Chairman's Statement
Senator Tom Coburn, M.D. (R-OK)
Big Ticket Waste: Are Empty Federal Buildings Emptying the Taxpayers' Wallets?
February 6, 2006

Welcome. I want to thank you for joining me and my Senate colleagues here in the windy city. It's always a pleasure to get out of the alternate universe of Washington, DC and visit with plain-dealing Americans. Americans have common sense, and Americans understand the basics of financial management. Senator Carper and I have been trying to bring some of these basics back to Washington and apply them to the Federal government.

We are here today to bring some sunshine to a problem with wasted and unused Federal space. And unfortunately, the "poster child" for this problem is just across the street from us. The 2.5 million square foot post office has been vacant since 1997 – that's 9 years. Nine years of maintenance costs. Nine years of lost potential rental income if we'd rented it out. Nine years without the profit we could have applied to improving the postal system or keeping postal rates low, had we sold the building when we first vacated it. Or maybe nine years a non-profit group could have been putting that building to public use such as serving the homeless.

You see, wasted, unnecessary Federal space isn't just a nuisance, or an eye-sore, or a wasted opportunity. It's actually robbing the country of what we should be getting for our money. But it's not just us being robbed. When you consider the unsustainable growth of programs like Social Security and Medicare, and the promises we won't be able to afford to keep for our children and grandchildren, then the waste across the street is actually robbing future generations of their quality of life.

It's hard to imagine that, sitting here in the heart of downtown Chicago, you wouldn't see developers lining up to buy that building. And in fact, to its credit, the Postal Service HAS been trying to get rid of the building for a long time. But the legal and regulatory barriers that previous Congresses and Administrations have erected have made it all but impossible.

This isn't an easy topic to get people excited about. But it's a big problem. Or at least, we think it is. The fact is, your Federal government doesn't actually know how much space it needs and doesn't need. Nobody keeps track in any systematic way. Until President Bush took office, nobody had the authority to demand the information be collected across the whole government.

Here's what we do know. The Federal government has about $328 billion in real estate assets worldwide. Given a Federal workforce of 4.1 million civilian and uniformed personnel, that means we are putting an $80,000 roof over every single Federal employee's head. Put another way, the Federal government owns over 2.8 billion square feet of building space. That means we house each Federal employee with almost 700 square feet of office space. How many

square feet are in YOUR office? Mine is about 450 square feet, and I used to think I had a pretty nice set-up!

Now these statistics aren't real in the sense that we don't really give every employee a 700-square-foot office. But the fact that these numbers are so over the top tells us something about excess Federal space. We could not possibly be using all this space.

GSA estimates that the government owns more than 415,000 buildings and pays rent on 72,000 leases. Our annual rent bill is $6.7 billion. That means we have a whole Federal building for every 8 Federal employees. And Americans pay over $1,600 in rent on leased space for every single Federal employee. Every facility that we rent instead of own means that the taxpayers gain no equity during years and years of leasing. As we discovered in a hearing last year, these leasing arrangements are usually in the form of the most costly leasing schemes possible – called "operating leases."

Not all the blame, however, can be laid on the agencies. The statutory hoops an agency must jump through in order to get rid of property make it almost impossible to dump a property and they create a slew of disincentives to do so. For instance, once an agency decides it wants to get rid of a facility, it has to offer the building up, potentially at a loss for the taxpayers, to non-profit groups for public use. If it gets no takers, it then has to make discounted offers to local and state governments. Then, and only then, can the agency sell the building at market rates. Of course, when it does so, the agency will appropriately have to put the money from the sale into the Federal treasury rather than stuffing its own pockets. Under these conditions, it's easy to see why agencies procrastinate addressing the serious problem of wasted and unnecessary facilities. Taxpayers and their representatives in Congress must demand action.

To that end, here are some key steps that need to happen on the path back to fiscal sanity:

1. **Responsibility for ALL Federal property needs to be centralized.** Some could argue about whether the responsibility should rest with each agency head only, or with GSA only, but it can no longer be split between the two. OMB has performed some useful coordination, but the real authority for fixing our broken real property mismanagement must rest with one identifiable person.

2. **The Federal Government must keep records of what it owns and leases.** It's embarrassing that we haven't even gotten this far. One of the first principles of accountability is transparency.

3. **The Federal Government needs a set of criteria for designating a building as "excess" or not.** These criteria may vary from agency to agency, but the criteria need to be written, standardized to a reasonable degree, and applied consistently and predictably to every Federal property.

4. **The Federal Government needs to assess the monetary value of its excess space and factor that into its budget process.** Once a regularized process is in place for

designating a property as excess, then the financial value of that asset needs to be determined and applied to the overall Federal budgeting process. As the President prepares his budget each year, he needs to know what assets he'll have coming in from disposed property so that he can factor those proceeds in before he makes a request of Congress for ever-increasing appropriations.

Every American family understands that when they sell their home, they will be able to use the profit to meet other needs or to invest in a different home. People don't usually buy a new car until they sell their old one and they know how much they're going to get for it. Americans should demand no less common sense in their government's financial management than they would in the management of their own households.

We're not here to chastise the Administration. President Bush inherited this situation – both the quantity of excess property and the statutory and regulatory barriers to getting rid of it. He has made commendable first steps in the right direction and I look forward to working with the Administration to move the process even further along.

I want to thank all the witnesses for being here today, including the VA, the Department of Defense, GAO, and GSA. I especially want to thank the U.S. Postal Service for testifying, but also for hosting us and being particularly helpful to my staff in preparation for this hearing.