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The Honorable John R. Kasich
Chairman, Committee on the Budget
House of Representatives

Subject: Downsizing and Space: Updated Information on Agencies' Actions and Plans to Reduce Space Available Through Downsizing

Dear Mr. Chairman:

As you requested, this letter updates the information we provided in our 1995 letter, Downsizing and Space (GAO/GGD-95-51R, July 14, 1995). That letter pointed out that because of the significant downsizing of the federal workforce mandated by law, we believed that reductions of costly federal office space associated with these workforce reductions, if planned and managed effectively, could also be significant. As agreed, this letter summarizes and supplements information we orally provided to your office on May 1, 1997, regarding (1) the General Services Administration's (GSA) and the Office of Management and Budget's (OMB) actions to develop a governmentwide strategy for managing space reduction opportunities available through downsizing and (2) GSA's, OMB's, and 10 other executive branch agencies' individual actions to reduce unneeded or underutilized space available through the downsizing of these agencies.

We obtained the information in this letter related to a governmentwide strategy through discussions with appropriate GSA and OMB officials. We obtained the information related to space and cost reductions primarily through oral and written responses to questions from appropriate officials of the 12 agencies. In addition to GSA and OMB, the other agencies included in both our 1995 letter and in this letter are the Departments of Agriculture (USDA), Health and Human Services (HHS), the Interior, Transportation (DOT), the Treasury, and Veterans Affairs (VA); the U.S. Army Corps of Engineers (USACE); the Federal Deposit Insurance Corporation (FDIC); the Tennessee Valley Authority (TVA); and the National Aeronautics and Space Administration (NASA). We did not verify the information agencies provided, nor did we assess the adequacy of any agency's efforts to identify and reduce unneeded space. On June 30, 1997, we requested comments on a draft of this letter from the Director of OMB and the Administrator of GSA. Their comments are discussed at the end of this letter.

RESULTS IN BRIEF

Our 1995 letter, issued early in the government's downsizing process, stated that neither GSA nor OMB had developed a governmentwide strategy specifically for managing reductions of space no longer needed because of downsizing the federal workforce. Our current review disclosed that neither GSA nor OMB had developed such a strategy–GSA because it did not believe one is needed, and OMB because it believes that management of federal space is GSA's responsibility. Also, neither GSA nor OMB knows how much space agencies have reduced through downsizing, nor how much space is unneeded or underutilized because of downsizing.

GSA has recognized the need to improve its overall management of the government's space, including space made available through downsizing, but it does not believe that a separate strategy for managing space from downsizing is necessary. It has taken several steps that it believes will improve its ability to manage the government's owned and leased properties and that could help reduce unneeded and underutilized space. For example, GSA plans to implement a new on-line computer system that GSA believes will give it new and improved capabilities to manage the government's space. Also, GSA recently established a team that has as one of its responsibilities studying the effects of and management of space resulting from downsizing .

OMB acknowledged that space is costly, and its budget examiners often do not give the issue of space cost reduction opportunities the attention it needs because these costs do not have the high profile of other costs and programs in the budget. OMB believes, however, that GSA is the principal agency responsible for overseeing space management issues governmentwide and that GSA is taking the steps necessary to better position itself to more effectively manage space reduction opportunities.

Our 1995 letter pointed out that GSA, OMB, and the other 10 executive branch agencies had either undertaken proactive space management approaches or were awaiting the outcome of other issues prior to beginning agency-specific space management initiatives. For our current review, the 12 agencies reported that they were in different stages of downsizing and of identifying and implementing space and cost reductions. One agency reported that it had completed the downsizing process and had achieved both space and cost reductions. Seven others reported that their downsizing processes were ongoing, they had achieved both space and cost reductions, and they expected additional space and cost reductions in the future. Three others reported staff reductions were in process, some reductions in both space and costs were in the process of being achieved, and future reductions in both space and costs were expected. And two agencies reported that they were developing space reduction strategies and were expecting future reductions in both space and cost.

Altogether, eight agencies reported that annual cost reductions of about $68 million had been achieved by reducing space, while three other agencies reported that space and cost reductions totaling nearly $34 million annually were in process. Also, one agency, NASA, reported that cost reductions of $250 million would be achieved through fiscal year 2000 by improving its space utilization–mostly through bringing contract personnel from off-site leased space into government-owned space made available through downsizing.[1] Five of the 12 agencies reported that they expected future savings of nearly $31 million from space reductions. Six of the remaining seven agencies said they expected future space reductions but did not provide a dollar estimate of the savings. (See table 1.)

BACKGROUND

The Federal Workforce Restructuring Act (Public Law 103-226), enacted on March 30, 1994, mandates federal civilian workforce reductions of 272,900 full-time equivalents (FTE) from executive branch agencies before October 1, 1999.[2] About 107,000 FTE reductions, or about 39 percent of the total, were expected to come from nondefense agencies. Our 1995 letter noted that federal civilian agencies occupied over 750 million square feet of office space in thousands of government-owned and -leased buildings nationwide. We expressed concern that with the loss of about 107,000 nondefense related FTEs through downsizing, millions of square feet of costly federal office space could become unneeded or underutilized. We stated that it probably was not possible to save the total cost of all space associated with FTE reductions because personnel losses could be scattered throughout multiple locations.

However, to provide an indication of the potential savings involved, in our 1995 letter we estimated the cost of the office space that may no longer be needed after downsizing to be about $362 million annually. We based this estimate on GSA's work space goal of 152.5 square feet per employee, GSA's nationwide office space average cost of $22.22 per square foot, and the 107,000 FTE reduction target. Currently, OMB projects that by 1998, total executive branch civilian FTE reductions, including the Department of Defense, will reach 299,600, or about 110 percent of the mandated reduction. This will be about a 14-percent reduction in FTEs from the 1993 base. Nondefense related agencies represent a reduction of 101,500 FTEs, or about 34 percent of the total reduction.[3]

As the government's central property management agency, GSA is responsible for providing governmentwide policy and direction for management of real property, including office space. GSA issues policies, regulations, requirements, and guidance for federal agencies' use in achieving the efficient use of space. For example, GSA has a workspace utilization target of 125 square feet per employee, plus supplemental support space, such as corridors and conference rooms, of up to 22 percent, or 27.5 square feet.

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[1]According to GSA, neither it nor OMB would be able to identify savings of this type from improved utilization since the space is reused.

[2]One FTE is equal to 1 work year or 2,080 nonovertime hours. One full-time employee equates to one FTE, and two half-time employees equate to one FTE.

[3]Between fiscal years 1996 and 1998, the Department of Justice is estimated to grow by 18,000 FTEs, which will offset some of the total reduction in FTEs by other nondefense agencies that were originally projected.

As the government's central authority on budgetary matters, OMB requires executive agencies to submit a workspace management plan and budget justification annually. The plan is to include estimates of office space utilization rates, rental rates, and costs.

Federal executive agency heads are responsible for the efficient use of their agency's space. Executive Order 12411, signed March 29, 1983, requires agency heads to establish programs to reduce the amount of workspace, used or held, to that which is essential to accomplishing known agency missions.

GSA AND OMB SPACE MANAGEMENT ACTIVITIES

In 1995, we reported that although GSA did not have a governmentwide strategy specifically for managing space reduction opportunities related to the government's downsizing efforts, GSA had taken steps that it believed would help to identify and limit potentially unneeded or underutilized federal office space. Similarly, our current review disclosed that GSA still has no such strategy because it did not believe a specific strategy was needed. GSA knows neither how much space governmentwide has been reduced through downsizing nor the potential amount of space that may be unneeded once agency downsizing actions are completed. According to GSA's Deputy Commissioner for the Public Building Service (PBS), GSA's strategy is to manage all government-leased and -owned space, including all excess space, not just space made available through downsizing. Also, he said that GSA's information about its inventory of vacant space does not include a reason why the space is vacant because GSA does not need such information to manage its space.

GSA has under way several initiatives that it believes will improve its management of the government's real property, including unneeded or underutilized space. For example, GSA is implementing a new on-line computer system, System Tracking and Administering Real Estate (STAR), which is to provide GSA with new capabilities. It is designed to be an integral part of GSA's day-to-day real estate management activities. STAR is to provide direct support to GSA real estate personnel, and GSA officials believe that STAR will enable GSA to better manage government-owned and -leased properties. GSA also believes that STAR should provide property managers throughout GSA with the ability to readily input data, access information, and create and review reports. GSA plans to phase in STAR during the first quarter of fiscal year 1998.

In addition, GSA is testing a program called "Ponding the Raindrops," which is an effort to consolidate small amounts of unneeded and underutilized space. Several of the 12 agencies we reviewed stated that finding money to fund the costs of space consolidations is a problem hindering agencies' space reduction efforts. Ponding the Raindrops is an attempt by GSA to address this long-standing problem. GSA is trying to consolidate about 1.2 million square feet of leased office space in 37 federal projects, with a goal of identifying 600,000 square feet of underutilized space. This space could then be leased to other agencies or turned back to the lessors and the leases terminated. GSA hopes to demonstrate to Congress that by funding the cost of space consolidations, long-term savings can be realized. As an example of this approach–spending money to save money--the Internal Revenue Service (IRS) reported that it incurred $19.7 million in one-time costs to consolidate and reduce unneeded space, which reduced its space costs by $17.2 million annually.

According to GSA, the federal building fund has recently experienced lower-than-estimated rent revenue attributable, in part, to GSA's misjudgment of the impact of federal downsizing on GSA's space inventory.[4] GSA officials told us that GSA is now formally considering the effects of federal agencies' downsizing and space reduction plans in GSA's forecast of rent collections from federal agencies. Rent collections, in large part, make up GSA's federal building fund, which is used to fund its real property management activities. GSA said that its regional asset managers, who usually have specific knowledge of local agencies' actions and plans related to office space, are now reviewing the data supporting GSA's rent estimates to improve their accuracy. With improved rent estimates, GSA officials believe that the agency will be positioned to better manage the federal building fund.

Other GSA space management improvement actions GSA cited included developing a real property information clearing house, reviewing governmentwide real property disposal policies, reviewing and analyzing private and public space management practices, developing asset management principles for use by federal agencies, and recently establishing a team to study all space that is vacant, including the effects of and management of space changes resulting from downsizing. According to GSA, it is currently reviewing the team's report.

Since our 1995 letter, OMB has done little new to identify excess space resulting from downsizing of the government. OMB said that GSA, as the government's central management agency for real property, has the primary responsibility for establishing policy and providing oversight for space management activities governmentwide. Also, OMB has not calculated how much space or savings federal agencies have realized as a result of downsizing, nor does it know the potential for further savings. OMB staff acknowledged that space is costly and that OMB had directed its budget examiners to look closely for potential cost savings in the area of space. However, according to OMB staff, OMB's budget examiners often have not given space costs the attention they could because these costs do not have the high profile of other costs and programs in the budget. Further, OMB staff believe that the actions taken or under way by GSA as described earlier in this letter should position GSA to more effectively manage potentially unneeded and underutilized federal space that might result from downsizing.

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[4]We discussed the issue of downsizing and space at a recent congressional oversight hearing on the rent shortfall in GSA's federal building fund. See General Services Administration: Downsizing and Federal Office Space (GAO/T-GGD-97-94, Apr. 24, 1997).

AGENCIES ARE AT DIFFERENT STAGES OF SPACE AND COST REDUCTIONS

Our 1995 letter pointed out that the 12 executive branch agencies that we reviewed were taking varied approaches to identifying and managing space reduction opportunities available through downsizing. In our current review, the 12 agencies reported that they were in different stages of the downsizing and space and cost reduction process. Some agencies reported having been or being in more than one stage. One agency reported that it had completed the downsizing process and had achieved both space and cost reductions; seven others reported that they were still in the process of downsizing, had achieved some space and cost reductions, and expected further reductions in the future; three others reported that both staff reductions and space and cost reductions were in process, and more reductions were expected in the future; and two agencies reported that they were developing space reduction strategies and that they expected future space and cost reductions. Several of these agencies said that their space and cost reductions were due not only to downsizing but also to budget cuts, program changes, and reorganizations. Table 1 shows the information provided by the 12 agencies on cost reductions from space reductions already made, in process, and expected. In addition, NASA reported expected cost reductions of about $250 million through fiscal year 2000 from all types of facility reductions and improved space utilization.

Table 1: Aggregate Annual Space Cost Reductions Reported by Twelve Agencies

Dollars in millions

Agencies	Reductions made	Reductions in process	Reductions expected	
			Dollar estimate	No dollar estimate
GSA	$9.2			✓
OMB	1.0			
Treasury	20.2	$0.4		✓
USACE	3.2			✓
FDIC	9.5		$12.4	
TVA	1.2		1.4	
Interior	14.1		0.9	
NASA	10.0		10.0	
DOT		30.4	6.0	
HHS		3.0		✓
USDA				✓
VA				✓
Total	**$68.4**	**$33.8**	**$30.7**	

Source: Data obtained from the agencies.

The following is a brief description of the information provided by the 12 agencies on their efforts to reduce space. We grouped six agencies together because they provided comparable data on both cost and square foot reductions. We discuss the remaining six agencies separately because they did not provide comparable data on cost and square foot reductions.

Six agencies: GSA, OMB, Treasury, USACE, FDIC, and TVA reported space and cost reductions totaling approximately 3 million square feet and about $44 million. FDIC and TVA expect future space and cost reductions totaling approximately 1.2 million square feet and about $13.8 million. GSA and Treasury's IRS expect further reductions in space and costs but have not made estimates. According to Treasury, its other components are assessing their opportunities for future space and cost reductions associated with planned or potential reorganizations and office realignments. USACE expects further FTE reductions but has not yet determined how much space can be reduced. OMB has completed its downsizing and associated space and cost reductions.

Interior: Interior reported that it has reduced its space costs by about $14 million annually but has not yet determined the number of square feet associated with the cost reduction. Interior estimates future space cost reductions of at least $900,000 annually.

NASA: NASA reported that it has both eliminated unneeded space and improved space utilization. It reported $10 million in annual office space cost reductions from reductions of leased space and elimination of trailers and other substandard space. Through all types of facility reductions, NASA expects to reduce its costs by approximately $250 million through fiscal year 2000, mostly by bringing contract personnel from off-site leased space into government-owned space made available through downsizing of personnel and contractors. NASA estimates that future office space reductions may lower its lease costs by another $10 million annually.

DOT: DOT projects both space and cost reductions in coming years. For fiscal years 1993 through 1996, DOT identified cost reductions of $5.3 million from unneeded space resulting from downsizing, budget reductions, and other actions. However, at the same time, other parts of the agency grew, offsetting some workforce and space and cost reductions. In June 1996, DOT formed a "Co-Location" task force to review DOT's field offices for opportunities to reduce cost, increase efficiency, improve customer service, and advance recommendations of the National Performance Review. In fiscal years 1997 and 1998, DOT expects space reductions of 2.7 million square feet, mostly due to the closing of two U. S. Coast Guard facilities. DOT reported cost reductions of $30.4 million annually from closing one facility, which is expected to reduce costs by $1.4 million, and deactivating another facility, which is expected to reduce costs by $29 million. DOT estimates that additional potential future space and cost reductions at its facilities could be about 2 million square feet and about $6 million annually, respectively.

HHS: When HHS space reduction efforts are complete, it expects to save $3 million annually, of which $1.3 million will be from consolidating and reducing HHS headquarters by 70,000 square feet. Six HHS components reportedly were in the process of planning space reductions. Another component was housing a number of contractors, grantees, interns, and cooperative research development personnel in space made available through downsizing. Another component was using the space made available through downsizing for other purposes, such as training rooms, a multimedia facility, and records storage. Several other components were not planning space reductions because they were not downsizing and they have been provided with increases in funding and personnel. HHS expects further space and cost reductions in the future.

USDA: USDA reported it was in various stages of space reductions after downsizing by 13,832 FTEs. Its headquarters was consolidating space now located in two Washington, D.C., area buildings. USDA field offices reportedly have not identified space reduction opportunities because they have been undergoing a major reorganization over the past 4 years and because of other factors. As of April 1997, the Assistant Secretary for Administration was developing a policy and guidance to better manage rental space in both the field and headquarters.

VA: VA reported that it was beginning to address the space reduction issue after reducing 24,048 FTEs. Downsizing actions came while VA was making major space renovations to its central office. VA elected to complete the renovation before addressing the issue of space reduction. VA said it was convening a task force to survey space changes and space needs in the central office in order to identify underutilized or unneeded space. Further, a large percentage of VA's field employees work in its 173 hospitals and in national cemeteries--locations where there is not a direct relationship between FTEs and space.

SCOPE AND METHODOLOGY

The information presented in this letter relating to a governmentwide space reduction strategy was obtained through interviews with appropriate GSA and OMB headquarters officials. The data relating to the 12 agencies' space and cost savings were obtained through a data collection instrument and interviews with officials at the headquarters of GSA, OMB, and the 10 other executive branch agencies selected for review in our 1995 letter and included in our current review. We did not verify the information on space and cost reductions provided by the agencies, nor did we assess the adequacy of any agency's efforts to identify and reduce unneeded space. Because agencies did not always provide comparable or complete data, it was not possible to compile total reductions in dollars and square feet. We conducted our work from February through May 1997 in accordance with generally accepted government auditing standards.

AGENCY COMMENTS

On June 30, 1997, we provided a draft of this letter to the heads of GSA and OMB for comment. On July 10, 1997, OMB's Acting Associate Director for Administration said that OMB had no comments on the draft letter. On July 16, 1997, GSA's PBS Deputy Commissioner provided oral comments saying that GSA generally agreed with the letter.

He also provided technical comments and new information that have been incorporated into the letter where appropriate.

We did not seek official agency comments from the other 10 agencies. However, we did ask the 10 agency program officials that we had been working with on this assignment to review the information to be included in this letter. Six officials agreed with the information while three officials provided updated information that has been incorporated into the letter where appropriate. The program official from one agency did not respond to our request.

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We are sending copies of this letter to the Ranking Minority Member of your Committee; the Chairman and Ranking Minority Members of other congressional committees with responsibility for GSA oversight and appropriations; the Director of OMB; the Administrator of GSA; and the heads of the other 10 agencies included in our review. We will also make copies available to others on request.

Major contributors to this letter were Sherrill H. Johnson, Assistant Director, and Tom Keightley, Senior Evaluator. If you have any questions concerning this letter, please contact me on (202) 512-4232.

Sincerely yours,

Bernard L. Ungar

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Director, Government
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(240235)

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