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Washington, D.C. 20548

General Government Division

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July 14, 1995

The Honorable William Cohen
Chairman, Subcommittee on Oversight
of Government Management and the
District of Columbia
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

As you requested, this letter provides information on the federal government's efforts to identify and manage office space that may be underutilized after agencies downsize. Federal civilian agencies occupy over 750 million square feet of office space in thousands of government-owned and-leased buildings nationwide. These agencies are expected to reduce their workforces by at least 13 percent, or about 107,000 non-Department of Defense (DOD) employees, by the end of fiscal year 1999. These cuts could result in millions of square feet of underutilized federal office space.

The information presented in this letter was obtained through interviews with and documents gathered from the General Services Administration (GSA) and the Office of Management and Budget (OMB), as well as from selected agencies expected to be downsized over the next several years as part of the administration's and Congress' efforts to reduce the size of the federal government. These agencies are the Departments of Agriculture (USDA), Health and Human Services (HHS), the Interior, Transportation (DOT), the Treasury, and Veterans Affairs (VA); the Army Corps of Engineers; the Federal Deposit Insurance Corporation (FDIC); the National Aeronautics and Space Administration (NASA); and the Tennessee Valley Authority (TVA). FDIC and TVA can acquire and dispose of office space without GSA involvement, but OMB oversees these agencies' budgets.

Although it is still early in the downsizing process, at the time of our review, GSA and OMB, the two central management agencies responsible for space management and budget matters, had taken some steps to identify and restrain the amount of underutilized federal office space. However, neither had yet developed a governmentwide strategy for managing reductions in agencies' office space requirements specifically related to

personnel downsizing. Information we obtained from 12 executive branch agencies indicated that individual agency strategies ranged from a proactive space management approach to those that would develop as downsizing proceeded. Further, GSA officials said that the information OMB obtained from most executive branch agencies indicated that the agencies did not project any net reductions in federal office space through fiscal year 1999--even though they projected an 18 percent reduction in total employment.

BACKGROUND

The Federal Workforce Restructuring Act, which was enacted on March 30, 1994, mandates workforce reductions of 272,900 full-time equivalents (FTE)¹ from civilian and defense agencies before October 1, 1999. About 107,000 FTE reductions, or about 39 percent of the total, are expected to come from executive branch civilian agencies. As the federal government shrinks, millions of square feet of office space face underutilization if actions are not also taken to reduce the government's owned and/or leased office space inventory.

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 has issued regulations providing policies and requirements to guide executive agencies toward the full and efficient use of this space. Among other things, GSA has set a work space utilization target of 125 square feet per employee, plus supplemental support space of up to 22 percent, or 27.5 square feet.

Through Circular A-11, OMB requires each agency to submit a work space management plan and budget justification annually. The plan must provide estimates of office space utilization rates, rental rates, and costs. Furthermore, executive agency heads are responsible for the efficient and economical use of their agency's space. Executive Order 12411, signed March 29, 1983, describes how federal work space should be managed and requires, among other things, that agency heads cut the amount of work space held or used to the minimum essential for known agency missions.

DOWNSIZING COULD REDUCE AGENCIES' NEED FOR OFFICE SPACE

While it may not be possible to save the full cost of all office space associated with FTE reductions because, for example, affected

¹FTE employment is the total number of hours worked or to be worked divided by the number of compensable hours applicable to each fiscal year. The FTE concept is intended to capture the work hours of all federal employees.

positions may be scattered, reducing unneeded space where possible should produce substantial savings. To provide an indication of the dollars involved, we used GSA's workspace target of 125 square feet per employee, the maximum supplemental support space allowable of 27.5 square feet per employee, and the 107,000 target for FTE reductions. We calculated that about 16.3 million square feet of office space would be associated with the 107,000 FTEs. On the basis of GSA's nationwide average cost of \$22.22 per square foot for office space, we estimated that this space could cost the federal government as much as \$362 million each year.

GSA officials told us that, until agencies identify and locate the components to be reduced, estimate their space requirements, and report this information to GSA, it can provide only limited agency-specific assistance. According to GSA's Deputy Administrator, individual agencies have primary responsibility for space management because they control their budgets and decide how to spend their money.

Since about mid-1994, GSA has taken a number of steps to minimize the amount of office space that federal agencies can acquire in the future. During the summer and fall of 1994, the GSA Administrator called for a "Time Out and Review" of high-dollar-value capital investment projects. GSA claims this effort identified almost 1 million square feet of no-longer-needed agency expansion space. GSA's "No Net New" policy, instituted in September 1994, stopped actions to acquire net new office space as measured against GSA's portfolio-wide inventory baseline of general purpose office space. In March 1995, GSA's Administrator proposed a "time out" to provide an opportunity to review the need for current and pending agency leasing actions in the context of the Vice President's reinventing government efforts. Then, on April 25, 1995, GSA announced a temporary moratorium on most agency leasing actions pending completion of the administration's downsizing decisions, and offered GSA assistance to agencies as they plan for their future space needs. While these efforts were not targeted specifically on reducing potential excess office space caused by impending cuts in the federal workforce, they were important steps toward better managing the future space requirements of federal agencies.

OMB officials have recognized that, in the aggregate, office space is expensive and that its use should be planned and managed. They said that agencies' office space requirements should decline as FTEs decrease. Although OMB is responsible for reviewing agencies' budgets, including the cost of office space, OMB officials said they lack the staff to do in-depth analyses of agencies' office space requirements. They stated that it is not too early for agencies to start developing aggregate estimates of future space needs, and that GSA as the government's real property manager could assist agencies in reconsidering their space needs in response to downsizing.

In May 1994, OMB directed agencies to project their office space needs in relation to anticipated personnel reductions for fiscal years 1996 to 1999 and submit those projections to OMB by June 30, 1994. OMB officials told us that both the agencies and GSA could use this information to begin analyzing and planning how workforce reductions could affect their office space needs.

GSA officials told us that the data provided to OMB projected no net reduction in federal office space requirements through fiscal year 1999, even though an 18-percent reduction in total employment is projected during this same period. Also, where space reductions were identified, they were at the gross national level and thus did not identify where or when specific reductions would take place.

INDIVIDUAL AGENCY SPACE
MANAGEMENT EFFORTS VARIED

Information we obtained from 12 executive branch agencies expected to be downsized indicated that some were taking a proactive approach to managing space affected by downsizing, while others were awaiting pending employee buyouts, reorganizations, or legislative actions.

Four agencies (DOT, FDIC, OMB, and TVA) had developed agencywide space management initiatives. TVA, for example, had looked at downsizing and office space from an agencywide perspective, and had developed plans to reduce its space inventory by 1 million square feet over the next 3 years.

Three agencies (Interior, NASA, and Treasury) did not have agencywide plans but had bureaus or offices that were developing space management plans. NASA, for example, had a less centralized approach to office space planning as it related to workforce reductions, and both NASA headquarters and field offices planned to develop site-specific office space requirements that take personnel reductions into consideration.

Five agencies (USDA, Corps of Engineers, GSA, HHS, and VA) had not begun specific space management initiatives related to downsizing because they were awaiting the outcome of employee buyouts, agency reorganizations, or legislative initiatives.

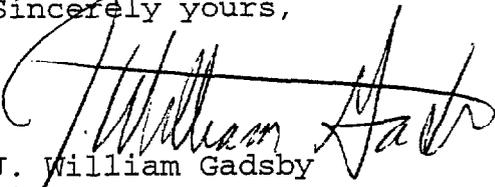
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We recognize that it is early in the federal personnel downsizing process and that future governmentwide office space needs are emerging and may not be quantifiable at this time. However, GSA's offer to help agencies in their planning efforts is an important step in developing specific estimates of future space needs and possible savings from orderly reductions of space commitments.

B-260008

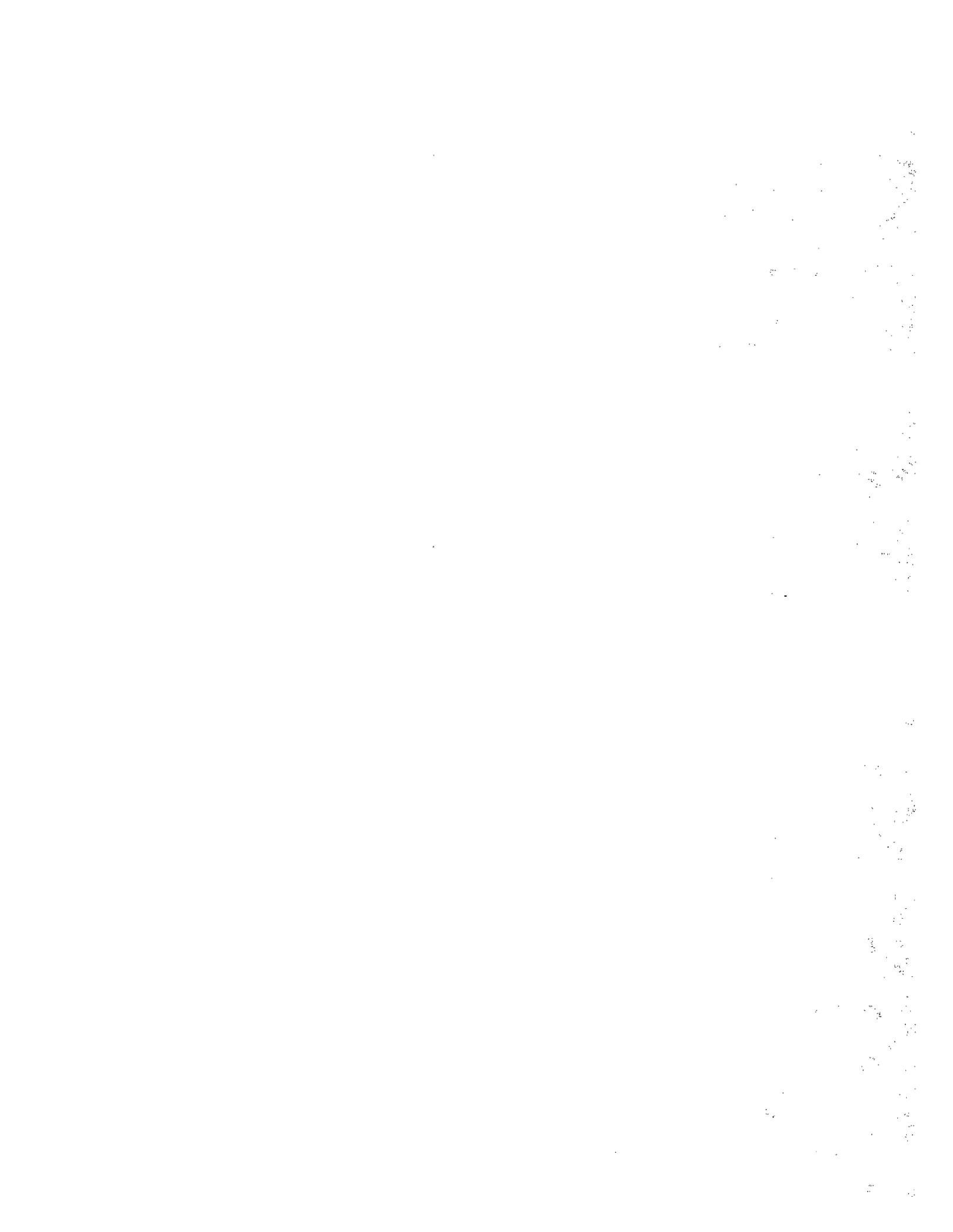
We discussed the information presented in this letter with GSA's Commissioner of Public Buildings Service and OMB's Chief of the Federal Services Branch, and incorporated their comments where appropriate. If you have any questions concerning this letter, please contact me on (202) 512-8387.

Sincerely yours,



J. William Gadsby
Director, Government
Business Operations Issues

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