

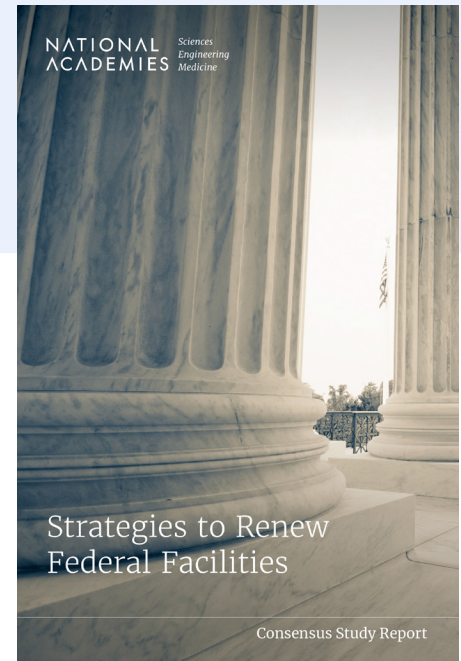
Strategies to Renew Federal Facilities

The U.S. federal government operates close to 3 billion square feet of mission-enabling building space (“real property”) that requires close to \$70 billion (or about 1/8 of discretionary spending) every year. The federal agencies that receive these allocations from Congress accept the responsibility to manage the funding and facilities effectively and efficiently. However, the federal government is not managing its real property inventory adequately, largely due to shortcomings in U.S. federal policy that fail to reconcile real property capital plans to budget, objectives, and mission delivery. In recognition of this persistent problem, the Federal Facilities Council commissioned a study to identify a broad-based, practical solution. A new National Academies’ report, *Strategies to Renew Federal Facilities*, acts as a “how-to” guide to fix federal policy so federal agencies can effectively and efficiently manage their facility assets. The report emphasizes that solving the systemic issues with federal facilities management requires “management system thinking” to affect the changes needed. The report details a bold, new approach to managing facility assets to ensure federal agencies can continue to provide the nation with critical products, services, and security.

Read or download the full report at <https://nap.nationalacademies.org/26806>.

THE NEED FOR FACILITY RENEWAL STRATEGIES

During meetings with senior agency officials, congressional staffers, and external experts from the public and private sectors, the study committee found that federal real property facility and financial managers believe they know *what* to do but are challenged on *how* to establish compelling strategies for facility renewal.



The report defines *renewal of a single asset* as “the extension of functionality beyond its expected service life.” In this context, asset renewal includes renovation, replacement, and repurposing. To be successful, renewal strategies must inform senior officials and policy makers on how to make investments in federal facilities that improve an agency’s overall mission performance in response to evolving and dynamic mission needs.

In practice, given operating constraints, federal agencies typically focus on sustainment funding and the amount of underfunded sustainment, which is also referred to as the “real property deferred maintenance backlog.” The problem with this perspective is that it is a lagging performance indicator that does not fully account for an agency’s real property renewal requirements. As a result, few agencies have systematically renewed their real property portfolios over time, which has resulted in poor facility performance and, in turn, suboptimal mission achievement. This ongoing problem led the committee to conclude that a federal facility renewal strategy needs to be a policy, not simply a vision, that embraces a plan of action for an agency’s real property portfolio, with actionable procedures and processes for achieving its mission objectives and obligations.

KEY ELEMENTS FOR RENEWAL STRATEGIES

The report recommends that agency strategies for renewing federal facilities should incorporate four elements:

- An **asset management systems approach** to real property portfolio management that ensures alignment with mission objectives and priorities; integrates annual operating costs with planned, periodic investment in (capital) construction and rehabilitation; and mandates its use in statutory, policy, and agency directives.
- **Capital planning and risk management tools** that meet science-based, professional standards for accuracy, rigor, transparency, and credibility, as well as **risk management methods** with common standards of integrity.

- **Budgeting structures** with sufficient resources for implementing facility renewal strategies, including user charges for the full cost of operating, maintaining, renewing, and disposing of facilities; aggregating funds in revolving or working capital funds to prioritize investments across the portfolio and avoid funding “spikes”; establishing capital acquisition financing funds, such as a Federal Capital Revolving Fund, to provide agencies with a source of capital they can repay over time; and privatizing or using public-private partnerships to devolve those public facilities and related services that are not inherently federal government responsibilities.
- **Strategic communication strategies** that ensure stakeholders and decision makers understand the short- and long-term costs, benefits, and risks of federal facility renewal strategies and their relationships to achieving agency mission objectives.

Federal facility managers and budget officers need to articulate a compelling message to identify and fund facility renewal needs. Senior real property officials also need to instill a portfolio approach, including a rigorous adoption of an asset management system based on ISO 55000 principles and requirements to enable agencies to identify, prioritize, and ultimately incorporate their most urgent facility needs and funding requirements into the President’s Budget submission to Congress. Ensuring close collaboration between facility and budget management requires agencies to implement facility capital planning through their strategic planning processes with senior leaders, to reconcile agency performance goals with available budgets and capabilities.

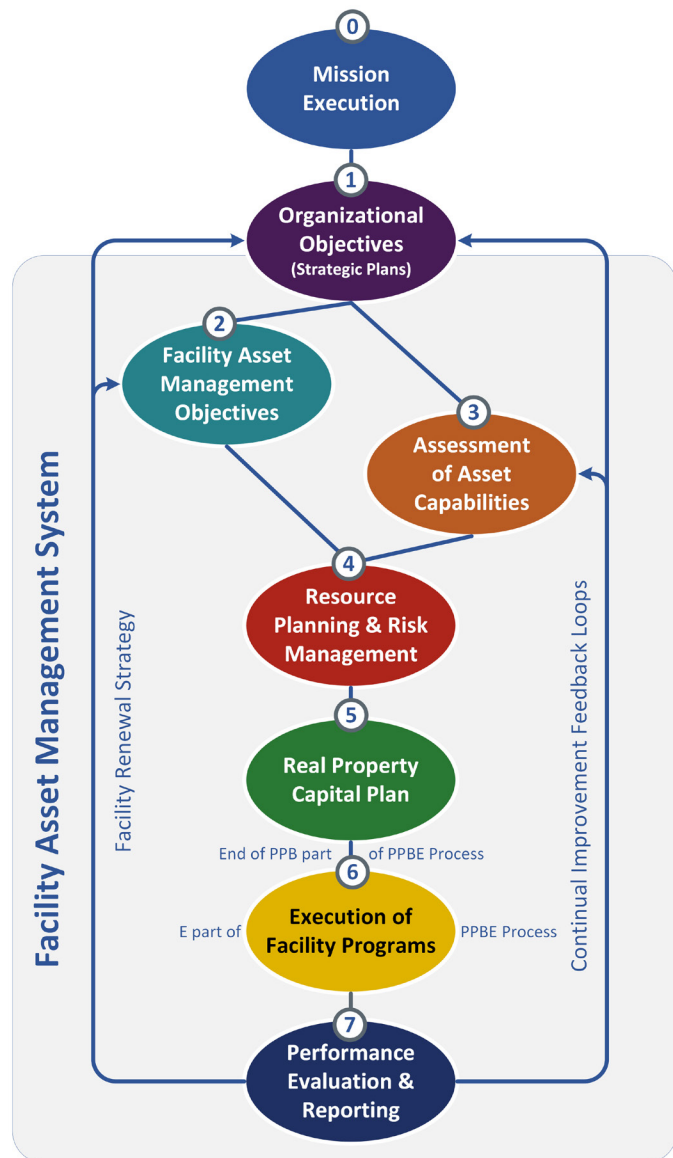
REPORT RECOMMENDATIONS

To better enable a strategic approach for facility renewal, the report offers five recommendations on how to implement this new approach.

1. Implement a Federal Facility Asset Management System

The Office of Management and Budget (OMB), in concert with the Federal Real Property Council, should update

OMB Circulars A-11 and A-123 to improve guidance for implementing facility asset management systems (as described by figure below) by (a) requiring federal agencies to use a comprehensive and principle-based facility asset management system; (b) clarifying how enterprise risk management and internal controls support implementation of federal facility renewal strategies as well as the agency’s senior real property officer’s fiduciary responsibilities; (c) detailing how whole asset life-cycle costs, whole asset portfolios, and whole benefit analysis support resource-and-investment decision making; and (d) updating object classification to remove fragmentation and many-to-many relationships



Facility asset management system anatomy.
SOURCE: Courtesy of J. Dempsey, founder, Asset Management Partnership, LLC.

that make it exceedingly difficult to generate and audit integrated real property performance–budget and management balance sheets.

2. Implement a Real Property Capital Plan

OMB should clarify its requirements for agencies’ annual real property capital plans as detailed in OMB Circular A-11’s Supplement—Capital Programming Guide and OMB Memorandum M-20-03, “Implementation of Agency-wide Real Property Capital Planning.” Furthermore, agency senior real property officials should implement guidance in OMB M-20-03 for advancing the central role of their agency’s real property capital plan, establishing strategy for integrating and reconciling requirements, objectives, budget, and real property program execution.

3. Update the National Strategy for Efficient Use of Real Property

OMB should clarify how the National Strategy for Efficient Use of Real Property and OMB Memorandum M-20-10 (Issuance of an Addendum to the National Strategy for the Efficient Use of Real Property) are used to guide agencies’ asset management system implemented through real property capital plans. Furthermore, chief management officers and chief budget officers should ensure they coordinate their agency’s response to OMB M-20-10 with their agency’s response to OMB Memorandum M-20-03 (Implementation of Agency-wide Real Property Capital Planning).

4. Improve Federal Facility Models, Data, and Measures

OMB should clarify guidance requiring agency senior real property officials to improve cost estimates of renewal requirements. The report recommends that senior real property officials should adopt an economic depreciation approach for estimating renewal costs, tailorable to each agency’s facility portfolio, and that agencies should include existing dated depreciation rates and service lives in the economic depreciation approach review. Furthermore, the General Services Administration (GSA), in coordination with the Federal Real Property Council and under the direction of OMB, should create an independent database of component inventories for federal facilities, beginning with the extensive data

collected for the Builder system, and make it available to qualified users and accessible by popular capital planning and facility management systems.

5. Implement Federal Facility Renewal Budgeting Strategies

Through implementation of facility asset management systems detailed in preceding recommendations, OMB can ensure optimal use of federal facilities by having federal agencies guide budget development of federal facility renewal strategies by (a) creating working capital funds or revolving funds to aggregate funding for capital investment into consolidated, agency-wide budget accounts; (b) installing user-pays models for all federal facilities that fund working capital required to sustainably operate, maintain, repair, and renew federal facilities; (c) allowing GSA to spend all the revenue collected in the Federal Buildings Fund for repairing, renewing, or replacing facilities; (d) encouraging agencies to identify non-inherently governmental

facilities and related services that are mirrored by a broad-based, active private market to be candidates for privatization, outsourcing, or public-private partnerships; (e) using the expedited disposal authorities created by the Federal Asset Sales and Transfer Act (FASTA), or seeking additional disposal authorities for properties not covered by FASTA, to dispose of unneeded and underutilized properties; and (f) using operating leases as an alternative to ownership when budget scoring rules show that the cost of owning is unlikely in the near-term budget outlook.

Strategies to Renew Federal Facilities proposes these recommendations as a starting point to significantly improve the management of federal facility assets. New policies and practices that determine value based on mission value generated by facility assets rather than managing asset life-cycle activities would fundamentally change how resource and investment decisions are made.

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This Consensus Study Report Highlights was prepared by the National Academies’ Board on Infrastructure and the Constructed Environment based on the report *Strategies to Renew Federal Facilities* (2023).

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This Consensus Study Report is available from the National Academies Press (800) 624-6242 | <http://www.nap.edu> | <http://www.nationalacademies.org>

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