

Testimony for PBS Commissioner Nina Albert
Before the House Transportation and Infrastructure Subcommittee on Economic
Development, Public Buildings, and Emergency Management
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Good morning, Chairwoman Titus, Ranking Member Webster, and Members of the Subcommittee. My name is Nina Albert, and I am the Commissioner of the Public Buildings Service (PBS) at the U.S. General Services Administration (GSA). I appreciate the Committee's interest in GSA's Capital Investment Program (CIP) and look forward to sharing our outlook on the opportunities and risks facing GSA's real estate portfolio. Today, I will describe the importance of constructing new and maintaining existing Federal facilities for the safety of the public and Federal employees; the financial risks to the government if we do not address mounting deferred maintenance and other liabilities; and the savings to taxpayers if we institute an adequately funded capital construction program. GSA looks forward to partnering with the Committee to develop and implement concrete solutions that mitigate risk and reflect responsible government.

GSA oversees federally owned and leased facilities in more than 2,200 communities across the country where we manage customer service centers, courthouses, offices, labs, land ports of entry, warehouses, and other facilities. These facilities are visited annually by tens of millions of members of the public, including veterans, Medicare and Social Security beneficiaries, small business owners, victims of disasters, plaintiffs and defendants, contractors, and others. That is one of the reasons it is so critically important for GSA to make sure these facilities are resilient, safe and accessible.

It is also critical because of the moment we find ourselves in. The COVID-19 pandemic has set in place a once in a generation opportunity for Federal agencies to rethink how they provide effective workplace environments. The pandemic spotlighted the need for operational resilience and ability to transform traditional offices into hybrid offices capable of supporting both in-person and remote workers. Using lessons learned through the pandemic and leveraging our experience with mobile and hybrid work, there are likely to be opportunities to reduce general office space - especially opportunities to consolidate from leased into owned space, resulting in significant savings for the taxpayers and increased use of the Federal portfolio.

Unfortunately, GSA's ability to seize this opportunity is hampered by persistent underinvestment. Much of the federally owned portfolio in GSA's control is suffering from the consequences of significant deferred maintenance, driven by inadequate investment that is putting the American people and government operations at risk. For example, many federally owned GSA facilities have had persistent water penetration from leaking roofs and windows, which if GSA could have repaired when the problems were manageable, would have avoided what have now become major liabilities. Other facilities, including many U.S. courthouses, have outdated fire, life-safety and elevator systems, which prevents or impedes the safe and reliable movement of judges, jurors, families, and visitors. The poor conditions of these facilities inhibit their tenant Federal agencies from performing their missions at the levels of excellence the American taxpayer expects.

As a result, GSA requires mechanisms to ensure that GSA is able to make the necessary investments into the federally owned portfolio both now and in the future. Only through adequate and predictable funding will GSA be able to both address existing problems and to modernize and optimize the Federal portfolio. By replacing outdated and inefficient systems with efficient, safe and modern technologies, and updating federally owned buildings to deliver modern workplaces and spaces, GSA can achieve taxpayer savings. The one-time infusion of \$3.4 billion investment in land ports of entry through the Infrastructure Investment and Jobs Act (Public Law 117-58) is helping to significantly modernize those facilities, but they are only a fraction of the Federal portfolio that needs investment.

Financial Risks to the Government from Deferring CIP Investments

Delaying and deferring capital projects and investment needs only increases their overall cost, through project cost increases, scope changes, and the compounding expense of temporary repairs. Deferred repair projects eventually become full replacement projects. Current supply chain volatility and material cost increases only exacerbates this trend. The most significant hurdle to timely project execution has been lack of available and reliable funding to carry out the necessary and desperately needed work. However, other procedural delays can also slow progress. Together, both factors have added risks to the Federal government.

Over the past twelve years, GSA's annual appropriation from the Federal Buildings Fund (FBF) has averaged \$980 million below annual collections from customers. As a result, GSA's Capital

Investment Program (CIP), which supports repairs and renovations, acquisitions, and new construction projects, has been consistently underfunded, with most of those reductions occurring in the repair and alterations (R&A) programs. This level of sustained underinvestment in maintaining federally owned buildings has had a devastating effect on conditions in hundreds of buildings. Since FY 2011, GSA's immediate annual liabilities have doubled from \$1.3 billion in FY 2011 to \$2.6 billion in FY 2021. The total 10-year reinvestment requirements within the portfolio have also doubled from \$4.7 billion in FY 2011 to \$9.4 billion in FY 2021.

As an example of how delayed action increases costs, in GSA's FY 2023 budget request, eight projects that were included in the President's Budget were projects that had been requested in previous budgets. In fact, several of these have been submitted multiple times, with some being submitted as far back FY 2015. In FY 2023, the combined costs for these projects have increased by \$122 million since they were first requested in prior fiscal years and are likely to further compound if they are unfunded this year and further delayed. Funding-related project delays have an especially negative impact on multi-phase, major modernizations. Funding delays for the Department of Commerce's (DOC) headquarters renovation, which was submitted in FY 2003 and is only on phase 4 of 8, has prevented DOC from releasing back to GSA approximately 200,000 usable square feet, and kept other agencies in leased space. As a result, an opportunity to avoid approximately \$10 million in annual lease costs is currently being forfeited. There are additional opportunities to reduce lease costs through consolidation from private leases into federally owned space. However, this is only possible if existing Federal buildings are in satisfactory condition and are able to meet agency requirements.

Even when project funding becomes available, GSA often has to wait to begin a project. The prospectus process, as outlined in Title 40, adds significant time to routine repair projects and increases risk in several ways. First, the size and scope of a repair project can increase if a problem is not quickly addressed. Second, if a prospectus approval ends up lagging significantly behind the expected time frame, temporary or interim solutions may be needed while Committee action is pending.

In January 2022, a review by the Government Accountability Office (GAO) of GSA's prospectus process noted the many steps and considerable length of time required to develop and approve project prospectuses. GAO found that capital repair projects took an average of 23 months from prospectus draft to prospectus approval. This timeframe applied even for routine capital

maintenance issues, such as roof repairs and window replacements. As mentioned before, when repairs are delayed, smaller repair projects can become full-scale replacements. Additionally, forced measures such as lease extensions, temporary repairs, or multiple tenant moves also add significant cost and disruption to the affected agency. Approximately \$20 million a year can be saved in the Major Repairs and Alterations program by shortening the prospectus timeline and increasing the speed that GSA is able to go to the market with construction contracts.

Finally, I would like to call special attention to the risks posed to GSA facilities from extreme weather events and other natural disasters. Since 2017, 59 Federal facilities in the GSA portfolio have been damaged by floods, hurricanes, and other weather events. We expect the frequency of extreme weather events to only increase in the future. While Congress has generally provided emergency appropriations to repair many of these facilities, preventing damage in the first place is almost always the more cost-effective alternative. There are proactive measures that can be taken now to reduce facilities' vulnerability to these events, thereby reducing the risk of damage.

Opportunities to Reduce Risk in GSA's Capital Investment Program

GSA sees a number of opportunities to reduce risk and save money long-term. First and foremost, restoring full access to the revenues collected into the FBF each year will provide GSA the resources needed to address the maintenance backlog, to avoid lease costs through consolidations of agencies into federally owned space, and to improve the building inventory to meet the evolving needs of agencies and visitors alike; this is no more than what any private sector landlord would be able to do. With respect to the prospectus process, streamlining the current process could reduce risks and also yield significant savings. Finally, GSA can manage the financial and operational risks from climate change and extreme weather events through tailored adaptation measures which may include building-hardening, relocation, and other preparedness and resiliency measures.

(1) Gaining Access to Annual FBF Revenues

There are a number of potential solutions that would help unlock the full value of collections from the FBF. When I appeared before this subcommittee last November, Chair DeFazio noted

that the FBF funding issue was similar to funding challenges around the availability of monies that were being deposited into the Harbor Maintenance Trust Fund (HMTF), which Congress worked to resolve. We are eager to further explore this idea with the Committee and others. One point worth noting is that adopting a solution for the FBF similar to what was done for the HMTF would preserve both the prospectus approval and annual appropriations processes. These processes are important mechanisms to allow Congress to provide input and oversight over investments into the Federal portfolio.

(2) Streamlining the Prospectus Process

The January 2022 GAO report recommended that GSA assess its prospectus processes and communicate its findings to its authorizing committees to address any risks posed by the current process. GSA has been conducting this assessment, and I am pleased to communicate some of our findings to you today.

GSA believes setting a higher prospectus threshold for both capital and leased projects would allow us to direct scarce resources to many of the routine maintenance and repair projects of greatest need. Most major projects would still be subject to the prospectus process. Simultaneously, GSA could carry out many urgent projects that fall between the current threshold of \$3.375 million and a proposed threshold of \$10 million. Overall, roughly 60% of current projects, and 80% of major capital projects, that currently require prospectus approval would still be subject to the prospectus process with a threshold of \$10 million. This change continues to provide for Congressional oversight on major capital projects, while enhancing GSA's stewardship function. The current threshold of \$3.375 million requires GSA to seek authority from Congress to execute low-cost repairs to existing facilities that should be considered a part of routine maintenance, such as window replacements and elevator repairs.

Additionally, GSA notes that the Department of Commerce index referenced in 40 U.S.C. 3307 to adjust the threshold for annual cost increases no longer exists. As such, GSA identified alternative data sources and has included reference to the utilized indices in recent Congressional notifications of prospectus threshold increases.

Overall, a streamlined prospectus process with a higher threshold for authorization could provide significant benefits for taxpayers. GSA's preliminary estimates for lease cost avoidance

from a revised prospectus threshold suggest that such an update might produce upwards of \$30 million in annual avoided costs. Similar levels of savings are potentially available for capital repair projects as well. By going to the market with construction proposals sooner, GSA's repair and alterations program could save approximately \$21 million annually. Additionally, updating the prospectus statute would allow GSA to better respond to unforeseen and emergent circumstances more efficiently, which is vital to enabling agencies to perform their missions with minimal disruptions.

(3) Mitigating Financial and Operational Risks from Disasters

As previously mentioned, GSA and Federal tenant agencies have substantial financial exposure to associated risks from flooding, hurricanes, tornadoes, and other significant climate-related events. GSA would like to thank this Committee for its support of the budget request's \$60 million Climate and Resilience Special Emphasis Program through the issuance of a prospectus resolution, allowing GSA to conduct formal agency-wide vulnerability assessments to align with the climate science from the latest National Climate Assessment; fortify agency risk management efforts; and identify and execute the highest priority projects across the country, such as critical building system relocations, flood mitigation and storm water management, and building filtration and ventilation projects. I deeply appreciate the Committee's quick action on this prospectus, and ask for your continued assistance in securing funding for this important work.

In conclusion, we are at an important inflection point in the management of GSA's Federal real estate portfolio, with a unique opportunity to modernize and optimize the Federal real estate footprint. GSA is committed to meeting this moment. With more flexible authorities, funding to improve resilience, and full access to the annual revenues we collect from partner agencies, we can provide safe, modern, and secure facilities for Federal customer agencies - while supporting local economic activity and saving taxpayers significant amounts of money over the long-term. I appreciate the opportunity to be here with you today, and I look forward to working with the Committee on these and other proposals to improve management of the Federal real estate portfolio.