

GAO

Testimony

Before the Subcommittee on Economic
Development, Public Buildings and Emergency
Management, Committee on Transportation
and Infrastructure, House of Representatives

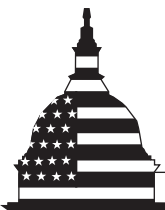
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**FEDERAL REAL
PROPERTY**

**Progress Made on Planning
and Data, but Unneeded
Owned and Leased
Facilities Remain**

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Physical Infrastructure Issues

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Defense Capabilities and Management Issues



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FEDERAL REAL PROPERTY

Progress Made on Planning and Data, but Unneeded Owned and Leased Facilities Remain

Highlights of [GAO-11-520T](#), a testimony before the Subcommittee on Economic Development, Public Buildings, and Emergency Management, Committee on Transportation and Infrastructure, House of Representatives.

Why GAO Did This Study

The federal government holds more than 45,000 underutilized properties that cost nearly \$1.7 billion annually to operate, yet significant obstacles impede efforts to close, consolidate, or find other uses for them. In January 2003, GAO designated federal real property management as a high-risk area, in part because of the number and cost of these properties. The Office of Management and Budget (OMB) is responsible for reviewing federal agencies' progress in real property management. In 2007, GAO recommended that OMB assist agencies by developing an action plan to address key obstacles associated with decisions related to unneeded real property, including stakeholder influence. The President's fiscal year 2012 budget proposed establishing a legislative framework for disposing of and consolidating civilian real property, referred to as a Civilian Property Realignment Act (CPRA), which may be designed to address stakeholder influences in real property decision making.

This testimony identifies (1) obstacles to effectively managing federal real property, (2) actions designed to overcome those obstacles, including government actions and CPRA, and (3) key elements of the Department of Defense's (DOD) base realignment and closure (BRAC) process that are designed to help DOD close or realign installations and may be relevant for CPRA. To do this work, GAO reviewed GAO reports, other reports, and CPRA.

View [GAO-520T](#) or key components. For more information, contact David Wise at (202) 512-2834 or wised@gao.gov or Brian Lepore at (202) 512-4523 or leporeb@gao.gov

What GAO Found

In designating federal real property management as a high-risk issue in 2003, GAO found that the federal government faced a number of obstacles to effectively managing its real property. These included its lack of strategic focus on real property issues, a lack of reliable real property data, legal limitations, and stakeholder influence. That year, GAO reported that despite the magnitude and complexity of real-property-related problems, there was no governmentwide strategic focus on real property issues and that governmentwide data were unreliable and outdated. GAO also reported then that before disposing of excess property, the General Services Administration is legally required to follow a lengthy screening process, which includes offering the property to other federal agencies and other entities for public uses. Furthermore, stakeholders—including local governments, private real estate interests, and advocacy groups—may have different interests that do not always align with the most efficient use of government resources.

Since 2003, the federal government has taken steps to address some of these obstacles and improve its real property management. For instance, the administration and real-property-holding agencies have improved their strategic management of real property by establishing an interagency Federal Real Property Council designed to enhance real property planning processes. The government has also implemented controls to improve the reliability of federal real property data. However, many problems related to unneeded property and leasing have persisted because legal limitations and stakeholder influences remain. GAO's 2007 recommendation that OMB develop an action plan is designed to address these problems. In addition, CPRA proposes an independent board to identify facilities for disposal and consolidation, which could streamline legal requirements and mitigate stakeholder influences.

Congress authorized DOD to undergo five BRAC rounds to reduce excess property and realign DOD's workload to achieve efficiencies and savings in property management. The BRAC process, much like CPRA, was designed to address obstacles to closures or realignments, thus permitting DOD to close installations or realign its missions to better use its facilities and generate savings. GAO's prior work on the BRAC process identified certain key elements that may be applicable to managing civilian real property, such as establishing goals and an organizational structure, developing criteria and an analytical framework, using a model to estimate costs and savings, and involving the audit community to better ensure data accuracy. A key similarity between BRAC and CPRA is that both establish an independent board that reviews agency recommendations; a key difference is that the BRAC process created criteria for selecting installations for realignment while CPRA does not include specific criteria to be used to select properties for disposal or consolidation.

Chairman Denham, Ranking Member Norton, and Members of the Subcommittee:

Thank you for the opportunity to testify today on our work related to excess and underutilized federal real property held by the General Services Administration (GSA) and other agencies, as well as our work on the military Base Realignment and Closure (BRAC) process. As we have previously testified before this Subcommittee, the federal government occupies more owned and leased buildings than it needs. In fiscal year 2009, 24 landholding agencies, including the Department of Defense (DOD), reported 45,190 underutilized buildings with a total of 341 million square feet, or 1,830 more such buildings than they reported the previous fiscal year. These underutilized buildings cost \$1.66 billion annually to operate and are potentially valuable. The federal government also leases more property than is cost-efficient, resulting in millions of dollars of additional costs to the federal government. Since 2008, GSA has leased more property than it owns¹—more than 8,000 buildings—even though owning a federal building is often a more cost-effective way of meeting an agency’s long-term space needs.² Because of these and other issues, we designated the management of federal real property as a high-risk area in January 2003 and retained that designation in our February 2011 high-risk update.³ Similarly, DOD has faced long-term challenges in managing its portfolio of facilities, halting degradation of facilities, and reducing unneeded infrastructure to free up funds to better maintain the facilities that it still uses and meet other needs. DOD’s management of its support infrastructure is also on our high-risk list, in part because of challenges DOD faces in reducing excess and obsolete infrastructure.⁴

As you know, DOD has been working through the BRAC process to reduce the amount of unneeded property that it owns and leases. This process, which is designed to address the obstacles to rightsizing domestic military installations, may also be applicable to civilian real property management.

¹In this testimony, we refer to property that is owned by the federal government and under the control and custody of GSA as GSA-owned property.

²GAO, *Federal Real Property: Strategy Needed to Address Agencies’ Long-standing Reliance on Leasing*, [GAO-08-197](#) (Washington, D.C.: Jan. 24, 2008).

³GAO, *High-Risk Series: Federal Real Property*, [GAO-03-122](#) (Washington, D.C.: January 2003) and *High-Risk Series: An Update*, [GAO-11-278](#) (Washington, D.C.: February 2011).

⁴[GAO-11-278](#).

Our testimony today will identify (1) obstacles to effectively managing federal real property, (2) actions designed to overcome those obstacles such as actions the government has taken and the legislative framework for disposing of and consolidating civilian real property proposed in the President's fiscal year 2012 budget, referred to as the Civilian Property Realignment Act (CPRA), and (3) key elements of the BRAC process that are designed to help DOD close or realign installations and may be relevant for CPRA.

To address these objectives, we reviewed previous GAO reports, reports by the interagency Federal Real Property Council (FRPC), and CPRA. We performed this work from March 2011 to April 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The federal real property portfolio is vast and diverse—totaling over 900,000 buildings and structures—including office buildings, warehouses, laboratories, hospitals, and family housing—worth hundreds of billions of dollars. The six largest federal property holders—DOD, GSA, the U.S. Postal Service, and the Departments of Veterans Affairs (VA), Energy, and the Interior—occupy 87.6 percent of the total square footage in federal buildings. Over all, the federal government owns approximately 83 percent of this space and leases or otherwise manages the rest; however, these proportions vary by agency. For example GSA, the central leasing agent for most agencies, now leases more space than it owns. After we designated federal real property as a high-risk area in 2003, the President signed Executive Order 13327 in February 2004, which established new federal property guidelines for 24 executive branch departments and agencies. Among other things, the executive order called for creating the interagency FRPC to develop guidance, collect best practices, and help agencies improve the management of their real property assets.

DOD has undergone four BRAC rounds since 1988 and is currently implementing its fifth round.⁵ Generally, the purpose of prior BRAC rounds was to generate savings to apply to other priorities, reduce property deemed excess to needs, and realign DOD's workload and workforce to achieve efficiencies in property management. As a result of the prior BRAC rounds in 1988, 1991, 1993, and 1995, DOD reported that it had reduced its domestic infrastructure, transferred hundreds of thousands of acres of unneeded property to other federal and nonfederal entities, and saved billions of dollars annually that could be applied to other higher priority defense needs. The 2005 BRAC round affected hundreds of locations across the country through 24 major closures, 24 major realignments, and 765 lesser actions, which also included terminating leases and consolidating various activities.⁶ Legislation authorizing the 2005 BRAC round maintained requirements established for the three previous BRAC rounds that GAO provide a detailed analysis of DOD's recommendations and of the BRAC selection process. We submitted our report to Congress in July 2005 and testified before the BRAC Commission soon thereafter.⁷ Since that time, GAO has published annual reports on the progress, challenges, and costs and savings of the 2005 round, in addition to numerous reports on other aspects of implementing the 2005 BRAC round.⁸

⁵The first round in 1988 was authorized by the Defense Authorization Amendments and Base Closure and Realignment Act, Pub. L. No. 100-526, Title II (1988) (as amended). Subsequently, additional BRAC rounds were completed in 1991, 1993, and 1995 as authorized by the Defense Base Closure and Realignment Act of 1990, Pub. L. No. 101-510, Title XXIX (1990) (as amended). The latest round—BRAC 2005—was authorized by the National Defense Authorization Act for Fiscal Year 2002, Pub. L. No. 107-107, Title XXX (2001).

⁶DOD defines a major closure as a closure where plant replacement values exceed \$100 million and a major realignment as an action with a net loss of 400 or more military and civilian personnel.

⁷GAO, *Military Bases: Analysis of DOD's 2005 Selection Process and Recommendations for Base Closures and Realignments*, [GAO-05-785](#) (Washington, D.C.: July 1, 2005) and *Military Bases: Observations on the 2005 Base Realignment and Closure Selection Process and Recommendations*, [GAO-05-905](#) (Washington, DC: July 18, 2005).

⁸See, for example, GAO, *Military Base Realignments and Closures: DOD Is Taking Steps to Mitigate Challenges, but Is Not Fully Reporting Some Additional Costs*, [GAO-10-725R](#) (Washington, D.C.: July 21, 2010) and *Military Base Realignments and Closures: Estimated Costs Have Increased While Savings Estimates Have Decreased Since Fiscal Year 2009*, [GAO-10-98R](#) (Washington, D.C.: Nov. 13, 2009).

Underlying Obstacles Have Impeded the Government's Ability to Dispose of Unneeded Property and Reduce Overreliance on Costly Leasing

When we designated federal real property management as high risk, we reported that the federal government faced a number of obstacles to effectively managing its real property. These included a lack of strategic focus on real property issues, a lack of reliable real property data, legal limitations, and stakeholder influences in real property decision making.

Lack of Strategic Focus on Real Property Issues

In 2003, we reported that despite the magnitude and complexity of real-property-related problems, there had been no governmentwide strategic focus on real property issues. Not having a strategic focus can lead to ineffective decision making, such as choosing to rely too much on leasing for long-term government property needs. In 2008, we found that decisions to lease selected federal properties were not always driven by cost-effectiveness considerations. For example, we estimated that the decision to lease the Federal Bureau of Investigation's field office in Chicago, Illinois, instead of constructing a building the government would own, cost about \$40 million more over 30 years. GSA officials noted that limited availability of upfront capital was one of the reasons that prevented ownership at that time. Federal budget scorekeeping rules require the full cost of construction to be recorded up front in the budget, whereas only the annual lease payments plus cancellation costs need to be recorded for operating leases. In April 2007 and January 2008, we recommended that the Office of Management and Budget (OMB) develop a strategy to reduce agencies' reliance on costly leasing where ownership would result in long-term savings. We noted that such a strategy could identify the conditions under which leasing is an acceptable alternative, include an analysis of real property budget scoring issues, and provide an assessment of viable alternatives. OMB concurred with this recommendation but has not yet developed a strategy to reduce agencies' reliance on leasing.

Lack of Reliable Real Property Data

In 2003, we found that a lack of reliable real property data compounded real property management problems. The governmentwide data maintained at that time were unreliable, out of date, and of limited value. In addition, certain key data that would be useful for budgeting and strategic management were not being maintained, such as data on space utilization, facility condition, historical significance, security, and age. We

also found that some of the major real-property-holding agencies faced challenges developing reliable data on their real property assets. We noted that reliable governmentwide and agency-specific real property data are critical for addressing real property management challenges. For example, better data would help the government determine whether assets are being used efficiently, make investment decisions, and identify unneeded properties.

Legal Limitations

In our February 2011 high-risk update,⁹ we noted that a third obstacle to consolidating federal properties is the legal requirements agencies must adhere to before disposing of a property, such as requirements for screening and environmental cleanup. Currently, before GSA can dispose of a property that a federal agency no longer needs, it is required to offer the property to other federal agencies. If other federal agencies do not have a need for the property, GSA must then make the property available to state and local governments and certain nonprofit organizations and institutions for public benefit uses such as homeless shelters, educational facilities, or fire or police training centers. As a result of this lengthy process, GSA's underutilized or excess properties may remain in an agency's possession for years and continue to accumulate maintenance and operations costs. Further complicating this issue is that different agencies have different authorities to enter into leases with public and private entities for the use of federal property, to sell real property, and to retain the proceeds from these transactions. For example, DOD has the authority to both enter into these leases and retain proceeds for the sale of properties, but the Department of Justice does not have the authority to do either. In addition, federal agencies are required by law to assess and pay for any environmental cleanup that may be needed before disposing of a property—a process that may require years of study and result in significant costs. In some cases, the cost of the environmental cleanup may exceed the costs of continuing to maintain the excess property in a shut-down status. We have also noted that the National Historic Preservation Act, as amended, requires agencies to manage historic properties under their control and jurisdiction and to consider the effects of their actions on historic preservation. Since properties more than 50 years old are eligible for historic designation and the average age of properties in GSA's portfolio is 46 years, this issue will soon become critically important to GSA.

⁹GAO-11-278.

Stakeholder Influences

Local stakeholders—including local governments, business interests, private real estate interests, sector construction and leasing firms, historic preservation organizations, various advocacy groups for citizens that benefit from federal programs, and the public in general—often view federal facilities as the physical face of the federal government in their communities. The interests of these multiple and often competing stakeholders may not always align with the most efficient use of government resources and can complicate real property decisions. For example, as we first reported in 2007, VA officials noted that stakeholders and constituencies, such as historic building advocates or local communities that want to maintain their relationship with VA, often prevent the agency from disposing of properties.¹⁰ In 2003, we indicated that an independent commission or governmentwide task force might be necessary to help overcome stakeholder influences in real property decision making.

The Government Has Adopted a More Strategic Focus to Improve Real Property Management and Has Taken Steps to Increase Data Reliability, but Other Obstacles Remain

The administration and real-property-holding agencies have made progress in a number of areas since we designated federal real property as high risk in 2003. Specifically, the federal government has taken steps toward strategically managing its real property and improving the reliability of its real property data. However, many problems related to unneeded property and leasing persist because the government has not addressed the underlying legal limitations and stakeholder influences which we identified.

As part of the government's efforts to strategically manage its real property, the administration established FRPC—a group composed of the OMB Controller and the senior real property officers of landholding agencies—to support real property reform efforts. Through FRPC, the landholding agencies have also established asset management plans, standardized real property data reporting, and adopted various performance measures to track progress. The asset management plans are updated annually and help agencies take a more strategic approach to real property management by indicating how real property moves the agency's mission forward, outlining the agency's capital management plans, and describing how the agency plans to operate its facilities and dispose of

¹⁰GAO, *Federal Real Property: Progress Made Toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform*, [GAO-07-349](#) (Washington, D.C.: Apr. 13, 2007).

unneded real property, including listing current and future disposal plans. Although several FRPC member agencies said that the body no longer meets regularly, it remains a forum for agency coordination on real property issues and could serve a larger role in future real property management.

In our February 2011 high-risk update,¹¹ we reported that the federal government has also taken numerous steps since 2003 to improve the completeness and reliability of its real property data. FRPC, in conjunction with GSA, established the Federal Real Property Profile (FRPP) to meet a requirement in Executive Order 13327 for a single real property database that includes all real property under the control of executive branch agencies. FRPP contains asset-level information submitted annually by agencies on 25 high-level data elements, including four performance measures that enable agencies to track progress in achieving property management objectives. In response to our 2007 recommendation to improve the reliability of FRPP data, OMB required, and agencies implemented, data validation plans that include procedures to verify that the data are accurate and complete.¹² Furthermore, GSA's Office of Governmentwide Policy (OGP), which administers the FRPP database, instituted a data validation process that precludes FRPP from accepting an agency's data until the data pass all established business rules and data checks. In our most recent analysis of the reliability of FRPP data, we found none of the basic problems we have previously found, such as missing data or inexplicably large changes between years. In addition, agencies continue to improve their real property data for their own purposes. From a governmentwide perspective, OGP has sufficient standards and processes in place for us to consider the 25 elements in FRPP as a database that is sufficiently reliable to describe the real property holdings of the federal government. Consequently, we removed the data element of real property management from the high-risk list this year.

In 2007, we recommended that OMB, which is responsible for reviewing agencies' progress on federal real property management, assist agencies by developing an action plan to address the key problems associated with decisions related to unneded real property, including stakeholder influences. OMB agreed with the recommendation but has yet to

¹¹GAO-11-278.

¹²GAO-07-349.

implement it. However, the administration’s recently proposed legislative framework, CPRA, is somewhat responsive to this recommendation in that it addresses both legal limitations and stakeholder influences in real property decision making. According to the proposal, the purpose of CPRA would be, in part, to “streamline the current legal framework” and “facilitate the disposal of those unneeded civilian real properties that are currently subject to legal restrictions that prevent their disposal.” The proposal itself, however, does not describe how this streamlining would be accomplished. To address stakeholder influences, CPRA would create an independent board to recommend federal properties for disposal or consolidation after receiving recommendations from civilian landholding agencies. Grouping all disposal and consolidation decisions into one list that Congress would vote on in its entirety could help to blunt local stakeholder influences at any individual site. In addition, CPRA could help to reduce the government’s overreliance on leasing by recommending that the government consolidate operations from leased space to owned space where efficient.

Key Elements That Underpin the Process for Closing or Realigning DOD Installations May Be Applicable to Managing Civilian Real Property

In our prior work on the BRAC process, we identified certain key elements underpinning the process, which may be applicable to the management of real property governmentwide. The BRAC process was designed to address certain challenges to closures or realignments, including stakeholder interests, thereby permitting DOD to dispose of installations or realign its missions to better use its facilities and generate savings. The 2005 BRAC round followed a historical analytical framework, carrying many elements of the process forward or building upon lessons learned from previous rounds. DOD also established a structured process for obtaining and analyzing data that provided a consistent basis for identifying and evaluating closure and realignment recommendations, and DOD used a logical, reasoned, and well-documented process.¹³ In addition, we have identified lessons learned from DOD’s 1988, 1991, 1993, and 1995 rounds,¹⁴ and we have begun an effort to assess lessons learned from the 2005 BRAC round.

¹³GAO-05-785.

¹⁴GAO, *Military Bases: Lessons Learned From Prior Base Closure Rounds*, NSIAD-97-151 (Washington, D.C.: July 25, 1997).

DOD's 2005 BRAC Process

DOD's 2005 BRAC process consisted of a series of legislatively-prescribed steps, as follows:

DOD began to develop options for closure or realignment recommendations. The military departments developed service-specific installation closure and realignment options. In addition, the Office of the Secretary of Defense established seven joint cross-service teams, called joint cross-service groups, to develop options across common business-oriented functions, such as medical, supply storage, and administrative activities. These closure and realignment options were reviewed by DOD's Infrastructure Executive Council—a senior-level policy-making and oversight body for the entire process. Options approved by this council were submitted to the Secretary of Defense for his review and approval. DOD developed hundreds of closure or realignment options for further analysis which eventually led to DOD's submitting over 200 recommendations to the BRAC Commission for analysis and review.

BRAC Commission performed an independent review of DOD's recommendations. After DOD selected its base closure and realignment recommendations, it submitted them to the BRAC Commission, which performed an independent review and analysis of DOD's recommendations. The Commission could approve, modify, reject, or add closure and realignment recommendations.¹⁵ Also, the BRAC Commission provided opportunities to interested parties, as well as community and congressional leaders, to provide testimony and express viewpoints. The Commission then voted on each individual closure or realignment recommendation, and those that were approved were included in the Commission's report to the President. In 2005, the BRAC Commission reported that it had rejected or modified about 14 percent of DOD's closure and realignment recommendations.

President approved BRAC recommendations. After receiving the recommendations, the President was to review the recommendations of the Secretary of Defense and the Commission and prepare a report by September 23, 2005, containing his approval or disapproval of the Commission's recommendations as a whole. Had the President disapproved of the Commissions' recommendations, the Commission would have had until October 20, 2005, to submit a revised list of

¹⁵The BRAC Commission was composed of nine Commissioners appointed by the President, six of whom were appointed in consultation with the congressional leadership.

recommendations to the President for further consideration. If the President had not submitted a report to Congress of his approval of the Commissions recommendations by November 7, 2005, the BRAC process would have been terminated. The President submitted his report and approval of the 2005 Commission's recommendations on September 15, 2005.

Congress allowed the recommendations to become binding. After the President transmitted his approval of the Commission's recommendations to Congress, the Secretary of Defense would have been prohibited from implementing the recommendations if Congress had passed a joint resolution of disapproval within 45 days of the date of the President's submission or the adjournment of Congress for the session, whichever was sooner.¹⁶ Since Congress did not pass such a resolution, the recommendations became binding in November 2005.

Congress established clear time frames for implementation. The BRAC legislation required DOD to complete recommendations for closing or realigning bases made in the BRAC 2005 round within the 6-year time frame ending on September 15, 2011, 6 years from the date the President submitted his approval of the recommendations to Congress. In July 2010, in our most recent report on the implementation of the 2005 BRAC recommendations, we reported that many DOD locations are scheduled to complete actions to implement the recommendations within months of the deadline, leaving little or no margin for slippage to finish constructing buildings and to move or hire the needed personnel.

Key Elements That DOD Used to Develop Its 2005 BRAC Recommendations Could Be Considered in a Civilian Real Property Closure or Realignment Process

In developing its recommendations for the BRAC Commission, DOD relied on certain elements, as follows:

Establish goals for the BRAC process. Prior to the start of the 2005 BRAC round, the Secretary of Defense emphasized the importance of transforming the military to make it more efficient as part of the 2005 BRAC round. Other goals for the 2005 BRAC process included fostering jointness among the four military services, reducing excess infrastructure,

¹⁶Congress had 45 days (excluding certain adjournments) or until the adjournment of Congress, whichever came first, to enact a joint resolution disapproving the recommendations as a whole.

and producing savings. Prior rounds were more about reducing excess infrastructure and producing savings.

Develop criteria for evaluating closures and realignments. DOD initially proposed eight selection criteria, which were made available for public comments via the Federal Register. Ultimately, Congress enacted the eight final BRAC selection criteria.¹⁷ In authorizing the 2005 BRAC round, Congress specified that the following four selection criteria, known as the “military value criteria,” were to be given priority in developing closure and realignment recommendations:

- current and future mission capabilities and the impact on operational readiness of the total force,
- availability and condition of land, facilities, and associated airspace at both the existing and the potential receiving locations,
- ability to accommodate a surge in the force and future total force requirements at both the existing and the potential receiving location to support operations and training, and
- costs of operations and personnel implications.

In addition to military value, Congress specified that DOD was to apply the following “other criteria” in developing its recommendations:

- costs and savings associated with a recommendation,
- economic impact on local communities near the installations,
- ability of infrastructure to support forces, missions, and personnel, and
- environmental impact.

Additionally, Congress required that the Secretary of Defense develop and submit to Congress a force structure plan that laid out the numbers, size, and composition of the units that comprise U.S. defense forces, for example, divisions, ships, and air wings, based on the Secretary’s assessment of the probable national security threats for the 20-year period beginning in 2005, along with a comprehensive inventory of global military

¹⁷Section 2832 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Pub. L. No. 108-375 (2004)).

installations.¹⁸ In authorizing the 2005 BRAC round, Congress specified that the Secretary of Defense publish a list of recommendations for the closure and realignment of military installations inside the United States based on the force-structure plan and infrastructure inventory, and on the eight final selection criteria.

Estimate costs and savings to implement closure and realignment recommendations. To address the cost and savings criteria, DOD developed and used the Cost of Base Realignment Actions model—known as COBRA—a quantitative tool that DOD has used since the 1988 BRAC round to provide consistency in potential cost, savings, and return-on-investment estimates for closure and realignment options. We reviewed the COBRA model as part of our review of the 2005 and prior BRAC rounds and found it to be a generally reasonable estimator for comparing potential costs and savings among alternatives. As with any model, the quality of the output is a direct function of the input data. Also, the COBRA model relies to a large extent on standard factors and averages and does not represent budget quality estimates that are developed once BRAC decisions are made and detailed implementation plans are developed. Nonetheless, the financial information provides important input into the selection process as decision makers weigh the financial implications—along with military value and other factors—in arriving at final decisions regarding the suitability of various closure and realignment options. However, based on our assessment of the 2005 BRAC round, actual costs and savings were different from estimates. As we reported in November 2009,¹⁹ BRAC one-time implementation costs have risen to almost \$35 billion in fiscal year 2010 compared with DOD’s initial estimate of \$21 billion in 2005. Similarly, net annual recurring savings have dropped to \$3.9 billion in fiscal year 2010 compared with the \$4.2 billion DOD estimated in 2005.²⁰

¹⁸Section 3001 of the National Defense Authorization Act for Fiscal Year 2002 (Pub. L. No. 107-107 (2001)), amended the Defense Base Closure and Realignment Act of 1990 (Pub. L. No. 101-510 (1990)) to, among other things, require DOD to develop a 20-year force structure plan as the basis for its 2005 BRAC analysis to include the probable end strength levels and major military force units needed to meet the probable threats identified by the Secretary and a comprehensive inventory of military installations worldwide.

¹⁹[GAO-10-98R](#).

²⁰As we have previously reported, we and the BRAC Commission believe that DOD’s net annual recurring savings estimates are overstated because they include savings from eliminating military personnel positions without corresponding decreases in personnel end-strength. DOD disagrees with our position.

Establish a common analytical framework. To ensure that the selection criteria were consistently applied, the Office of the Secretary of Defense required the military services and the seven joint cross-service groups to first perform a capacity analysis of facilities and functions at specific locations prior to developing recommendations. The capacity analysis relied on data calls to hundreds of locations to obtain certified data to assess such factors as maximum potential capacity, current capacity, current usage, and excess capacity. Then, the military services and joint cross-service groups performed a military value analysis for the facilities and functions that included a facility's or function's current and future mission capabilities, physical condition, ability to accommodate future needs, and cost of operations.

Establish an organizational structure. As previously mentioned, the Office of the Secretary of Defense emphasized the need for joint cross-service groups to analyze common business-oriented functions. For the 2005 round, as for the 1993 and 1995 rounds, these joint cross-service groups performed analyses and developed closure and realignment options in addition to those developed by the military departments. In contrast, our evaluation of DOD's 1995 round indicated that few cross-service recommendations were made, in part because of the lack of high-level leadership to encourage consolidations across the services' functions.²¹ In the 1995 round, the joint cross-service groups submitted options through the military departments for approval, resulting in few being approved. The number of approved recommendations that the joint cross-service groups developed significantly increased in the 2005 round. This was due, in part, to high-level leadership's ensuring that the options were approved not by the military services but rather by a DOD senior-level group. Also, one of these joint cross-service groups developed a number of recommendations to realign administrative-type functions out of leased space into DOD-owned facilities.

Involve the audit community to better ensure data accuracy. The DOD Inspector General and military service audit agencies played key roles in identifying data limitations, fostering corrections, and improving the accuracy of the data used in the process. The oversight roles of the audit organizations, given their access to relevant information and officials as the process evolved, helped to improve the accuracy of the data used in the BRAC process and added an important aspect to the quality and

²¹NSIAD-97-151.

integrity of the data used to develop closure and realignment recommendations.

There are a number of important similarities and differences between BRAC and a civilian process as proposed in CPRA. As a similarity, both BRAC and CPRA employ the all-or-nothing approach to disposals and consolidations, meaning that once the final list is approved, it must be approved or rejected as a whole. This approach can help overcome stakeholders' interests. Another similarity may be the need for a phased approach. Through the five prior BRAC rounds, DOD has reduced its domestic infrastructure, transferred hundreds of thousands of acres of unneeded property to other federal and nonfederal entities, and saved funds for application to higher priority defense needs. Similarly, it may take several BRAC-like rounds to complete the disposals and consolidations of civilian real property owned and leased by many disparate agencies including GSA, VA, Interior, and the Department of Energy. On the other hand, an important difference in the two processes may be the role of the independent board. DOD has participated in the BRAC process by generating lists of bases to close and realign that the last four BRAC Commissions have then reviewed. On the civilian side, however, agencies would provide recommendations to the proposed civilian board, but the board would ultimately be responsible for developing the lists of disposals and consolidations.

In closing, the government has made strides toward strategically managing its real property and improving its real property planning and data over the last 10 years, but those efforts have not yet led to sufficient reductions in excess property and overreliance on leasing. DOD's experiences with BRAC, including establishing criteria and a common analytical framework up front, could help this effort move forward.

Chairman Denham, Ranking Member Norton, and Members of the Subcommittee, this concludes our prepared statement. We will be pleased to answer any questions that you may have at this time.

For further information on this testimony, please contact David Wise at (202) 512-2834 or wised@gao.gov regarding federal real property, or Brian Lepore at (202) 512-4523 or leporeb@gao.gov regarding the Base Realignment and Closure process. Contact points for our Congressional Relations and Public Affairs offices may be found on the last page of this statement. In addition to the contacts named above, Keith Cunningham, Assistant Director; Laura Talbott, Assistant Director; Vijay Barnabas;

Hilary Benedict; Jessica Bryant-Bertail; Elizabeth Eisenstadt; Sarah Farkas; Susan Michal-Smith; and Michael Willems made important contributions to this statement.

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