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Identification and Disposal to the Highest Economic Use of Federal Government Real Properties No Longer Needed by the Holding Agencies

We share the Committee's interest in the identification and disposal of Federal Government real properties which are no longer needed by the holding agencies and which do not serve the highest economic use nor contribute to the tax base.

It is to be recognized, however, that there is no specific requirement of law that Federal property be used to take advantage of its highest potential value. Policy guidelines, however, are set forth in Bureau of the Budget Circular A-2, dated April 5, 1967. It is stated in the Circular, so far as pertinent to situations where high-value property is used, that real properties or portions thereof generally should be declared excess when:

"b. Substantial net savings to the Government would result if properties used for essential purposes could be sold at their current market value and other suitable properties of substantially lower current values substituted for them * * *."

Within the past few years we have reported to the Congress on two instances where we believe land could be disposed of by the Department of Defense and result in either (1) a substantial return to the Government through sale of the land involved, or (2) a reduction in Government expenditures for maintenance and operation of the properties. These reports dealt with the questionable retention of high-value land for use as a golf course at Fort Gordon, Georgia, and the use of high-value land for recreation, reserve forces training, and military housing purposes at Fort DeRussy, Waikiki Beach, Hawaii.

In each of these cases the Department of Defense disagreed with us, generally on the basis that the properties involved were needed to provide recreational facilities for military personnel and their dependents. We do not question the need for recreational facilities for military personnel. We believe, though, that adequate alternate military or private facilities were available in the locations involved.

Your Subcommittee has expressed particular interest in our report on the operation of a dairy farm by the United States Naval Academy (B-156167, March 23, 1966). On the basis of the results of operations during 1964, we estimated annual savings of about $84,000 would be realized by the Government if the Academy dairy farm was sold and the Academy's milk products obtained from commercial sources. We brought out in our report, however, that the estimated savings were based on the assumption that the proceeds from sale of the farm would accrue to the United States Government. We made it clear that any other disposition of the proceeds would alter the comparative costs and thus, the savings to the Government.

At the request of the Department of the Navy, we are currently reviewing a conclusion of the Department that funds from a disposal of the Academy farm should, under the provisions of section 485(c), Title 40, U.S.C., be credited to the midshipmen's store fund, a nonappropriated fund activity, rather than to the Treasury. If the Navy is correct in its position, there will have to be a reexamination of the estimated interest savings in order to determine whether or not there would be an overall savings to the Government in the event the farm is sold.