context of our prior work related to GSA's public buildings program that we would like to address certain provisions of the proposed legislation.

PUBLIC BUILDING FINANCING

Section 3(c) of H.R. 630 would authorize GSA to borrow from the Treasury for periods up to 30 years (time financing) to finance the acquisition or construction of any public building.

We have reported that for several years, funds for construction, either through direct appropriations or from the GSA Federal Buildings Fund, have been limited. As a result, GSA has relied on leasing as the only practical method available to meet space needs.

Prior to fiscal year 1975, public building construction and other costs were financed primarily through direct appropriations to GSA and agencies did not pay rent for space occupied. Public Law 92-313 established the Federal Buildings Fund to finance GSA's acquisition and operation of government-owned and leased buildings. The Fund started operating in fiscal year 1975. Federal agencies occupying space in GSA-controlled buildings pay standard level user charges (rents) based on comparable commercial rates, which are deposited in the Fund and then made available in annual appropriation acts to GSA for construction, leasing, real property operations, and other activities.

In December 1981 we reported (PLRD-82-18) that the Fund had not accomplished the two primary objectives used as a basis for its establishment. It had not met its objective of providing $200 to $225 million a year for construction, which GSA anticipated when the Fund was established. On the average the fund has generated less than $100 million a year.

Moreover, concerning the Fund's second primary objective of improving agencies' space usage, we reported there was no evidence of appreciable improvement in space usage because tenant agencies had to budget and pay for space they occupied. In sponsoring legislation to establish the Fund, GSA said that charging agencies rent would result in savings because federal agencies would use less space if they were accountable for it.

We said in our 1981 report that, in view of the fact that the Fund had not accomplished the two primary objectives used as a basis for its establishment, the Fund could be abolished. However, we also said that before abolishing the Fund an effective alternative funding mechanism should be established to take its place.

The Fund could be abolished and replaced by direct appropriations to GSA. This procedure was in effect before the Fund was established, but it was not completely effective since funding for construction was limited. Direct appropriations to GSA would eliminate the need and cost for agencies to plan and budget for space and real property services obtained from GSA. Tenant agencies would not object to this approach because once again they would obtain free space and services. The requirement for GSA to bill tenant agencies quarterly for space and services and to make periodic appraisals and rental computations would be eliminated.

If the Fund were eliminated, the cost of space and related services would no longer be identified as part of the total program cost for each tenant agency. In other words, the benefits of performance budgeting would be lost since total program costs would not be identified in agencies' accounts. If travel, personnel, and administrative costs are included as part of the program costs, then it appears reasonable to also include space costs.

Another approach would be to continue with the Federal Buildings Fund and augment its resources when needed with borrowings from the Treasury or with direct appropriations.

Whatever approach is followed, it will be difficult, because of budgetary constraints, to reverse the trend toward increased leasing and provide for a viable construction program. Leasing has a short-term budgetary advantage because the impact is spread