FPCC
FEDERAL PERFORMANCE CONTRACTING COALITION

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April 19, 2024

The Honorable Chris Van Hollen
Chair
Subcommittee on Financial Services and General Government
Senate Committee on Appropriations
Washington, DC 20510

The Honorable Bill Hagerty
Ranking Member
Subcommittee on Financial Services and General Government
Senate Committee on Appropriations
Washington, DC 20510

The Honorable Dave Joyce
Chairman
Subcommittee on Financial Services and General Government
House Committee on Appropriations
Washington, DC 20515

The Honorable Steny Hoyer
Ranking Member
Subcommittee on Financial Services and General Government
House Committee on Appropriations
Washington, DC 20515

Chair Van Hollen, Chairman Joyce, Ranking Member Hagerty, and Ranking Member Hoyer:

On behalf of the Federal Performance Contracting Coalition (FPCC), we are writing today to support the General Services Administration's (GSA) Federal Buildings Fund (FBF) and reforms that would ensure it functions as a proper revolving fund of the Federal government. **We believe these reforms may be achieved through clarifying language in the Financial Services and General Government appropriations bill – in line with language requested by GSA in its FY2024 and FY2025 budget requests**. The FPCC is a group of Energy Service Companies (ESCOs) advocating for increased Federal use of energy savings performance contracts (ESPCs).

The FBF, established under section 210(f) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 592), consists of payments from tenant agencies. The revenues and collections deposited into the Fund are made available for necessary expenses of real property management and related activities, such as operations and maintenance, leasing privately owned buildings, restoring leased premises, moving government agencies, acquiring buildings, demolishing existing property, converting and extending Federally-owned buildings, construction of new buildings, and paying obligations for Federal buildings acquired.

Because FBF receipts are treated as general treasury funds, Congress, via the appropriations process, can transfer money out of the Fund and deposit miscellaneous receipts in the Treasury. Ostensibly, this was to prevent the accumulation of excess surpluses; however, it has had the exact opposite effect. We understand that over the past decade, nearly $12.9 billion of GSA receipts have not been available for the purposes for which they were collected from agency tenants. The FBF has, therefore, been unable to maintain and improve buildings responsibly, leading to deteriorating buildings that have rapidly escalating fire and life safety liabilities and do not meet customer agency mission and security requirements. When the GSA cannot provide suitable space from within its Federal-owned inventory for Federal agencies, it must procure leased space, which increases long-term Federal costs. This situation significantly impedes GSA's current focus on right-sizing Federal real estate to drive efficiencies and savings throughout its portfolio.

Further, when annual receipts are decremented from the FBF, they have most negatively impacted renovation accounts, making Federally owned facilities less attractive to tenant agencies and moving

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more agencies to lease office space from the private sector, leaving unused Federal facilities. As a result of this chronic underfunding, total deferred maintenance for GSA's federally owned facilities has increased by 48% in the last year and at the end of FY 2023 stood at $4.6 billion. Ensuring renovation of these spaces alongside regular maintenance and repairs will allow the Federal Government to consolidate into owned buildings, thereby reducing overall costs to the government and American taxpayers.

The amount of net budget authority and funding directed with this proposed change (approximately $500 million - $1.3 billion per year year) will attract and lead to more leverage of private sector third-party investments in Federal buildings (i.e., energy performance contracts – ESPCs/UESCs, ESAs, EULs, PPAs, etc.). More robust utilization of public-private partnerships in large-scale renovations will allow the Federal government to acquire cutting-edge building technologies to ensure agencies have access to state-of-the-art Federal buildings while still consolidating the overall Federal footprint (in terms of wasted space and utility spend in old inefficient buildings). ESPC projects in federal facilities are a financial mechanism used to pay for facility infrastructure upgrades with future energy savings – without tapping into an organization's capital budget. Since 1998, ESPCs have **generated approximately $8 billion** in Federal energy efficiency and energy generation improvements. These improvements have resulted in roughly **$18.17 billion in cumulative energy cost savings** and approximately **622 trillion Btu** in life cycle energy savings for the Federal government.

The members of the Federal Performance Contracting Coalition (**AECOM, Ameresco, CEG Solutions, Constellation, Energy Systems Group, Honeywell, Johnson Controls Inc., NORESCO, Schneider Electric, Southland Industries, and Trane**) know firsthand how impactful ESPCs are in saving energy costs, taxpayer money, and creating jobs in every state in the country. Our members represent approximately 90% of the ESPCs in federal facilities – with many projects sited at GSA-owned buildings and campuses. GSA has demonstrated a commitment to working alongside industry to innovate and pursue public-private partnerships that create savings for taxpayers via modernizing and streamlining its real estate portfolio – but the Agency cannot fully deliver on this mission if the revenues it receives for facility upkeep are unavailable or appropriated away to unrelated programs. Unfortunately, many GSA-owned facilities are in such a foundational state of disrepair that they are not candidates for more comprehensive private energy efficiency investment, absent some basic level of investment in building integrity improvements.

The requested clarifying language would ensure that receipts to the GSA Federal Buildings Fund (FBF) are being handled in accordance with Congress' fiduciary duty to the American people and clarify a straightforward process for obligating these funds in the future. We urge Congress to include such language in FY2025 Financial Services and General Government appropriations legislation.

Sincerely,



Jennifer Schafer

Executive Director

Federal Performance Contracting Coalition (FPCC)