Repairs and Alterations Backlog at the General Services Administration

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SUMMARY

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The General Services Administration (GSA), often referred to as "the government's landlord," provides workspace for 1.2 million federal employees across more than 50 federal agencies. Half of the space that tenant agencies occupy (183.8 million square feet) is located in buildings that GSA owns. As the property owner, GSA is responsible for ensuring that repairs and alterations (R&A) are completed in a timely manner. When R&A needs are deferred, a number of negative consequences may result, including health and safety code violations, deterioration of building systems, increased operating costs, and decreased asset value. For GSA-owned buildings, which have an average age of 49 years, R&A projects are often essential for extending the life of the property.

Over the past four decades, GSA has accumulated a multibillion-dollar R&A liability. In 2001, GSA's unmet R&A needs reached an estimated $4 billion, according to the Government Accountability Office (GAO). Auditors at GAO attributed this growing liability partly to inadequate information—GSA did not have the data needed to make informed decisions. GAO recommended that GSA develop its capacity to (1) identify its total R&A needs across all 11 regions, (2) establish the relative benefits or priorities of competing projects, and (3) propose a strategy and funding plan for repairing or modernizing its most seriously deteriorated buildings. Since that time, GSA has gradually implemented leading practices for R&A management that have enhanced the agency's data collection and analysis capabilities. In addition, GSA has developed tools for prioritizing projects and monitoring their progress from authorization to completion.

GSA's project management enhancements have not eliminated its R&A backlog. At the end of FY2019, GSA reported that it would need $3.39 billion for R&A projects needed to bring its inventory up to acceptable condition. The agency argued, as it has consistently, that years of insufficient funding have been a significant obstacle to meeting its R&A responsibilities. Appropriations data show that from FY2000 to FY2019, GSA received 76% of the funding it requested for R&A projects—a difference of about $4.3 billion. GSA's construction and acquisition projects have also been funded at levels below the amount requested on a regular basis. As a consequence, some GSA tenants are unable to vacate older buildings with higher R&A costs and move into newly built facilities. When GSA is able to relocate tenants from an aging building into a new one, it may then dispose of the building and eliminate its R&A liability for that property.

The most direct way to expand funding for GSA's R&A projects would be to increase appropriations. Other options might include using the expedited disposal process established under the Federal Assets Sale and Transfer Act (FASTA), which enables agencies to create a list of properties they would like to sell, convey, or redevelop. If their recommendations are approved—by a newly established Public Buildings Reform Board and the director of the Office of Management and Budget (OMB)—then the disposals are authorized. One disposal strategy might be to target older properties with multimillion-dollar R&A needs. These buildings represent approximately 5% of GSA's inventory and as much as 40% of its R&A liability.

Another option for augmenting GSA's appropriations would be to expand use of its public-private partnership (PPP) authority. A PPP is an agreement between an agency and a private-sector partner whereby the agency allows the partner to use federal buildings or land in exchange for the partner renovating or redeveloping the property. In this way, the agency reduces its R&A liability without expending any capital. PPPs are complex contracts, however, and GSA has been cautious in its utilization of this authority.

The establishment of a Federal Capital Revolving Fund (FCRF) might provide an indirect method of freeing up appropriations for R&A projects. GSA's capital investment accounts—R&A and Construction and Acquisition—compete with each other for limited funding. Construction and acquisition projects often require hundreds of millions of dollars, and when they are funded it necessarily reduces the capital funds available for R&A projects. The FCRF would provide a separate source of funding to build or purchase new space, potentially reducing the pressure GSA's construction needs put on its capital funds and increasing the amount available for R&A projects.

In response to the COVID-19 pandemic, federal agencies have permitted tens of thousands of employees to work from home. Permanently expanding telework might reduce the need for workspace and enable GSA to dispose of aging buildings. Conversely, should government agencies require a minimum distance between employees in order to reduce the likelihood of transmitting an illness at the office, GSA may need to acquire additional space and alter existing space.

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Background

The federal government owns approximately 232,000 buildings that have a total estimated replacement value of more than $1 trillion.[1] As property owners, federal agencies are generally responsible for the cost of maintaining and repairing their building assets. Agencies are obligated to ensure that their buildings operate cost effectively, retain their value, and provide safe work environments that are conducive to productivity.[2] Given that buildings and the systems within them have finite lives, ongoing repairs and alterations are needed to keep each property operating at an acceptable level. Electrical systems, roofs, pipes, and elevators, for example, must often be repaired or replaced during the useful life of a building. When agencies provide timely repairs and alterations (R&A), they extend the useful lives of their buildings and preserve the quality of the work environments. When needed repairs and maintenance are delayed, buildings often see an increase in operating costs as systems become less efficient, a decrease in asset value as functionality is reduced, and a fiscal liability that will grow until the needed work is completed in the future.

The General Services Administration (GSA) is one of the government's largest property holders. Established by the Federal Property and Administrative Services Act of 1949, GSA provides real property services—including the acquisition, operation, and disposal of buildings and land—to any federal agency that lacks the authority to do so itself.[3] For this reason, GSA is sometimes referred to as "the government's landlord." With control over more than 1,600 owned buildings and 183 million square feet, GSA has accrued a multibillion-dollar R&A liability.[4] GSA's building inventory has unique characteristics that have contributed to the growth of this liability, as have weaknesses in the agency's management of its R&A needs—although, as discussed in the following sections, GSA has implemented a number of new technologies and procedures to enhance its R&A management. This report will also examine the amount of resources GSA has been provided with to fulfill its R&A responsibilities.

GSA's portfolio provides space for 1.2 million federal employees.[5] In addition to housing its own workforce, more than 50 other federal agencies acquire space through GSA,[6] including, in order of total occupied square feet, the Department of Justice, the Department of Homeland Security, the federal judiciary, the Social Security Administration, the Department of the Treasury, the Department of Health and Human Services, the Department of the Interior, and the Department of Agriculture.[7]

Given this diverse customer base, GSA must provide space in a variety of building types. GSA's portfolio includes office buildings, courthouses, warehouses, land ports of entry, laboratories, and data processing centers, among other space categories.[8] These buildings enable tenant agencies to

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[1] U.S. Government Accountability Office (GAO), *Financial Audit: FY 2017 and 2016 Consolidated Financial Statements of the U.S. Government*, GAO-18-316R, February 2018, p. 30, https://www.gao.gov/assets/700/690123.pdf.

[2] GAO, *Federal Real Property: Government's Fiscal Exposure from Repair and Maintenance Backlogs Is Unclear*, GAO-09-10, October 2006, p. 6, https://www.gao.gov/assets/290/282802.pdf.

[3] P.L. 81-152.

[4] GSA, *FY2019 Agency Financial Report*, November 2019, p. 100, https://www.gsa.gov/reference/reports/budget-performance/annual-reports/2019-agency-financial-report.

[5] GSA, "About the Public Buildings Service," https://www.gsa.gov/about-us/organization/public-buildings-service.

[6] GSA, *FY2019 Agency Financial Report*, p. 19.

[7] GSA, *FY2018 State of the Portfolio Snapshot*, p. 5, https://www.gsa.gov/cdnstatic/FY18_SOTP_Snapshot%20rev.pdf.

[8] GSA, "GSA Properties," https://www.gsa.gov/real-estate/gsa-properties.

carry out a range of missions, from border security to the prosecution of federal criminal cases. To help agencies meet their real property needs, GSA first tries to find space in an underutilized or vacant federal building, whether it is owned by GSA or another agency. If no federal space is available, GSA may enter into a lease with the private sector on behalf of another agency. In FY2018, federal agencies occupied 368.5 million square feet in 8,746 buildings owned or leased by GSA.[9] GSA's portfolio, measured by square feet, is nearly equally divided between the space it owns (183.8 million square feet, 49.9%), and the space it leases from the private sector (184.7 million square feet, 50.1%).[10] In terms of building status, GSA owns 1,646 properties and leases 7,100 properties.[11] To provide additional context, **Table 1** below shows the percent of owned and leased space controlled by GSA compared to the space controlled by all federal agencies—excluding the Department of Defense (DOD), which did not report data in FY2018.

Table 1. Select Data on Federally Owned and Leased Space (Excluding DOD), FY2018

Square Feet (SqFt) Reported in Millions

	Owned Buildings	Leased Buildings	Total Buildings	Owned SqFt	Leased SqFt	Total SqFt
Total (Non-DOD)	111,422	14,516	125,938	884.7	254.3	1,139.0
GSA	1,646	7,100	8,747	183.8	184.7	368.5
GSA Percent of Total	1.5%	48.9%	6.9%	20.8%	72.6%	32.4%

Source: U.S. General Services Administration, *FY2018 Federal Real Property Profile Open Data Set Executive Summary*, p. 1, https://www.gsa.gov/policy-regulations/policy/real-property-policy/data-collection-and-reports/frpp-summary-report-library.

Notes: Federal Real Property Profile FY2018 data was drawn from 23 civilian agencies subject to the Chief Financial Officers Act. Those agencies are the Departments of Agriculture, Commerce, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, Interior, Justice, Labor, State, Transportation, Treasury, and Veterans Affairs and the Environmental Protection Agency, National Aeronautics and Space Administration, Agency for International Development, General Services Administration, National Science Foundation, Nuclear Regulatory Commission, Office of Personnel Management, Small Business Administration, and Social Security Administration. Real property data from the Department of Defense, which is also subject to the act, were not included in the report.

The amount of owned space reported in **Table 1**—more than 885 million square feet—defines the scope of the government's R&A responsibilities. The data show that while GSA owns relatively few buildings—1.5% of the owned inventory—it controls 21% of the total of square feet owned by civilian agencies.[12] In other words, GSA is obligated to meet one-fifth of the government's civilian agency R&A needs.[13] This obligation is, from a fiscal perspective, a liability. When GSA builds or purchases space, it has committed the agency to ensuring that the property is in

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9 GSA, "GSA Properties."

10 GSA, *FY2018 State of the Portfolio Snapshot*, p. 4, https://www.gsa.gov/cdnstatic/FY18_SOTP_Snapshot%20rev.pdf.

11 GSA, *FY2018 State of the Portfolio Snapshot*, p. 4.

12 GSA, Data Collection and Reports, *FY2018 Summary of Findings of Open Data Set*, p. 1, https://www.gsa.gov/policy-regulations/policy/real-property-policy/data-collection-and-reports/frpp-summary-report-library.

13 GSA, *FY2012 Agency Financial Report, November 2012*, p. 42, https://www.gsa.gov/cdnstatic/FinancialStatements_RequiredSupplementaryInformation.pdf.

acceptable condition. The cost of needed R&A projects increases as buildings age. Older properties are more likely to have structural deterioration, failing building systems, and unsafe working conditions (such as asbestos in the ceiling).[14] With an average age of 49 years, many GSA buildings are already beyond their life expectancies.[15] One study estimated that GSA-owned buildings over the age of 61—about 11% of its portfolio—accounted for 40% of GSA's annual repair and maintenance costs.[16] GSA's portfolio also includes 413 buildings on the National Register of Historic Places (NRHP), 74 of which are Registered National Landmarks.[17] R&A projects at historic properties—all of which are at least 50 years old—must meet historic preservation guidelines. Compared to non-historic properties, R&A projects at NRHP buildings require more time and technical expertise to complete,[18] which in turn increases R&A costs at historic buildings.[19] In an effort to provide adequate, timely R&A to its aging portfolio, GSA has sought to implement leading practices for planning and executing its R&A projects and asked for increased funding and a wider range of revenue sources.

Repairs and Alterations Planning

GSA has had challenges to fulfilling its R&A obligations in a timely manner. In 2000, GSA buildings required billions to bring them up to health, safety, and quality standards.[20] Some criticized the agency for providing inadequate project data to portfolio managers and decisionmakers.[21] Bernard Ungar, director of Government Business Operations Issues at GAO, testified before the House Committee on Transportation that reliable and complete information about identified repairs and alterations was essential, stating:

> Without such information, it is difficult for the program managers to (1) quantify the total amount of repairs 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 and Congress the need for additional repair and alteration funding. Simply stated, inadequate program information does not permit informed decision-making.[22]

In addition, Ungar noted that GSA needed to look at its R&A needs strategically, not on a case-by-case basis. A strategic approach would establish a long-term plan for meeting all of its R&A needs. To provide GSA, OMB, and Congress with the data and vision needed to make informed decisions about which R&A projects to fund, Ungar said, the plan should:

- identify GSA's total R&A needs across all regions,

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[14] GAO, *Asbestos in GSA Buildings: Improved Data Would Enhance Oversight*, November 2019, p. 1, https://www.gao.gov/assets/700/695569.pdf.

[15] GSA, *FY2019 Agency Financial Report*, p. 100.

[16] GAO, *Federal Buildings Fund: Improved Transparency and Long-Term Plan Needed to Clarify Capital Funding Priorities*, GAO-12-646, July 2012, p. 17, https://www.gao.gov/products/GAO-12-646.

[17] GAO, *Federal Buildings Fund*, p. 19. See also CRS Report R45800, *The Federal Role in Historic Preservation: An Overview*.

[18] GAO, *Federal Buildings Fund*, p. 69.

[19] GAO, *Federal Real Property: GSA Needs to Determine Its Progress Toward Long-Term Sustainability of Its Portfolio*, GAO-15-609, July 2015, pp. 17-18, https://www.gao.gov/assets/680/671424.pdf.

[20] GAO, *Federal Buildings: Billions Are Needed for Repairs and Alterations*, GAO/T-GGD-00-73, April 2000, p. 1, at https://www.gao.gov/products/T-GGD-00-73.

[21] GAO, *Federal Buildings*, p. 7.

[22] GAO, *Federal Buildings*, p. 7.

- establish the relative benefits or priorities of competing projects, and
- propose a strategy and funding plan for repairing or modernizing its most seriously deteriorated buildings.[23]

GSA concurred but argued that a lack of adequate funding was also a major factor in the growth of its R&A backlog, a point that will be discussed in the following section.[24]

By 2005, GSA had taken a number of steps to address GAO's recommendations, such as utilizing multiple information systems to gather data on R&A needs across its regions and conducting more thorough building assessments.[25] GSA had not, however, established a process for determining which buildings and projects should be prioritized, nor had it proposed an agency-wide strategy for estimating future R&A needs.[26] Some were also concerned that GSA's guidance did not clearly link the R&A process to other asset management initiatives,[27] which may have hindered strategic decisionmaking.

A 2014 GAO audit found additional progress in GSA's R&A planning process. Auditors determined that GSA had implemented eight of nine leading practices recommended by GAO for effective management of agency R&A programs.[28] GSA, by implementing these best practices, addressed many of the weaknesses identified by auditors in previous reports. According to GAO, GSA had:

1. established clear maintenance and repair investment objectives and set priorities among outcomes to be achieved;
2. identified types of facilities or specific buildings that are mission-critical and mission-supportive;
3. conducted condition assessments as a basis for establishing appropriate levels of funding required to reduce, if not eliminate, any deferred maintenance and repair backlog;
4. established performance goals, baselines for outcomes, and performance measures;
5. identified the primary methods to be used for delivering maintenance and repair activities;
6. employed models for predicting the outcome of investments, analyzing tradeoffs, and optimizing among competing investments;
7. aligned real property portfolios with mission needs and disposed of unneeded assets; and
8. identified the types of risks posed by lack of timely investment.[29]

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[23] GAO, *Federal Buildings*, p. 8.

[24] GAO, *Federal Buildings*, p. 5.

[25] GSA, Office of Inspector General, *Audit of Major Repair and Alterations Program*, September 2005, pp. 1-8, https://www.gsaig.gov/sites/default/files/audit-reports/A040176.pdf.

[26] GSA, Office of Inspector General, *Audit of Major Repair and Alterations Program*, pp. 1-8.

[27] GSA, Office of Inspector General, *Audit of Major Repair and Alterations Program*, p. 12.

[28] GAO, *Federal Real Property: Improved Transparency Could Help Efforts to Manage Agencies' Maintenance and Repair Backlogs*, GAO-14-188, January 2014, p. 14, https://www.gao.gov/products/GAO-14-188.

[29] GAO, *Federal Real Property: Improved Transparency*, pp. 14-15.

GSA had not implemented one of the leading practices identified by GAO: It did not structure its budget to identify the funding it allotted for new maintenance and repair projects separately from the funding it allotted to address its maintenance and repairs backlog.[30]

Most recently, in 2018, GAO found that GSA had established agency-wide strategic objectives to prioritize R&A projects for funding.[31] To accomplish this, GSA started evaluating R&A projects by their ability to contribute to agency goals, such as meeting customer needs, reducing the repair backlog, decreasing the size of GSA's portfolio, increasing building utilization, and getting buildings up to code.[32] Additionally, GSA had improved its data collection and developed a system for tracking each step of an R&A project from when it is authorized to project closeout.[33] Using this system, GSA reported that 99% of its major R&A projects[34] were on schedule and on budget, while 88% of its small projects were on schedule and 86% were on budget.[35] GSA had also introduced a Project Details Dashboard, which provides project-level information to staff and managers in all regions, and a Project Award Performance Dashboard, which provides information on planned awards for major projects.[36] In addition, GSA began reporting its maintenance and repair backlog separately from its ongoing R&A needs.[37]

GSA's project management enhancements have not eliminated its R&A backlog. At the end of FY2019, GSA reported that it would need $3.39 billion for "work needing to be performed immediately to restore or maintain acceptable condition of the building inventory."[38] In its FY2020 budget request, GSA requested funding for 18 major R&A projects, noting that nine of them had been included in previous budget requests.[39] If the projects continue to go unfunded, GSA stated, there would be a negative impact on building operations and occupants, including costly future repairs and the loss of tenants.[40] The concern over increasing costs is supported by a National Research Council study of public buildings, which estimated that there is a long-term capital liability of $4-$5 for each $1 of deferred maintenance.[41] Appropriations data indicate that in most years there is a gap between the amount of funding GSA requested for R&A projects and

[30] GAO, *Federal Real Property: Improved Transparency*, pp. 15-16.

[31] GAO, *Real Property: GSA Is Taking Steps to Improve Collection and Reporting of Repair and Alteration Projects' Information*, GAO-18-595, July 2018, p. 4, https://www.gao.gov/products/GAO-18-595.

[32] GAO, *Real Property*, p. 4.

[33] GAO, *Real Property*, p. 7.

[34] Title 40, Section 3307, of the *United States Code* requires GSA to obtain congressional authorization for any lease, construction, or R&A project in excess of a specific threshold. The threshold, which may be adjusted by GSA on an annual basis, was $3.095 million when the GAO report was written. Major R&A projects (also called capital projects) are those that require congressional authorization, while minor projects do not. To obtain authorization for a major project, GSA submits a prospectus to the House Committee on Transportation and Infrastructure and the Senate Committee on Environment and Public Works. The prospectus provides a justification for the project, along with an estimated budget and timeline. The project is authorized—but not funded—if each committee passes a separate resolution approving the prospectus.

[35] GAO, *Real Property*, p. 17.

[36] GAO, *Real Property*, p. 22.

[37] GSA, *FY2018 Agency Financial Report*, November 2018, p. 85, https://www.gsa.gov/reference/reports/budget-performance/annual-reports/2018-agency-financial-report.

[38] GSA, *FY2019 Agency Financial Report*, p. 100.

[39] GSA and Office of Personnel Management, *FY2020 Congressional Justification*, March 2019, p. 44, https://www.gsa.gov/cdnstatic/GSA%20FY%202020%20CJ.pdf.

[40] GSA and Office of Personnel Management, *FY2020 Congressional Justification*, p. 44.

[41] National Research Council, *Investment in Federal Facilities: Asset Management Strategies for the 21st Century* (Washington, DC: National Academies Press, 2004), p. 28.

the amount provided. In some years, the difference is hundreds of millions of dollars.[42] The following section examines trends in GSA's repairs and alterations funding streams as well as strategies the agency has employed to augment R&A appropriations with additional savings and revenue.

Repairs and Alterations Funding

When GSA was initially established by the Federal Property and Administrative Services Act of 1949, it was authorized to receive direct appropriations to fund all of its real property activities, including R&A.[43] In an effort to provide a more predictable source of revenue for its operating and capital expenses, the Public Buildings Act Amendments of 1972 established the Federal Buildings Fund (FBF) within GSA.[44] The FBF was designed as a revolving fund: GSA charges federal agencies rent, and their payments are deposited into the FBF. GSA then uses those funds for its real property activities, including payments to private sector lessors. Congress may deposit additional appropriations into the FBF, although that is not common.

GSA does not have the authority to spend the FBF's full balance each year. Congress, through the appropriations process, sets annual limits on the amount of funds that may be expended from the FBF, known as limitations on the availability of revenue. Congress puts limits on the revenue available for each of account within the FBF:

- Construction and Acquisition funds the purchase or construction of new facilities, as well as major extensions to existing buildings.
- Repairs and Alterations funds repairs and alterations of existing buildings, including the associated design and construction services.
- Rental of Space funds leases with privately owned space or buildings on behalf of other federal agencies.
- Building Operations funds day-to-day building services, such as cleaning, utilities, and maintenance.[45]

If Congress does not set GSA's limitations equal to revenue—providing so called "zero balance authority"—then any unexpended funds are added to the FBF's balance and carried forward to the following fiscal year and are available to be appropriated. For example, at the beginning of FY2011, the FBF had a starting balance of $1.032 billion, which represented unobligated funds from prior fiscal years.[46] When added to the $8.841 billion in anticipated rent deposits,[47] the FBF had $9.873 billion available for appropriation that year. President Obama requested $9.154 billion for FY2011, and enacted appropriations totaled $7.659 billion.[48] The difference between total

[42] U.S. Senate, 112th Congress, 2nd Sess., Committee on Appropriations, *Financial Services and General Government Appropriations Bill, FY2013*, Report No. 112-177, June 2012, p. 149, https://www.congress.gov/congressional-report/112th-congress/senate-report/177.

[43] P.L. 81-152.

[44] P.L. 92-312; 40 U.S.C. §592.

[45] Additional accounts may exist in some years if appropriators provide funding for non-recurring expenditures, such as emergency funding to repair buildings after a natural disaster.

[46] GAO, *Federal Buildings Fund*, p. 6.

[47] GAO, *Federal Buildings Fund*, p. 6.

[48] GAO, *Federal Buildings Fund*, p. 6.

available resources ($9.873 billion) and the enacted limitations ($7.659 billion) became the FBF's starting balance in FY2012 ($2.214 billion).[49]

While the FBF was intended to meet all of GSA's real property activities, the revenue it generates has consistently fallen short of needed funds. In 1981, an analysis of the FBF showed that it did not generate enough revenue to meet all of GSA's real property needs[50]—a finding reaffirmed in 1991.[51] In 2001, a GAO report prepared at the request of the House Committee on Transportation and Infrastructure (T&I), Subcommittee on Economic Development, Public Buildings, and Emergency Management, detailed the actual and potential consequences of further delays in completing needed R&A projects.[52] Among the then-current building conditions discussed were:

- Eisenhower Executive Office Building, Washington, DC[53]
  - Steam pipes burst several times a year.
  - Aging heating and ventilation systems could fail any time.
  - Storm and sewer systems do not meet environmental and health codes.
  - Potential for water to damage building supports and weaken its structural integrity.
- Federal Office Building 3, Suitland, MD[54]
  - Air has levels of carbon dioxide that exceed industry standards.
  - Water system has contaminants.
  - Employees have slipped on water from leaks 37 times, with injuries.
- Anthony J. Celebrezze Federal Building, Cleveland, OH[55]
  - Water leaks create a health hazard by facilitating the growth of mold and mildew.
  - Aging electrical system could fail at any time.
  - Asbestos in the ceiling is a safety hazard.
  - Water leaks cause rusting of inner skin, which holds building's exterior panels.

In addition, antiquated energy and utility systems were found to increase costs in several buildings by as much as 15%, and at least one building was not compliant with seismic safety standards.[56] Tenant satisfaction declined as building conditions deteriorated.[57]

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[49] GAO, *Federal Buildings Fund*, p. 6. GSA had an additional $25 million deposited into the FBF prior to the start of FY2012 that is not reflected in the starting balance for that year.

[50] GAO, *GSA's Federal Buildings Fund Fails to Meet Primary Objectives*, PLRD-82-18, December 1981.

[51] GAO, *Federal Buildings: Billions Are Needed for Repairs and Alterations*, p. 1.

[52] GAO, *Federal Buildings: Funding Repairs and Alterations Has Been a Challenge—Expanded Financing Tools Needed*, GAO-01-452, April 2001, pp. 37-41, https://www.gao.gov/assets/240/231394.pdf.

[53] GAO, *Federal Buildings*, pp. 41-42.

[54] GAO, *Federal Buildings*, p. 39.

[55] GAO, *Federal Buildings*, pp. 45-46.

[56] GAO, *Federal Buildings*, pp. 44, 47.

[57] GAO, *Federal Buildings*, p. 47.

GAO first included federal real property on its 2003 list of "high-risk" programs, citing GSA's backlog of R&A projects as an example of the liabilities associated with deteriorating buildings.[58] Real property management has been included in every high-risk report update since 2003, although it no longer identifies GSA's backlog as a contributing factor. GSA's concerns over funding levels have persisted, however, as it has consistently received less funding than it requested over the past two decades. In 2008, some House Members argued against an amendment that would cut appropriations for GSA's R&A account, noting:

> GSA's current backlog of repairs and alterations of Federal buildings is estimated at $6,600,000,000. The fiscal year 2008 request is considered a minimum to operate and maintain GSA's assets. Limiting repairs and alterations funding forces GSA to house Federal workers in more commercial leases rather than continue in government-owned buildings at a net cost to the U.S. taxpayer. Cutting an additional $31,000,000 from this account just digs the GSA into a deeper hole and only delays much needed repairs for buildings into the next fiscal year. H.Rept. 115-234[59]

Similarly, in 2017, some House Members protested the level of R&A funding provided to GSA for FY2018:

> Another particularly irresponsible cut targets the GSA, which functions as the Federal Government's developer and landlord. The bill decimates funding for the Federal Buildings Fund, forcing the agency to neglect high priority safety and security projects. This lack of sufficient funding for repair projects further exacerbates an already dire situation. Persistently inadequate appropriations for GSA in recent years have resulted in a $1.1 billion backlog for GSA's repairs and alterations programs. Again, these decisions do not make long-term fiscal sense. Every dollar that GSA does not reinvest back into basic maintenance and repairs now leads to a long-term capital liability of four to five dollars in the future.[60]

Over the past 25 years, the amount of annual R&A funding provided to GSA has generally been less than requested. During the five-year period of FY1995-FY1999, GSA received 60.4% of the amount it requested for R&A, while from FY2000 through F2019, it received 76% of the amount it requested.[61] Data on annual funding from FY2000 through FY2019 are provided in **Table 2**.

Table 2. Select Data on Repairs and Alterations Funding, FY2000-FY2019

In millions of dollars

Fiscal Year	Amount Requested	Limitations on Revenue	Annual Difference	Cumulative Difference
2000	665	599	66	66
2001	721	681	40	106
2002	827	827	0	106
2003	986	951	35	141
2004	1,013	991	22	163

[58] GAO, *High Risk Series: An Update*, GAO-03-119, January 2003, p. 45, https://www.gao.gov/products/GAO-03-119.

[59] U.S. House of Representatives, 110th Congress, 1st Sess., *Financial Services and General Government Appropriations Bill, 2008*, H.Rept. 110-207, June 2007, pp. 145-146, https://www.govinfo.gov/content/pkg/CRPT-110hrpt207/pdf/CRPT-110hrpt207.pdf.

[60] U.S. House of Representatives, 115th Congress, 1st Sess., *Financial Services and General Government Appropriations, 2018*, , July 2017, pp. 535-536, https://www.govinfo.gov/content/pkg/CRPT-115hrpt234/pdf/CRPT-115hrpt234.pdf.

[61] GAO, *Federal Buildings*, pp. 15.

Fiscal Year	Amount Requested	Limitations on Revenue	Annual Difference	Cumulative Difference
2005	980	980	0	163
2006	961	861	100	263
2007	866	618	248	511
2008	805	722	83	594
2009	692	692	0	594
2010	496	414	82	676
2011	705	280	425	1,101
2012	869	280	589	1,690
2013	495	280	215	1,905
2014	1,302	1,077	225	2,130
2015	1,257	818	439	2,569
2016	1,247	735	512	3,081
2017	842	676	166	3,247
2018	1,445	665	780	4,027
2019	910	663	247	4,274
Total	**18,084**	**13,810**	**–**	**4,274**

Source: CRS appropriations reports.

The data in **Table 2** show that over the past two decades, GSA received 100% of its R&A request in three fiscal years—2002, 2005, and 2009. In 17 fiscal years, GSA received anywhere from $22 million to $780 million less than it requested. In monetary terms, the gap between the amount GSA requested and the amount appropriated totals $4.274 billion. This amount exceeds GSA's FY2019 deferred maintenance and repair backlog ($3.39 billion).[62]

The R&A funding trend is part an overall pattern in capital appropriations. From FY2010 to FY2019, GSA's Capital Investment Program—R&A plus construction and acquisition projects—received $6.537 billion less than it requested.[63] R&A is doubly effected by the program's shortfall, since the indirect benefits of the acquisition of new space are reduced. When GSA builds or purchases a new building, it often relocates federal employees from one or more owned buildings to fill the space. In some cases, this relocation enables GSA to vacate buildings with tens of millions of dollars in needed repairs. GSA may then dispose of the buildings, eliminating their R&A liability. Even the disposal of a relatively small percentage of GSA's owned inventory may reduce R&A costs by hundreds of millions of dollars. One study found that 58 of GSA's owned buildings each had more than $20 million in R&A costs.[64] Disposing of these properties would eliminate at least $1.16 billion in R&A liabilities. Conversely, the longer GSA must house federal employees in owned buildings—particularly older ones—the more its R&A liabilities may increase. Aging building systems could further deteriorate, increasing operating costs; property market value could decrease, generating less rent; and the cost of completing the same repairs in

[62] GSA, *FY2019 Agency Financial Report*, p. 100.

[63] Data provided by the GSA.

[64] GSA, *FY2019 Agency Financial Report*, p. 17.

the future could increase. R&A projects are essentially construction projects, and construction costs may increase rapidly at times. Between October 2005 and September 2011, for example, construction costs increased 20%, almost twice as fast as general inflation over the same period.[65]

When capital investment funding is less than the revenue available, the resulting unobligated funds are retained in the FBF and carried over to the starting balance of the subsequent fiscal year. The FBF's starting balance has increased in 17 of the past 20 fiscal years. The sharpest period of growth began in FY2007, when the FBF had a starting balance of $56 million, to FY2012, when the starting balance was $2.239 billion.[66] While appropriations are typically less than the amount of funding available for capital investments, GSA rarely requests the full amount.[67] This may potentially send a signal to Congress that capital funding is not an urgent matter. GSA has stated that it requests less than the total available revenue in the FBF to help keep within the overall budget cap for the Financial Services and General Government appropriations bill.[68] If other agencies have pressing needs, GSA may request less than the total available resources in order to reduce total spending. In this way, the FBF's unobligated revenue may be used as an offset.

This dynamic may be changing. GSA's FY2021 budget request is for zero budget authority, meaning it has asked to use all of the FBF's available revenue for capital investments, leaving the R&A and Construction and Acquisitions accounts with zero balances.[69] GSA has requested $1.363 billion for R&A, citing the "growing backlog of repairs and renovations necessary at federal facilities."[70] In addition, the President has again included a proposed Federal Capital Revolving Fund (FCRF) in GSA's budget request as an alternative means of providing capital for the acquisition of space.[71] This proposal, along with other strategies for reducing GSA's R&A liabilities, are evaluated in the following section.

Policy Options

The history of FBF funding suggests that GSA may anticipate receiving less than it requests each year. Even if GSA were to be given zero balance authority on a consistent basis, the liabilities in its older buildings will continue to grow, which may limit GSA's ability to make substantial progress on its R&A backlog. In the absence of increased appropriations, strategies for reducing GSA's R&A liabilities might include expediting the disposal of aging buildings, leveraging private sector capital, and freeing up cash within the FBF by funding major new construction projects in a proposed capital revolving fund.

Expedited Disposal Authority Under the Federal Assets Sale and Transfer Act

The Federal Assets Sale and Transfer Act of 2016 (FASTA, P.L. 114-287) established a new, centralized process for disposing of potentially hundreds of unneeded federal properties at once.

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[65] GAO, *Federal Buildings Fund*, p. 10.

[66] GAO, *Federal Buildings Fund*, p. 6.

[67] GAO, *Federal Buildings Fund*, p. 8.

[68] GAO, *Federal Buildings Fund*, p. 8.

[69] GSA and Office of Management and Budget (OMB), *FY2021 Congressional Justification*, February 2020, p. 75, https://www.whitehouse.gov/wp-content/uploads/2020/02/spec_fy21.pdf.

[70] GSA and OMB, *FY2021 Congressional Justification*, pp. 15, 509.

[71] GSA and OMB, *FY2021 Congressional Justification*, p. 10.

Under FASTA, agencies are required to develop a list of disposal recommendations, which could include the sale, transfer, or conveyance of any unneeded space, among other options. These recommendations are then to be submitted to the GSA administrator and the director of the Office of Management and Budget (OMB) for review and revision. The revised list of recommendations is then vetted by a newly established Public Buildings Reform Board and returned to the OMB director for final approval or disapproval. If the list is approved, the recommendations must be implemented immediately. If OMB disapproves the list, the process ends without any disposals. See CRS Report R44999, *The Federal Assets Sale and Transfer Act of 2016: Background and Key Provisions*, for more information.

FASTA provides GSA with an opportunity to expeditiously dispose of dozens of unneeded, low-performing, or high-liability buildings. One disposal strategy might be to target older properties with multimillion-dollar R&A needs. The sale of older properties would generate revenue and relieve GSA of related R&A liabilities. Given the condition of these buildings—which are, by definition, in need of capital investments—they may not sell at fair market value, which FASTA generally requires. However, FASTA also gives the GSA administrator the authority to sell properties at below fair market value at the administrator's discretion. Using this discretionary authority, GSA could reduce the sale price of targeted properties below market value and increase the likelihood of finding a buyer. The price reduction might include a discount equal to the estimated cost of repairs and other factors. Critics of selling federal buildings at a discount argue that having a "fire sale" mentality could result in a transaction that is not in the best interest of the government—that is, in the hurry to dispose of certain buildings, GSA might accept a bid that significantly undervalues the targeted assets. To address this concern, GSA might use market analyses and net present value calculations (future cash flows minus future investments) to evaluate the financial implications of selling below market value.

Public Private Partnerships

Another option for reducing GSA's R&A liability might be to expand use of the agency's Public Private Partnership (PPP) authority. A PPP is an agreement whereby a nonfederal partner acquires the right to use a real property owned or controlled by a federal agency—typically through a long-term lease—in exchange for redeveloping or renovating that property. The nonfederal partner is usually in the private sector, although nonprofits and state and local governments are not prohibited from entering into PPPs with GSA. Whether implemented for redevelopment or renovation, the contributions of each partner are generally the same: The federal government provides real property—buildings, space within buildings, land, or structures—and the nonfederal partner provides capital for improvements to the property. The federal properties included in PPPs are often older and in need of costly repairs.

Nonetheless, nonfederal partners may see the opportunity to generate a profit. While aging federal properties are often in poor condition, they may be in desirable locations where rental rates are high. The nonfederal partner may renovate the property and be able to recoup its costs through subleasing the improved space. In other cases, a nonfederal partner might have expertise in a particular type of renovation, such as installing energy efficient building systems, and enter into an agreement that pays for the costs of such renovations through the savings in operating costs. The nonfederal partner might also be able to renovate unneeded space in an older building and make it more mission-effective for the agency that holds it. For example, an agency may not have the funds to upgrade the electrical system in an underutilized building in order to take advantage of new technology. A nonfederal partner might upgrade the electrical system in the entire building as part of its renovation and retain the rights to sublease the unoccupied space while sharing the revenue with the landholding agency. In short, nonfederal partners with access to capital and real property expertise may be able to find ways to monetize assets that the government cannot, particularly under current fiscal constraints. Hypothetical examples of how a PPP might be structured include the following:

- A federal agency owns a historic building that is unoccupied and in disrepair. The property is in a desirable location, and public and private entities are expected to be interested in acquiring space. A developer leases the property and renovates it in accordance with historic preservation requirements. The first floor is subleased by retailers, and the city government subleases the office space on the floors above.
- A federal agency owns land with a deteriorating office building and a small parking lot. The property is in a market where there is moderate to strong demand for private sector office space. The developer demolishes the existing building and constructs a larger, modern office building in its place that is partially occupied by the lessor and backfilled by businesses. The developer also replaces the parking lot with a garage that has enough space for the tenants and for public parking.
- A federal agency's utility costs are well above average due to antiquated heating and cooling systems. A business installs new, more energy efficient equipment. In return, the business is repaid for the cost of the equipment and installation, and receives 50% of the energy savings.

While PPPs could represent an opportunity for GSA to reduce its R&A backlog without investing additional capital, there are potential concerns. PPPs can be complicated arrangements, requiring knowledge of a range of disciplines: real property, architecture, civil engineering, contracting, and law, to name a few. An agency that lacks a staff with expertise in those disciplines may be at risk of entering into an agreement that does not represent the best value for the government. GSA officials acknowledged in 2016 that "negotiating successful public private partnerships requires unique expertise and organizational experience" that they lack.[72] While GSA has not used its PPP authority expansively, it may have increased its expertise and experience in recent years. In addition, PPPs sometimes fall through when the private sector partner sets a value on the federal property at significantly less than the independent appraisal obtained by GSA.[73] The value of the property is central to establishing the terms of the PPP contract—different market values will generate different internal rates of return and alter cost-benefit ratios for capital investments. Generally, a lower market value makes it harder for the nonfederal partner to generate enough revenue to make the project worthwhile. Aligning government valuations with those of the private sector could enable GSA to enter PPP negotiations with a better understanding of the nonfederal partner's perspective and needs.

Federal Capital Revolving Fund

GSA's capital investment accounts—R&A and Construction and Acquisition—compete with each other for limited FBF funding. Construction and acquisition projects often require hundreds of millions of dollars, and when they are funded it necessarily reduces the capital funds available for R&A projects. When construction and acquisition projects are not adequately financed,

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[72] GAO, *Federal Real Property: Public Private Partnerships Have a Limited Role in Disposal and Management of Unneeded Property*, GAO-16-776R, August 2016, p. 3, https://www.gao.gov/assets/680/679352.

[73] GAO, *Federal Real Property: Public Private Partnerships*, p. 9.

however, high-priority space needs may be delayed for years due to insufficient appropriations.[74] If some of GSA's major construction projects could be funded from a source other than the FBF, then not only would this accelerate the acquisition of new space, but more funds might be available for R&A.

One policy option that has been proposed in different forms would be to create a capital investment fund that would provide agencies with full, upfront funding for major construction and acquisition projects. Under capital scoring rules, an agency may not enter into a contract to build or purchase space unless it has sufficient capital on hand to pay for the entire cost of the project.[75] This differs from operational lease scoring, where agencies are required only to have enough funding to cover one year of rent prior to entering into a contract.[76]

GSA has proposed an iteration of a capital investment fund in its FY2021 budget justification.[77] Based on principles outlined by the Trump Administration in 2018,[78] the proposed FCRF would fund civilian agency capital projects of at least $250 million.[79] The FCRF, which would be managed by GSA, would provide the project's capital upfront, and agencies would have up to 15 years to repay the fund in equal annual installments.[80] In this way, agencies would avoid triggering the capital asset scoring rules, as the FCRF would meet the upfront funding requirements on their behalf. The FY2021 budget justification would provide an initial appropriation of $10 billion.[81]

In order to more fully understand the risks and benefits of establishing the FCRF, a more comprehensive proposal may be needed. There are many unknowns, particularly about how projects are chosen for funding. For example: Is there an application process? What criteria are used to evaluate and rank applications? Will the chosen projects need to seek congressional authorization prior to being funded? What rules govern the use and repayment of funds? Once more information is provided, policymakers may consult with the Congressional Budget Office to assess the proposal's potential budget implications.

Concluding Observations

As the nation adapts to new work conditions brought on by government policies related to the COVID-19 pandemic, GSA may have an opportunity to reduce its R&A liability. With hundreds of thousands of federal employees working from home, possibly for months, agencies have an opportunity to gather real-time data regarding the feasibility of expansive, long-term telework.

As noted, when GSA disposes of property, particularly aging buildings, its R&A liability is reduced. If tenant agencies permit sufficient numbers of employees to telework for long periods

[74] GSA, *FY 2019 Congressional Justification*, February 2018, p. 31, https://www.gsa.gov/cdnstatic/GSA%20FY%202019%20CJ.pdf.

[75] OMB, *Circular A-11, Preparation, Submission, and Execution of the Budge, Appendix B*, December 2019, pp. 1-11, https://www.whitehouse.gov/wp-content/uploads/2018/06/a11.pdf.

[76] OMB, *Circular A-11*, pp. 1-11.

[77] GSA, *FY 2021 Congressional Justification*, February 2020, p. 14, https://www.gsa.gov/cdnstatic/GSA%20FY%202021%20Congressional%20Justification.pdf.

[78] Letter from OMB Director Mick Mulvaney to Vice President Mike Pence, June 12, 2018, https://www.whitehouse.gov/wp-content/uploads/2019/03/FCRF_Pence.pdf.

[79] OMB, *Budget of the U.S. Government, FY2021*, February 2020, p. 75, https://www.whitehouse.gov/wp-content/uploads/2020/02/spec_fy21.pdf.

[80] OMB, *Budget of the U.S. Government, FY2021*, February 2020, p. 75.

[81] OMB, *Budget of the U.S. Government, FY2021*, February 2020, p. 75.

of time (years or indefinitely), GSA may be able to dispose of additional properties. For example, if three tenant agencies who occupy a GSA-owned building were to allow some or all of their employees to telework, GSA may be able to relocate the remaining on-site workers to empty space in other federal buildings. Once empty, GSA could sell the property, which would generate revenue as well as reduce the agency's R&A liability. GSA could also redevelop the vacant property through a PPP that requires the private sector partner to complete needed R&A projects.

Similarly, a reduction of the number of on-site employees would reduce the workload on building systems and mitigate the gradual degradation of a facility caused by daily use. GSA may be able to lease the unutilized space, generating revenue from the private sector that would exceed the rent paid by federal tenants.

Conversely, if government agencies develop policies that require a minimum distance between employees in order to reduce the likelihood of transmitting an illness at the office, GSA may need to acquire additional space and alter existing space. This might result in an increase in fixed costs and a need to fund additional alteration projects.

Policymakers may consult with GSA tenant agencies about the possibility of expanding their telework programs, taking into account both the benefits of reducing the government's R&A liabilities and the experience they are gaining about the programs during the COVID-19 pandemic.

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