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OFFICE OF MANAGEMENT AND BUDGET
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THE CONTROLLER

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MANAGEMENT PROCEDURES MEMORANDUM NO. 2013-02

MEMORANDUM FOR: ALL EXECUTIVE AGENCIES

FROM: Danny Werfel
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SUBJECT: Implementation of OMB Memorandum M-12-12 Section 3: Freeze the Footprint

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Summary:

Consistent with Section 3 of the Office of Management and Budget Memorandum (OMB) M-12-12, *Promoting Efficient Spending to Support Agency Operations*, all Chief Financial Officers (CFO) Act Executive Branch departments and agencies (agencies) shall not increase the total square footage of their domestic office and warehouse inventory compared to the FY 2012 baseline.[1] This Memorandum clarifies the "Freeze the Footprint" policy.

As explained below, OMB and the General Services Administration (GSA) will annually monitor the continuing implementation of this policy. As part of this process, each agency will develop and submit a Revised Real Property Cost Savings and Innovation Plan, and in future years, an Annual Agency Evaluation, which will describe the agency's overall approach in managing its real property usage and spending.

Actions Required:

1. **Freeze the Footprint.**

   On an annual basis, an agency shall not increase the size of its domestic real estate inventory, measured in square footage, for space predominately used for offices and warehouses. In general, while progress in meeting the "Freeze the Footprint" policy will be based on an annual evaluation of an agency's total office and warehouse square footage compared to its FY 2012 baseline, there may be circumstances where an agency has exceeded its square footage baseline in a given year, but the agency is nevertheless in compliance with the "Freeze the Footprint" policy based on the timing of already-

[1] See Glossary of Terms for definitions of these types of assets.

identified offsets or a net reduction of costs relative to its square footage baseline.

a. ***Baseline for Measurement.*** An agency's total square footage for office and warehouse space shall remain at its FY 2012 baseline level. Agency baselines will be calculated based on the FY 2012 Federal Real Property Profile (FRPP) data, FY 2012 GSA Occupancy Agreements (OAs), and FY 2012 agency Leasing Agreements (for each agency that has independent leasing authority). GSA will consolidate this information and submit to each agency for review. Within (14) days of receipt, each agency may provide comments and additional information to GSA for GSA's consideration.

b. ***Requirements for Offsets.***[2]

   i. On an annual basis, an agency must offset any growth in total office and warehouse space with other corresponding reductions in total office or warehouse space, so as to ensure that there is no net increase in the size of these real property assets, compared against the FY 2012 baseline.

   ii. A disposal creates an offset in the amount of the square footage of the office or warehouse space disposed. The agency's declaration of a property as "excess" to GSA will count as an offset. Additionally, office and warehouse properties located at military installations closed or realigned as part of a Defense Base Realignment and Closure (BRAC) process will count as an offset. For GSA space leased on behalf of another agency, that agency's disposal of the space is recognized as occurring on the agency rent termination date.

   iii. An agency may <u>not</u> use as an offset:

      a) Properties that the agency has "mothballed" (i.e., property is temporarily not occupied or utilized).

      b) Enhanced use leases (EULs) and outleases.

c. ***Strategies to Promote Full Implementation of the "Freeze the Footprint" Policy***

   i. **Co-locations and Consolidations.** Each agency should work collaboratively with other agencies and GSA to find opportunities for smarter space usage through co-locations and consolidations. Each agency should first consider and pursue available co-location opportunities within the Federal real estate inventory, especially those that will result in no net growth of the overall Federal real estate inventory.

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[2] GSA is subject to the offset requirement for space that it uses for its own agency operations. The offset requirement does not apply to GSA for space that GSA maintains, leases, or otherwise obtains for the operations of other Federal agencies.

ii. **Consultation with GSA.** Further, each agency should consult with GSA on how to use technology and space management to consolidate, increase occupancy rates in facilities, and eliminate lease arrangements that are not cost or space effective.

2. The Revised Real Property Cost Savings and Innovation Plans.

By May 15, 2013, each agency shall develop and submit to GSA a 3-year Revised Real Property Cost Savings and Innovation Plan. This plan will be a revision of each agency's 2010 Real Property Cost Savings and Innovation Plan with a narrower focus, and prospective analysis of real property spending for the next three fiscal years, as outlined below (i.e., the 2013 plan shall cover FY 2013 through FY 2015).[3]

Every third year thereafter, each agency shall submit a Revised Real Property Cost Savings and Innovation Plan within 120 days after the deadline for agencies to submit their data to the FRPP.

The agency's Senior Real Property Officer (SRPO) and Chief Financial Officer (CFO) shall certify that the plan is complete and accurate. Each Revised Real Property Cost Savings and Innovation Plan—which should be as concise as possible and not exceed 20 pages—must include each of the following components:[4]

a. ***Plan to Maintain FY 2012 Footprint.*** Each agency shall include:

i. A spreadsheet that identifies agency space acquisitions and offsets over the three-year planning period. The spreadsheet shall include the following column headers and appropriate data: FRPP Real Property Unique Identifier;[5] Office or Warehouse; City; State; Zip Code; Estimated Date the Asset will Leave the Inventory or Estimated Date the Agency will Begin Occupation of New Space;

ii. A narrative description of the strategies and policies an agency will utilize carry out mission and program priorities while working towards freezing real property growth;

iii. Planned consolidation, co-locations, disposals, new construction projects, and leases; and

iv. At least three examples of planned consolidation, co-locations, and

[3] The original Real Property Cost Savings and Innovation Plans were submitted to OMB under Management Procedures Memorandum No. 2010-07.
[4] If a section does not apply, please indicate "Not Applicable."
[5] For GSA assignments, each agency shall include the OA number.

disposals that can be updated and tracked publically.

b. ***Documentation of Costs***. Each agency shall include:

i. The total dollar amount spent on an agency's current total Federal and private-sector leasing costs; and

ii. A quantitative analysis and discussion of each agency's current total leasing costs and how each agency plans to control leasing and other costs in the future.[6]

c. ***Explanation of Efficiency.*** Each agency shall include:

i. An analysis and discussion of what actions the agency is taking to maximize and increase efficiency in its utilization of space; and

ii. Cost effective alternatives to acquisition, such as consolidation, co-location, teleworking, and "hoteling."

d. ***Description of Internal Controls.*** Each agency shall describe the methods and procedures for complying with the "Freeze the Footprint" policy. These controls may include, but are not limited to:

i. The processes through which the agency will identify and execute offsets when acquiring additional office and warehouse space;

ii. Internal reviews and certification processes, where all new leases, acquisitions, expansions, or other growth in the agency's office and warehouse space, at all locations, require approval by the CFO or SRPO, before they can be implemented;

iii. Processes for agency bureaus to coordinate all office and warehouse acquisitions with the CFO (or identified delegate) and SRPO; and

iv. Tracking of all domestic agency office and warehouse increases and offsets, netting to zero annually.

3. **The Annual Agency Evaluation**. 120 days after final FRPP submission,[7] and on an annual basis thereafter, each agency's SRPO and CFO shall develop and submit to GSA an evaluation of the agency's compliance with the "Freeze the Footprint" policy. On

[6] This may be accomplished through decreasing space usage, relocating to less expensive space, making more efficient use of space, or working with GSA to find other cost-effective solutions.
[7] The first Annual Agency Evaluation will be due 120 days after the FRPP submission in 2014.

years when an agency submits a Revised Real Property Cost Savings and Innovation Plan, the agency shall include the Annual Agency Evaluation as part of the Revised Real Property Cost Savings and Innovation Plan. Each agency evaluation—which should not exceed 10 pages—shall include:

a. ***Analysis of Performance.*** A discussion of the agency's year-end performance benchmarked against the information contained within its Revised Real Property Cost Savings and Innovation Plan. A comparison of the agency's total square footage from the previous fiscal year, compared to the current fiscal year.

b. ***Adjustments***. Any necessary adjustments to the agency's Revised Real Property Cost Savings and Innovation Plan, including a detailed narrative and analysis for why these adjustments are necessary.

4. **Government-Wide Internal Controls.** GSA and OMB will take the following actions to improve the consistency and accuracy of information used to measure agency performance:

   a. ***Update to OMB Circular A-136 and Audit Bulletin 07-04.*** OMB will update OMB Circular No. A-136, *Financial Reporting Requirements*, to include reporting requirements on "Freeze the Footprint" activities. In addition, OMB will update OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, to include a requirement to review agency internal controls for the "Freeze the Footprint" policy.

   b. ***GSA Monitoring.*** On an annual, calendar year, basis, GSA will analyze agency data submitted to the FRPP and agency OA data maintained by GSA to measure compliance with the policy. GSA will perform data integrity tests on agency-submitted FRPP and OA data that will help ensure the information is valid and reliable. Further, GSA will provide preliminary data analysis and recommendations to OMB for further discussion with each agency on each agency's Revised Real Property Cost Savings and Innovation Plans and Annual Agency Evaluation.

   c. ***GSA Reporting.*** On an annual, calendar year, basis, as established in 1(a) and 4(b) of this Memorandum and consistent with the FRPP reporting cycle, GSA will transmit a report to OMB that lists each agency's current-year office and warehouse square footage compared to its FY 2012 baseline. GSA will submit the report to OMB within 60 days after deadline for agencies to submit their data to the FRPP.

5. **Annual Compliance Review.** On an annual, calendar year, basis, OMB will review agency compliance with the "Freeze the Footprint" policy. In consultation with GSA, the review will be based on: current year agency square footage compared to FY 2012 baseline, the Revised Real Property Cost Savings and Innovation Plan, and the Annual Agency Evaluation.

6. **Transparency**. On an annual, calendar year basis, and after consultation with GSA and the agencies, OMB will update Performance.gov with information on each agency's square footage baseline and annual progress associated with the "Freeze the Footprint" policy. Further, OMB shall track the progress of select projects provided in agency Revised Real Property Cost Savings and Innovation Plans on Performance.gov.

Glossary of Terms:

Co-location. For the purposes of this Memorandum, a co-location is the merging of two or more components, offices, bureaus or divisions from two or more agencies, where one agency consolidates its components, offices, bureaus or divisions into the host agency's space.

Consolidation. For the purposes of this Memorandum, a consolidation is combining one or more components, offices, bureaus or divisions, of the same agency in an existing owned office or warehouse space, and disposing of the square footage in a leased facility.

Enhanced use leases (EULs) and outleases. For the purposes of this Memorandum, enhanced use leases and outleases are properties occupied by a non-government entity that remain titled to the Federal government.

Disposal. For the purposes of this Memorandum, a disposal is a sale, demolition, lease termination, public benefit conveyance, Federal transfer, or any other action that results in the removal of the asset from the inventory of the agency.

Hoteling. For the purposes of this Memorandum, hoteling is an arrangement where employees use non-dedicated, non-permanent workspaces assigned for use by reservation on an as-needed basis.

Office Space (From FRPP Data Dictionary). Buildings primarily used for office space or military headquarters

Warehouse Space (From FRPP Data Dictionary). Buildings used for storage, such as ammunition storage, covered sheds, and buildings primarily used for storage of vehicles or materials. Also included are underground or earth covered ammunition storage bunkers and magazines. This category excludes water reservoirs and petroleum, oil, and lubricants storage tanks which are storage structures.