

## Promoting good health, especially for the elderly, faces key challenges.<sup>31</sup>

First, the Medicare Hospital Insurance Trust Fund is forecast to be depleted as early as 2023, reflecting rising health-care costs and a relative decline in the number of workers paying payroll taxes. See Exhibit 99.07 for more information. Second, epidemics, such as those caused by the Ebola or Zika viruses, could bring about widespread illness and loss of life. Third, every day, more than 130 people in the US die after overdosing on opioids. The misuse of and addiction to opioids—including prescription pain relievers, heroin, and synthetic opioids such as fentanyl—is a serious national crisis that affects public health as well as social and economic welfare. The Centers for Disease Control and Prevention estimates that the total "economic burden" of prescription opioid misuse alone in the United States is \$78.5 billion a year, including the costs of healthcare, lost productivity, addiction treatment, and criminal justice involvement.

## Failure to maintain and upgrade the nation's surface transportation system could curb economic growth and adversely affect the quality of life for citizens.<sup>31</sup>

The nation's highways, mass transit, and rail systems are under growing strain, reflecting increasing congestion and freight demand, and traditional funding sources are eroding. For example, federal taxes on gasoline haven't been raised since 1993. Inflation-adjusted revenue from motor fuel taxes that support the Highway Trust Fund, a major source of federal surface transportation funding, is declining, according to the Government Accountability Office, and our Government has been using general revenues to maintain spending levels. This trend is forecast to continue as consumers turn to vehicles that are more fuel efficient or that use alternative energy sources. The Congressional Budget Office estimates that \$159 billion in additional funding would be needed between 2022 and 2029 to maintain inflation adjusted spending on current levels.

## Recruiting and retaining skilled Government workers is key to delivering essential, and in many cases life-saving, services to the American people.<sup>31</sup>

High levels of training and education are required to address complex challenges such as disaster response, national and homeland security, and rapidly evolving technology and privacy-security issues. However, current budget and long-term fiscal pressures, declining levels of federal employee satisfaction, and a potential wave of employee retirements could produce gaps in leadership and institutional knowledge.

## Item 2. Properties

### Domestic

#### Land

#### Federal government owned land

The federal government owns and manages more than a quarter of the roughly 2 billion acres of land in the US. These lands are managed for many purposes, primarily preservation, recreation, and development of natural resources. Five primary federal agencies manage about 95% of this federally-owned-and-managed land. The five agencies and the land they managed are:

(Acres in thousands)	1990	2000	2010	2015
<b>Agency</b>				
Bureau of Land Management	272,029	264,398	247,859	248,346
Forest Service	191,367	192,355	192,881	192,893
Fish and Wildlife Service	86,822	88,226	88,949	89,093
National Park Service	76,134	77,931	79,691	79,774
Department of Defense	20,501	24,052	19,422	11,368
Total federally-owned land	646,853	646,962	628,802	621,474
Total land in US	2,271,343	2,271,343	2,271,343	2,271,343
Percentage of land in US federally-owned	28%	28%	28%	27%

<sup>†</sup> Data source is the Congressional Research Service paper titled *Federal Land Ownership: Overview and Data*, dated March 3, 2017. We have not located a source for information more current than 2015.

## Federal government owned, otherwise managed, and leased land – non-public domain

Our Government sometimes refers to the land it owns and manages as public domain lands and acquired lands. According to the Congressional Research Service, public domain lands are those ceded by the original states or obtained from a foreign sovereign (via purchase, treaty, or other means). Acquired lands were obtained from a state or individual by exchange, purchase, or gift. About 90% of all federal lands are public domain lands, while the other 10% are acquired lands. Many laws were enacted that related only to public domain lands. Even though the distinction has lost most of its underlying significance today, different laws may still apply depending on the original nature of the lands involved. Owned, otherwise managed, and leased non-public domain land and related costs are as follows:

	2014	2015	2016
<b>Land acres<sup>1</sup></b>	<b>39,784,271</b>	<b>49,601,819</b>	<b>42,343,516</b>
Owned and otherwise managed acres	38,829,324	47,909,576	41,015,497
Total annual operating costs (in thousands) <sup>2,3</sup>	\$ 140,751	\$ 122,890	\$ 125,059
Leased acres	954,947	1,692,243	1,328,020
Total annual lease costs (in thousands) <sup>2,4</sup>	\$ 48,561	\$ 49,568	\$ 50,728

<sup>†</sup> Data source is the General Services Administration FY 2016 Federal Real Property Profile (FRPP) Open Data Set. The General Services Administration reports that Department of Defense (DOD) data is under review and is therefore not included in 2017 totals in the FRPP Open Data Set. It does not make sense for us to update this section to 2017 without DOD data, as it comprises a large portion of the data set. As such, we have limited the most recent data in this section to 2016.

<sup>1</sup> Includes federal government owned land and federal government managed museum trust, state government owned, and withdrawn land, and leased land. Does not include public domain land. Details may not add to total due to rounding.

<sup>2</sup> It is difficult to compare owned and leased annual operating costs due to their make-up. Owned annual operating costs only includes operations and maintenance costs, whereas leased annual operating costs also includes rent to capture the full cost of the asset.

<sup>3</sup> Owned and otherwise managed annual operating and maintenance costs consist of the following: 1) recurring maintenance and repair costs; 2) utilities (includes plant operation and purchase of energy); 3) cleaning and/or janitorial costs (includes pest control, refuse collection, and disposal including recycling operations); and 4) roads/grounds expenses (includes grounds maintenance, landscaping, and snow and ice removal from roads, piers, and airfields).

<sup>4</sup> Lease costs comprise: 1) annual net rent to the lessor – the fully serviced rental to the lessor minus the annual operating and maintenance costs and 2) annual operating and maintenance costs – reoccurring maintenance and repair costs including: utilities (includes plant operation and purchase of energy); cleaning and/or janitorial costs (includes pest control, refuse collection, and disposal, including recycling operations); roads/grounds expenses (includes grounds maintenance, landscaping, and snow and ice removal from roads, piers, and airfields).

Owned, otherwise managed, and leased non-public domain land by agency as of 2016 was as follows:

(In thousands)	Acres		
	Owned	Leased	Total
<b>Agency</b>			
Army Department	11,986	965	12,951
Air Force Department	8,000	103	8,103
Navy Department	4,299	43	4,342
General Services Administration	4	—	4
Department of Veterans Affairs	38	—	38
Department of Energy	2,200	9	2,209
Department of Interior	6,275	2	6,277
Other department or agency	8,214	206	8,420
<b>Total</b>	<b>41,016</b>	<b>1,328</b>	<b>42,344</b>

<sup>†</sup> Data source is the General Services Administration FY 2016 Federal Real Property Profile (FRPP) Open Data Set. The General Services Administration reports that Department of Defense (DOD) data is under review and is therefore not included in 2017 totals in the FRPP Open Data Set. It does not make sense for us to update this section to 2017 without DOD data, as it comprises a large portion of the data set. As such, we have limited the most recent data in this section to 2016.

## State and local government owned and leased land

We are not aware of a source of state and local government owned and leased land for each government.

## Buildings and other structures

Below is detail of federal and state-owned buildings and structures.

	2014	2015	2016
<b>Buildings<sup>4</sup></b>	<b>275,195</b>	<b>273,125</b>	<b>267,127</b>
Owned <sup>1</sup>	254,083	253,481	247,723
Total square feet (in thousands)	2,505,805	2,520,991	2,490,265
Total annual operating costs (in thousands) <sup>3,6</sup>	\$ 14,448,129	\$ 11,644,642	\$ 12,022,269
Leased	21,112	19,644	19,404
Total square feet (in thousands)	294,163	283,125	280,103
Total annual lease costs (in thousands) <sup>3,7</sup>	\$ 7,071,773	\$ 7,103,442	\$ 7,284,160
<b>Structures<sup>7</sup></b>	<b>481,398</b>	<b>496,022</b>	<b>496,174</b>
Owned <sup>1</sup>	477,634	492,263	492,725
Total annual operating costs (in thousands) <sup>3,6</sup>	\$ 7,784,400	\$ 8,787,913	\$ 6,326,949
Leased	3,764	3,759	3,449
Total annual lease costs (in thousands) <sup>3,7</sup>	\$ 64,972	\$ 58,053	\$ 59,135
<b>Buildings real property use<sup>8</sup></b>			
Utilized	103,902	96,718	89,359
Underutilized	1,611	3,598	7,859
Unutilized	3,360	3,414	3,120
<b>Repair needs<sup>1,2</sup></b>			
Owned building repair needs costs (in thousands)			\$ 115,672,218
Owned structure repair needs costs (in thousands) <sup>5</sup>			\$ 92,098,256

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<sup>1</sup> Includes federal government owned, foreign government owned, museum trust, and state government owned.

<sup>2</sup> Repair needs are only a required data element for owned assets. Repair needs is the objective amount necessary to ensure that a constructed asset is restored to a condition substantially equivalent to the originally intended and designed capacity, efficiency, or capability. This should exclude any consideration of the likelihood that the repair will actually be performed at any time before the asset's disposition.

<sup>3</sup> It is difficult to compare owned and leased annual operating costs due to their make-up. Owned annual operating costs only includes operations and maintenance costs, whereas leased annual operating costs also includes rent to capture the full cost of the asset.

<sup>4</sup> Buildings (examples): office, laboratories, hospital, warehouse

<sup>5</sup> Structures (examples): airfield pavements, flood control and navigation, utility systems, navigation and traffic aids

<sup>6</sup> Owned and otherwise managed annual operating and maintenance costs consist of the following: 1) recurring maintenance and repair costs; 2) utilities (includes plant operation and purchase of energy); 3) cleaning and/or janitorial costs (includes pest control, refuse collection, and disposal including recycling operations); and 4) roads/grounds expenses (includes grounds maintenance, landscaping, and snow and ice removal from roads, piers, and airfields).

<sup>7</sup> Lease costs comprise: 1) annual net rent to the lessor – the fully serviced rental to the lessor minus the annual operating and maintenance costs and 2) annual operating and maintenance costs – reoccurring maintenance and repair costs including: utilities (includes plant operation and purchase of energy); cleaning and/or janitorial costs (includes pest control, refuse collection, and disposal, including recycling operations); roads/grounds expenses (includes grounds maintenance, landscaping, and snow and ice removal from roads, piers, and airfields).

<sup>8</sup> The reporting of utilization is only required for offices, laboratories, hospitals, warehouses, family housing, dormitories, and barracks.

## Buildings detail (2016)

As shown in the table above, our Government occupies approximately 2.8 billion square feet of building space in the US and US territories, of which 2.5 billion square feet are owned and 280 million square feet are leased. Information by use and by government agency as of 2016 are shown in the tables below:

Buildings Real Property Use (in thousands, except per sq ft)	Owned sq/ft <sup>1</sup>	Owned Annual Operating Costs <sup>1,4</sup>	Owned Annual Costs per sq/ft <sup>1,4</sup>	Leased sq/ft	Leased Annual Costs <sup>2,4</sup>	Leased Annual Costs per sq/ft <sup>2,4</sup>
<b>Total</b>	<b>2,490,265</b>	<b>\$ 12,022,269</b>	<b>\$ 4.83</b>	<b>280,103</b>	<b>\$ 7,284,160</b>	<b>\$ 26.00</b>
Office	505,382	\$ 2,552,070	\$ 5.05	180,116	\$ 5,300,900	\$ 29.43
Service	386,874	\$ 1,463,963	\$ 3.78	7,000	\$ 95,941	\$ 13.71
Dormitories/Barracks	226,547	\$ 933,140	\$ 4.12	1,950	\$ 38,116	\$ 19.54
All other <sup>3</sup>	222,601	\$ 525,436	\$ 2.36	8,204	\$ 159,639	\$ 19.46
School	249,416	\$ 1,239,604	\$ 4.97	4,610	\$ 35,593	\$ 7.72
Laboratories	172,973	\$ 1,468,266	\$ 8.49	4,634	\$ 170,269	\$ 36.74
Other institutional uses	173,663	\$ 843,802	\$ 4.86	1,780	\$ 18,229	\$ 10.24
Hospital	126,892	\$ 699,584	\$ 5.51	363	\$ 10,932	\$ 30.10
Warehouses	127,428	\$ 367,699	\$ 2.89	23,878	\$ 232,126	\$ 9.72
Industrial	111,131	\$ 769,749	\$ 6.93	933	\$ 9,962	\$ 10.68
Family housing	52,132	\$ 189,875	\$ 3.64	2,565	\$ 18,306	\$ 7.14
Prisons and detention centers	43,900	\$ 353,236	\$ 8.05	—	\$ —	\$ —
Communications systems	18,089	\$ 84,555	\$ 4.67	313	\$ 5,480	\$ 17.53
Outpatient healthcare facility	14,490	\$ 89,686	\$ 6.19	12,154	\$ 331,373	\$ 27.26
Navigation and traffic aids	12,561	\$ 175,920	\$ 14.01	702	\$ 12,972	\$ 18.48
Facility security	10,972	\$ 54,246	\$ 4.94	141	\$ 646	\$ 4.58
Child care center	9,140	\$ 26,014	\$ 2.85	26	\$ 436	\$ 16.81
Museum	7,091	\$ 21,930	\$ 3.09	60	\$ 42	\$ 0.70
Data centers	4,835	\$ 67,039	\$ 13.87	593	\$ 13,815	\$ 23.29
Land port of entry	4,731	\$ 29,369	\$ 6.21	833	\$ 16,832	\$ 20.22
Comfort stations/Restrooms	3,984	\$ 31,135	\$ 7.82	4	\$ 7	\$ 1.71
Border/Inspection station	2,656	\$ 24,638	\$ 9.28	6,799	\$ 104,322	\$ 15.34
Public facing facility	1,518	\$ 5,468	\$ 3.60	19,027	\$ 555,837	\$ 29.21
Post office	996	\$ 4,006	\$ 4.02	—	\$ —	\$ —
Aviation security related	263	\$ 1,839	\$ 6.98	3,418	\$ 152,385	\$ 44.58

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<sup>1</sup> Includes federal government owned, foreign government owned, museum trust, and state government owned.

<sup>2</sup> Includes operations and maintenance costs and rent.

<sup>3</sup> The All Other category is defined as "buildings that cannot be classified elsewhere."

<sup>4</sup> It is difficult to compare owned and leased annual operating costs due to their make-up. Owned annual operating costs only includes operations and maintenance costs, whereas leased annual operating costs also includes rent to capture the full cost of the asset.

(In thousands)	Building Square Feet		
	Owned	Leased	Total
<b>Agency</b>			
Army Department	699,921	16,589	716,510
Air Force Department	444,482	5,614	450,096
Navy Department	432,822	2,848	435,670
General Services Administration	230,139	190,624	420,763
Department of Veterans Affairs	155,081	18,521	173,602
Department of Energy	115,581	596	116,177
Department of Interior	100,576	3,056	103,632
Other department or agency	311,663	42,255	353,918
<b>Total</b>	<b>2,490,265</b>	<b>280,103</b>	<b>2,770,368</b>

<sup>†</sup> Data source is the General Services Administration FY 2016 Federal Real Property Profile (FRPP) Open Data Set. The General Services Administration reports that Department of Defense (DOD) data is under review and is therefore not included in 2017 totals in the FRPP Open Data Set. It does not make sense for us to update this section to 2017 without DOD data, as it comprises a large portion of the data set. As such, we have limited the most recent data in this section to 2016.

The US Government Accountability Office (GAO) reports that federal agencies continue to face long-standing challenges in several areas of real property management, including: (1) effectively disposing of excess and underutilized property, (2) relying too heavily on leasing, (3) collecting reliable real property data for decision making, and (4) protecting federal facilities.<sup>31</sup>

## Federal Indian reservations<sup>32</sup>

A federal Indian reservation is an area of land reserved for a tribe or tribes under treaty or other agreement with the US, executive order, or federal statute or administrative action as permanent tribal homelands, and where the federal government holds title to the land in trust on behalf of the tribe. Approximately 56.2 million acres (approximately 2% of total US land area) are held in trust by the US for various Indian tribes and individuals. There are approximately 326 Indian land areas in the US administered as federal Indian reservations (i.e. reservations, pueblos, rancherias, missions, villages, communities, etc.). The largest is the 16 million-acre Navajo Nation Reservation located in Arizona, New Mexico, and Utah. The smallest is a 1.32-acre parcel in California where the Pit River Tribe's cemetery is located. Many of the smaller reservations are less than 1,000 acres.

## International<sup>33</sup>

We are not aware of a current aggregated source for land held by our Government outside of the US. However, the Department of Defense (DOD) reports on its overseas holdings. As of 2017, the DOD managed a worldwide real property portfolio that spanned 46 foreign countries, including 517 overseas sites:

- *By country* – Germany (213 sites), Japan (122 sites), and South Korea (81 sites) had the most sites by country;
- *By service* – 199 were for the Army, 170 for the Air Force, 125 for the Navy, and 23 for the Marine Corps; and
- *By value* – 434 had a replacement value of less than \$1.015 billion each, 17 had a replacement value of equal to or more than \$1.015 billion and less than \$1.904 billion each, 25 had a replacement value of equal to or more than \$1.904 billion each, and 41 had a replacement value of zero.