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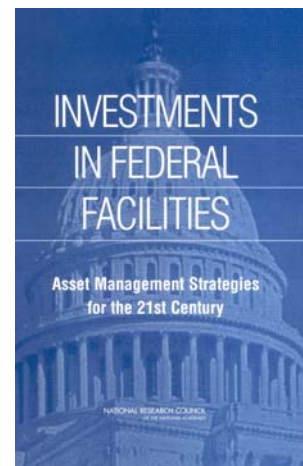
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Investments in Federal Facilities: Asset Management Strategies for the 21st Century—*Summary*

BOARD ON INFRASTRUCTURE AND THE CONSTRUCTED ENVIRONMENT

Background

Facilities now owned by the Federal Government are valued at over \$300 billion. In addition, it spends over \$25 billion per year for acquisition, renovation, and upkeep. Despite the size of these sums, there is a growing litany of problems with federal facilities that continues to put a drain on the federal budget and compromise the effectiveness of federal services. This problem is not new, however, and several studies have addressed it over the last 20 years or so. One question that continues to be asked is whether private sector facilities investment and management experience can be applied to the federal government to address its growing facilities problems? To examine this issue in detail, the sponsoring agencies of the Federal Facilities Council (FFC) asked the National Research Council (NRC) to develop guidelines for making improved decisions about investment in and renewal, maintenance, and replacement of federal facilities. The NRC was asked to review both public and private practices used to support such decision making and identify appropriate objectives, practices, and performance measures. To carry out the study, the NRC formed the ad hoc Committee on Business Strategies for Public Capital Investment.



Findings and Recommendations

After examining practices for facility investment and management used by private-sector and some not-for-profit organizations, the committee arrived at 10 principles/policies followed by best-practice organizations. Adapting these principles to the federal government requires consideration of a number of special aspects of its operational environment including goals and missions, the nature of federal facilities investments, and the annual budget process among others. Despite the differences between the private and public sector, the committee concluded that all the principles could be adapted in varying form to the federal environment. **The federal government should adopt a framework for facilities investment decision making and management that incorporates the ten principles/policies used by best-practice organizations.** Establishment of one or more pilot projects in this context might be advisable.

Federal facilities asset management programs should be updated to enable individual project decisions relative to its entire facilities portfolio. Facilities asset management approaches are now being adopted that allow for a broad-based understanding of agency and department facilities portfolios.

Congress and the administration should jointly lead an effort to streamline federal policies, regulations, and processes about facilities disposal. Current policies hinder efforts to dispose of unneeded facilities. **For those departments and agencies with more facilities than they need to support their missions, Congress and the administration should jointly consider implementation of extraordinary measures such as the process used for military base realignment and closure (BRAC).**

Organizational missions should be used as guidance for facilities investment decisions, and those investments should be integrated into organizational strategic planning processes. Proper integration will provide better information about total long-term costs of programs and initiatives; the senior facilities program manager should be involved in strategic planning processes.

A business-case analysis should be used for all significant facilities investment proposals. Although no standard format can be adapted readily, each agency can and should develop such an analysis. The formats adopted should be agreed to by the appropriate agency oversight entities in Congress and the administration.

Each federal agency should use life-cycle costing for all significant facilities investment decisions. The life-cycle analysis should include a full range of facilities investment alternatives; the staff equipment, and technologies inherent to the alternatives; and the costs of the required funding. While life-cycle analyses are currently conducted for some large projects, no instance was found where the analysis also included project staffing, equipment, and the required technologies.

Congress and the administration should jointly lead an effort to revise the budget scorekeeping rules to support facilities investments that are cost effective in the long term. Currently the cost of a project is “scored” in the year requested, which has resulted in disincentives for making cost-effective, long term decisions. Amending the rules, which will not be easy, should take into account the long-term interests of the government and the public and other objectives and values as well.

Every major facility proposal should include the strategy and costs for exiting the investment as part of its business-case analysis. Consideration of exit strategies for alternative proposals will help make their consequences clearer. In addition, such consideration should lead to better decisions about facility design.

Decisions about whether to own or lease facilities should be based on the level of control desired and the planning horizon for the function. Currently criteria for such decisions are not clear or uniform. A clearly stated rationale linked to the agency mission is required for effective own vs. lease decisions.

Performance measures combined with continuous feedback and evaluation should be used to monitor investments, measure their outcomes, and improve the decision-making process. Measuring investment results is challenging, but efforts are underway to develop such indices and measures. At the same time, no efforts to collect long-term feedback—which is essential for effective outcomes measurement—appear to be underway. **In addition, the decision-making process should be made transparent to enhance accountability by illustrating the points at which decisions are made.** Such a step can help link responsibility and authority for decision making.

Congress and the administration should encourage and allow greater use of alternative approaches for acquiring facilities. Allowing more wide-spread use of approaches such as public-private partnerships and capital acquisition funds, raises concern about the transparency of the funding source and whether they account for state and local governments or other constituencies' perspectives. Nevertheless, such approaches should be encouraged, although pilot programs should be implemented as a first step.

Recommendation for Implementation

Transforming the environment for federal facilities investments and management will require leadership and commitment from all levels of government. Collaborative and concerted efforts by Congress and the administration will be important for implementation of an overall framework. While recommendations similar to those given above have been made in the past, success has been limited. To increase the likelihood of success this time, **legislation should be enacted and executive orders issued that would establish an executive-level commission to determine how the identified principles can be applied for facilities investment within a stated period.** **Concurrently, department and agency working groups should be established to work with the commission.** Such an effort will result in improved alignment between federal facilities portfolios and missions; responsible stewardship of these facilities; substantial investment and cost savings; better use of available resources; and creation of a collaborative environment for decision making.

For further information;

Copies of *Investments in Federal Facilities: Asset Management Strategies for the 21st Century* are available from the National Academy Press; call (800) 624-6242 or (202) 334-3314 (in the Washington metropolitan area), or visit the NAP Web site at <<http://books.nap.edu/>>.

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