AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

H.R. 752, THE FEDERAL ELECTRONIC EQUIPMENT DONATION ACT OF 2007

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, ORGANIZATION, AND PROCUREMENT

OF THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

ON

H.R. 752

TO DIRECT FEDERAL AGENCIES TO DONATE EXCESS AND SURPLUS FEDERAL ELECTRONIC EQUIPMENT, INCLUDING COMPUTERS, COMPUTER COMPONENTS, PRINTERS, AND FAX MACHINES, TO QUALIFYING SMALL TOWNS, COUNTIES, SCHOOLS, NONPROFIT ORGANIZATIONS, AND LIBRARIES

FEBRUARY 13, 2008

Serial No. 110–94

Printed for the use of the Committee on Oversight and Government Reform

Available via the World Wide Web: http://www.gpoaccess.gov/congress/index.html
http://www.oversight.house.gov

U.S. GOVERNMENT PRINTING OFFICE

45–292 PDF WASHINGTON : 2008

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HENRY A. WAXMAN, California, *Chairman*

EDOLPHUS TOWNS, New York
PAUL E. KANJORSKI, Pennsylvania
CAROLYN B. MALONEY, New York
ELIJAH E. CUMMINGS, Maryland
DENNIS J. KUCINICH, Ohio
DANNY K. DAVIS, Illinois
JOHN F. TIERNEY, Massachusetts
WM. LACY CLAY, Missouri
DIANE E. WATSON, California
STEPHEN F. LYNCH, Massachusetts
BRIAN HIGGINS, New York
JOHN A. YARMUTH, Kentucky
BRUCE L. BRALEY, Iowa
ELEANOR HOLMES NORTON, District of Columbia
BETTY McCOLLUM, Minnesota
JIM COOPER, Tennessee
CHRIS VAN HOLLEN, Maryland
PAUL W. HODES, New Hampshire
CHRISTOPHER S. MURPHY, Connecticut
JOHN P. SARBANES, Maryland
PETER WELCH, Vermont

TOM DAVIS, Virginia
DAN BURTON, Indiana
CHRISTOPHER SHAYS, Connecticut
JOHN M. McHUGH, New York
JOHN L. MICA, Florida
MARK E. SOUDER, Indiana
TODD RUSSELL PLATTS, Pennsylvania
CHRIS CANNON, Utah
JOHN J. DUNCAN, Jr., Tennessee
MICHAEL R. TURNER, Ohio
DARRELL E. ISSA, California
KENNY MARCHANT, Texas
LYNN A. WESTMORELAND, Georgia
PATRICK T. McHENRY, North Carolina
VIRGINIA FOXX, North Carolina
BRIAN P. BILBRAY, California
BILL SALI, Idaho
JIM JORDAN, Ohio

PHIL SCHILIRO, *Chief of Staff*
PHIL BARNETT, *Staff Director*
EARLEY GREEN, *Chief Clerk*
DAVID MARIN, *Minority Staff Director*

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, ORGANIZATION, AND PROCUREMENT

EDOLPHUS TOWNS, New York, *Chairman*

PAUL E. KANJORSKI, Pennsylvania
CHRISTOPHER S. MURPHY, Connecticut
PETER WELCH, Vermont
CAROLYN B. MALONEY, New York

BRIAN P. BILBRAY, California
TODD RUSSELL PLATTS, Pennsylvania,
JOHN J. DUNCAN, Jr., Tennessee

MICHAEL McCARTHY, *Staff Director*

CONTENTS

	Page
Hearing held on February 13, 2008	1
Text of H.R. 752	3
Statement of:	
Rhodes, Becky, Deputy Associate Administrator, GSA Government-wide Policy; and Bunny Sanders, mayor of Roper, NC; Shane Bailey, director of surplus property, Division of the State of Alabama, president of National State Agency for Surplus Property	12
Bailey, Shane	31
Rhodes, Becky	12
Sanders, Bunny	21
Rosenthall, John A., president, Small Towns Alliance; and Thomas L. Williams, co-founder Williams and Williams Real Estate Auctions, and president of National Auctioneers Association	45
Rosenthall, John A.	45
Williams, Thomas L.	54
Letters, statements, etc., submitted for the record by:	
Bailey, Shane, director of surplus property, Division of the State of Alabama, president of National State Agency for Surplus Property, prepared statement of	33
Rhodes, Becky, Deputy Associate Administrator, GSA Government-wide Policy, prepared statement of	15
Rosenthall, John A., president, Small Towns Alliance, prepared statement of	48
Sanders, Bunny, mayor of Roper, NC, prepared statement of	25
Williams, Thomas L., co-founder Williams and Williams Real Estate Auctions, and president of National Auctioneers Association, prepared statement of	57

H.R. 752, THE FEDERAL ELECTRONIC EQUIPMENT DONATION ACT OF 2007

WEDNESDAY, FEBRUARY 13, 2008

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
ORGANIZATION, AND PROCUREMENT,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:10 p.m., in room 2247, Rayburn House Office Building, Hon. Peter Welch presiding.

Present: Representatives Welch, Butterfield, Platts, and Bilbray.

Staff present: Michael McCarthy, staff director; William Jusino, professional staff member; Teresa Coufal, assistant clerk; A. Brooke Bennett, minority counsel; Janica Spector, minority professional staff member; Christopher Bright, minority senior professional staff member; Todd Greenwood, minority legislative assistant; Mark Lavin, minority Army fellow; and Jeanne Neal, minority intern, National Security and Foreign Affairs Subcommittee.

Mr. WELCH. Thank you and welcome. The subcommittee will come to order, and I want to welcome everybody to today's hearing, and it is a very important hearing about Surplus Property Donation and Sales.

The Federal Government buys enormous amounts of equipment that could be put to very good use in our communities, and the question is how are we going to dispose of surplus property in a way that makes sense, that makes the most benefit.

We are also going to consider a bill introduced by my colleague, Representative Butterfield of North Carolina, who is here with me, H.R. 752. This bill, which Representative Butterfield will describe, is all about improving the Computers for Learning program.

What I would like to do is just start with a brief opening statement and turn it over to Representative Butterfield. First of all, it was mentioned Chairman Towns is ill and is in New York City and otherwise, obviously, would be here running this important hearing.

Each year the Federal Government saves hundreds of millions of taxpayer dollars by reusing excess equipment and supplies from other Federal agencies. When property is no longer needed by the Federal Government, as you all know, the surplus property is donated to State and local governments, schools, libraries, nonprofit organizations, and other eligible recipients. It extends the life of the property and saves additional tax dollars.

In 1996, the Clinton administration issued an Executive order establishing the Computers for Learning program. This order directs

Federal agencies to transfer surplus computer equipment to schools and nonprofit educational institutions. GSA administers the program. H.R. 752, the Federal Electronic Equipment Donation Act, would make the order law and direct the GSA to prioritize recipients in enterprise communities and empowerment zones when transferring surplus electronic equipment. Useful surplus computer equipment from the Federal Government is a vital national resource.

The rest of the surplus Federal property is also worth hundreds of millions of dollars and may be useful for years to come. The reason we are having a hearing today is to try to figure out how best to make use of that and to make sure we are efficient and effective. We want to look at how Government handles surplus property and how it can be improved, and what we are asking our witnesses to do is give us your input, particularly on Representative Butterfield's bill.

And we have representatives today, as you know, from small towns, and I am from a small town. My town of Hartland is 1,800, probably a lot bigger than where Representative Butterfield is from—I do not know. We do not have a street light in the town I am from, and we do have two stop signs. We do not have a mayor, we have selectmen, and we got—I will tell you what we have, we have property assessors who come out checking if you have done any improvements. We are also going to examine the rules that GSA has written, the standardized sales around a single Web site, and get comments on that plan.

The goal is to look at the current structure in the new proposals to determine what is working well and what can be improved.

I will now yield to my colleague Mr. Butterfield for his opening statement. Mr. Butterfield.

[The text of H.R. 752 follows:]

110TH CONGRESS
1ST SESSION

H. R. 752

To direct Federal agencies to donate excess and surplus Federal electronic equipment, including computers, computer components, printers, and fax machines, to qualifying small towns, counties, schools, nonprofit organizations, and libraries.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 31, 2007

Mr. BUTTERFIELD (for himself, Mr. CONYERS, Ms. LEE, Mr. HONDA, and Mr. BACA) introduced the following bill; which was referred to the Committee on Oversight and Government Reform

---

A BILL

To direct Federal agencies to donate excess and surplus Federal electronic equipment, including computers, computer components, printers, and fax machines, to qualifying small towns, counties, schools, nonprofit organizations, and libraries.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Federal Electronic Equipment Donation Act of 2007".

1 **SEC. 2. REQUIREMENT TO DONATE USEFUL FEDERAL**
2 **ELECTRONIC EQUIPMENT TO QUALIFYING**
3 **RECIPIENTS.**

4 (a) TRANSFER OF EQUIPMENT TO QUALIFYING EN-
5 TITIES.—Each Federal agency shall identify useful Fed-
6 eral electronic equipment that the agency has determined
7 is surplus property and—

8 (1) transfer such equipment to the Adminis-
9 trator of General Services for transfer for donation
10 to a qualifying recipient in accordance with section
11 549 of title 40, United States Code;

12 (2) transfer such equipment directly to a quali-
13 fying recipient, through an arrangement made by
14 the Administrator of General Services under sub-
15 section (b); or

16 (3) transfer such equipment directly to a quali-
17 fying recipient pursuant to section 11(i) of the Ste-
18 venson-Wydler Technology Innovation Act of 1980
19 (15 U.S.C. 3710(i)) and in accordance with sub-
20 section (c).

21 (b) ADVANCE REPORTING OF EQUIPMENT TO
22 GSA.—Each Federal agency shall report to the Adminis-
23 trator of General Services the availability of useful Federal
24 electronic equipment as far as possible in advance of the
25 date the equipment is expected to become surplus, so that

1 the Administrator may attempt to arrange for the direct
2 transfer from the donating agency to qualifying recipients.
3 (c) TRANSFERS UNDER STEVENSON-WYDLER.—
4 With respect to any transfer described in subsection
5 (a)(3), if the equipment is not classroom-usable, the equip-
6 ment shall be conveyed initially to a nonprofit refurbisher
7 for upgrade before transfer to the recipient.
8 (d) PREFERENCE.—In transferring any equipment
9 pursuant to this Act, the Administrator of General Serv-
10 ices shall give the highest preference to qualifying recipi-
11 ents located in an enterprise community or empowerment
12 zone designated under section 1391 or 1400 of the Inter-
13 nal Revenue Code of 1986.
14 (e) LOW COST.—Any transfer made pursuant to this
15 Act shall be made at the lowest cost to the qualifying re-
16 cipient permitted by law.
17 (f) NOTICE OF AVAILABILITY OF EQUIPMENT.—The
18 Administrator of General Services shall provide notice of
19 the anticipated availability of useful Federal electronic
20 equipment to qualifying recipients by all practicable
21 means, including newspapers, community announcements,
22 and the Internet.
23 (g) FACILITATION BY REGIONAL FEDERAL EXECU-
24 TIVE BOARDS.—The regional Federal Executive Boards
25 (as that term is used in part 960 of title 5, Code of Fed-

1 eral Regulations) shall help facilitate the transfer of useful
2 Federal electronic equipment from the agencies they rep-
3 resent to qualifying recipients under this Act.

4 **SEC. 3. RULEMAKING.**

5 The Administrator of General Services shall prescribe
6 rules and procedures to carry out this Act.

7 **SEC. 4. EFFECT ON OTHER LAWS.**

8 This Act supersedes Executive Order No. 12999 of
9 April 17, 1996.

10 **SEC. 5. RULE OF CONSTRUCTION.**

11 This Act may not be construed to create any right
12 or benefit, substantive or procedural, enforceable at law
13 by a party against the United States or its agencies, offi-
14 cers, or employees.

15 **SEC. 6. DEFINITIONS.**

16 In this Act:

17 (1) The term "Federal agency" means an Exec-
18 utive department or an Executive agency (as such
19 terms are defined in chapter 1 of title 5, United
20 States Code).

21 (2) The term "qualifying recipient" means any
22 of the following:

23 (A) An educational recipient.

24 (B) A qualifying small town.

25 (C) A qualifying county.

(D) A library.

(3) The term "educational recipient" means a school or a community-based educational organization.

(4) The term "school" includes a pre-kindergarten program (as that term is used in the Elementary and Secondary Education Act of 1965), an elementary school, a secondary school, and a local educational agency (as those terms are defined in section 9101 of that Act.)

(5) The term "community based educational organization" means a nonprofit entity that—

(A) is engaged in collaborative projects with schools or the primary focus of which is education; and

(B) qualifies as a nonprofit educational institution or organization for purposes of section 549(c)(3) of title 40, United States Code.

(6) The term "qualifying small town" means a political subdivision with a population of not more than 24,999 individuals where 20 percent or more of the residents earn less than the poverty threshold (as defined by the Bureau of the Census).

(7) The term "qualifying county" means a county where 20 percent or more of the residents

earn less than the poverty threshold (as defined by the Bureau of the Census).

(8) The term "useful Federal electronic equipment"—

(A) means—

(i) computers and related peripheral tools (such as computer printers, modems, routers, and servers), including telecommunications and research equipment;

(ii) fax machines; and

(iii) any other electronic equipment determined by a Federal agency to be potentially useful to a qualifying recipient; and

(B) includes computer software, where the transfer of a license is permitted.

(9) The term "classroom-usable," with respect to useful Federal electronic equipment, means such equipment that does not require an upgrade of hardware or software in order to be used by an educational recipient without being first transferred under section 2(c) to a nonprofit refurbisher for such an upgrade.

(10) The term "nonprofit refurbisher" means an organization that—

1 (A) is exempt from income taxes under
2 section 501(c) of the Internal Revenue Code of
3 1986; and
4 (B) upgrades useful Federal electronic
5 equipment that is not yet classroom-usable at
6 no cost or low cost to the ultimate recipient
7 school or community-based educational organi-
8 zation.

○

Mr. BUTTERFIELD. Thank you very much, Mr. Chairman, for allowing me to participate in this hearing today. I represent North Carolina's 1st District. We have 23 counties and, I believe, the largest city or town in my district is about 60,000 people, and so we are from a relatively rural district. Thank you very much for allowing me to participate.

It is my understanding that my good friend, Ed Towns, is not here today, he is back in New York recovering and will be back with us in just a few days. But I appreciate the chairman's willingness to hold this hearing on H.R. 752, which is the Federal Electronic Equipment Donation [FEED] Act of 2007, and I look forward to hearing the testimony from the witnesses today, all of whom have obviously dedicated much of their professional lives to the issue of Federal excess and surplus property. And if there is something that I do not understand about this matter, I am sure that one or more of the witnesses will call that to our attention.

In short, Mr. Chairman, in my bill H.R. 752 codifies Executive Order 12999 making many of the provisions permanent law, but it also adds provisions making this much-needed equipment for more accessible to the poor and underserved regions of our country. The FEED Act would streamline the process for donating excess and surplus electronic equipment to small cities, and towns and countries, and schools and libraries, and community-based educational nonprofit organizations.

The legislation gives preference to poorer communities which often have the greatest needs and the most difficult time navigating the process and acquiring property. The act would direct Federal agencies to transfer excess equipment to the GSA for transfer to the qualifying recipient at little or no cost.

The current system of acquiring Federal surplus equipment is flawed. It is riddled with Government red tape. Many times it can take months or even years or even years to receive requested equipment. There was one such case in my district, actually the impetus for my introduction of this bill, where GSA only began working on fulfilling the request after direct congressional intervention. Citizens in need of available technology should be able to obtain it without bureaucratic red tape which only serves to discourage the applicant from pursuing their goals.

Mr. Chairman, I represent a very poor district. My district is the 15th poorest district in the United States of America, the 15th from the bottom. My constituents and other disadvantaged citizens around the country do not have access to the technology afforded to so many of us here today. Small counties like Washington County in my district, which is the 5th poorest in our State, are home to towns like Roper and Plymouth, NC, with the county unemployment rate reaching nearly 8 percent.

The visionary leadership of Mayor Sanders, who is with us today, has transformed Roper into a technology oasis and with noticed job creation and training. Roper houses a technology center where citizens are put to work refurbishing, updating, and repairing electronic equipment acquired through the current process. They also receive training in A+ development, server management, and computer maintenance.

Without the necessary Federal excess and surplus electronic equipment with which to work, the technology center and its trainees stand the risk of losing years of hard work. Mayor Sanders has the patience and determination required to navigate the murky waters of Federal excess and surplus equipment. Most would not be this resilient.

The Federal Government spends an enormous amount of the taxpayers' money on technology. Last year the USDA's budget included about $110,000,000 in technology-related costs. That figure, extrapolated to cover all 15 executive branch departments, exposes a daunting number. Once equipment becomes slightly outdated it should not sit idle when there are so many needy small towns, cities, counties, schools, and libraries that can still put this technology to good use. Throughout the United States many of our small towns lack the very basic technology that many of us take for granted.

This important legislation grants underprivileged communities across America, access to Federal excess and surplus computers, printers, audiovisual and other technological equipment. The bill is particularly important to communities in Eastern North Carolina, and will be an important tool in building the electronic infrastructure for local government, schools, libraries, and nonprofits. Many of the communities that I represent need every bit of help they can get and, hopefully, this will free up some of the resources that can be used to address other needs.

Mr. Chairman, I look forward to hearing from the witnesses today. I respect them and thank each one for coming forward with their viewpoints.

I would particularly like to thank Mayor Sanders for her hard work and dedication to improving the lives of her constituents; and Mr. Rosenthall, John Rosenthall, who has worked with my staff for nearly 2 years in trying to move this bill forward. The current system is hurting the very people it was set up to help. This is a good bill that will help not only the people in Roper, or in my district, but people all across America who will derive a tremendous benefit.

I would like to thank the 61 bipartisan cosponsors currently supporting the bill. They see the value and immediate need for this legislation to be enacted. I thank you for your time and willingness to allow me to participate in this very important hearing.

I yield back, Mr. Chairman. Thank you.

Mr. WELCH. Thank you. Mr. Platts, do you care to make any opening statement?

Mr. PLATTS. Thank you, Mr. Chairman, just to say I look forward to testimony. I apologize, I will not be able to stay for the whole hearing, probably special to the second panel, and I will look forward to the written testimony we will have, and I appreciate the committee holding the hearing. Thank you.

Mr. WELCH. OK, thank you.

Now we will turn to our first—the panel, and why don't the panel members come on up. Do you know who that is? You don't know? We are keeping you in the dark? All right.

Becky Rhodes, and Bunny Sanders, and Shane Bailey. And it is the—thank you and welcome—it is the custom of this committee to

swear all witnesses, and I would like all of the witnesses to stand as I administer the oath.

[Witnesses sworn.]

Mr. WELCH. Just a little bit of introduction here. First the record will show the witnesses have answered in the affirmative, and Becky Rhodes is currently the Deputy Associate Administrator with GSA's office of Government-wide policy, and has to develop policy in a number of areas, including personal property management.

Bunny Sanders is the mayor of Roper, and we have been hearing about the mayor, a small town in the northeastern part of the State, has been a advocate for economic development and environmental protection in that community and other small towns, and sits on the University Governance Committee for the University of North Carolina.

Shane Bailey's day job is director of surplus property division of the State of Alabama, he is also president of the National Association of State Agencies for Surplus Property.

What we are going to do is ask each of the witnesses to give a brief statement summarizing your views, and then we are going to have an opportunity to ask each of you questions. And again, we are really trying to get—you know the things we want to learn, so we are trying to get the benefit of your experience, hopefully so that we can fashion some legislation that is going to allow us to be more effective, and the focus of attention is the suggestions made in the legislation by Mr. Butterfield.

So, Ms. Rhodes, do you want to start?

STATEMENTS OF BECKY RHODES, DEPUTY ASSOCIATE ADMINISTRATOR, GSA GOVERNMENT-WIDE POLICY; AND BUNNY SANDERS, MAYOR OF ROPER, NC; SHANE BAILEY, DIRECTOR OF SURPLUS PROPERTY, DIVISION OF THE STATE OF ALABAMA, PRESIDENT OF NATIONAL STATE AGENCY FOR SURPLUS PROPERTY

STATEMENT OF BECKY RHODES

Ms. RHODES. Yes, thank you Congressman Welch, and Congressmen Platts and Butterfield. And thank you for the opportunity to be present at this hearing today and discuss these issues.

I am the Deputy Associate Administrator of the Office of Travel, Transportation and Asset Management within GSA's Office of Government-wide Policy. I am responsible for the policies and regulations that govern how agencies manage seven administrative functions. Personal property is one of my areas.

You asked me to come today and speak on two topics, H.R. 752 and the amendments that GSA has proposed to the Federal Management Regulation 102–38, which governs the sale of personal property. Before I get to the topics you asked about, I think it might help if I outlined statutory process that Federal agencies go through to dispose of property they no longer need.

First, an agency declares a piece of property excess to their needs and reports it to GSA.

Second, GSA offers the excess property to the Federal agencies using GSA excess Web site. Then, if no agency claims this within

21 days, the property is made available to the State agencies for surplus property. Please note that the term at this point changes from "excess" to "surplus." If no agency wants the surplus property, then the Government decides whether to sell it or to declare it scrap.

With regard to H.R. 752, the Federal Electronic Equipment Donation Act, I have been advised that GSA and the administration are studying this bill. However, I would like to mention that GSA is, as you mention, running the Computers for Learning program which was established in accordance with Executive Order 12999. The program allows Government agencies to transfer excess computer equipment to schools and educational nonprofit organizations; and I would like to mention that GSA has made a number of improvements to this program since taking over the management in 1999.

Please note that computer equipment transfers to schools under this Executive order is excess and not surplus.

Then you asked me to discuss the Federal Management Regulation which I will refer to as FMR and, specifically, the proposed change to the FMR 102–38. I want to emphasize that these are proposed provisions and have not yet been put into effect. They are still in the regulation development process.

The proposed changes to the FMR are intended to bring the Federal regulation in line with the existing policies of the Federal Asset Sales e-GOV initiative, which I will refer to as e-FAS. These policies have been developed in a collaborative process with Federal agencies as well as OMB. The e-FAS initiative seeks to provide citizens with efficient and easy-to-use method of finding and buying assets for sale by the Government and to assist agencies in selling their assets in an effective manner with the maximum return to our taxpayers. GSA is the managing partner for this initiative.

GSA and its partner agencies launched GovSales.gov Web site on October 1, 2006. If you visit this Web site you will find a searchable catalog of property available for sale by the Government which links to the various sales sites that conduct online and offline sales of personal property as well as real property.

Regarding private sector participation in the e-FAS initiative, any sale of Federal surplus property must, by law, be approved by a Federal official. However, in addition to the authorized Federal official, a sale center may use Federal agencies as well as the private sector in their sales process. We encourage our sales centers to seek participation and best practices from the private sector. Currently, we have four sales centers that are approved and operational three of which are using private sector partners in their sales processes.

There is much confusion about the e-FAS waiver process, and I would like to explain. If an agency wants to take exception to anything within the entire FMR so long as it is not an exception that would violate the law, the agency may request a deviation. This deviation process already exists within the FMR, and in the property arena, for example, we recently granted a deviation to facilitate a donation of flu vaccines to various State agencies.

With the e-FAS initiative has developed a separate process under which an agency may request a waiver from the requirements or

milestones that are part of the e-GOV process. Working with agencies, GSA has defined the waiver process and established procedures for it. The proposed regulation would incorporate those e-FAS waiver processes within FMR 102–38.

In conclusion, I would like to say the e-FAS initiative have been very dynamic. Its progress toward its goals in unifying and simplifying the sales process while being results-oriented, adopting best practices, and maintaining its transparency are moving along. We have learned a lot, and we have solid plans for our future.

Thank you for this opportunity to speak to the subcommittee.

[The prepared statement of Ms. Rhodes follows:]

STATEMENT OF

BECKY RHODES
DEPUTY ASSOCIATE ADMINISTRATOR

OFFICE OF TRAVEL, TRANSPORTATION
AND ASSET MANAGEMENT

U.S. GENERAL SERVICES ADMINISTRATION

BEFORE THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
ORGANIZATION, AND PROCUREMENT

UNITED STATES HOUSE OF REPRESENTATIVES

FEBRUARY 13, 2008

Good afternoon. Chairman Towns, Ranking Member Bilbray, and Members of the Subcommittee, thank you for the opportunity to participate in today's hearing. I am Becky Rhodes from the General Services Administration (GSA).

I am the Deputy Associate Administrator for the Office of Travel, Transportation, and Asset Management in GSA's Office of Governmentwide Policy. My Office carries out the GSA Administrator's role in promulgating policy and regulations that govern how Federal agencies manage seven administrative functions:

- Official Travel,
- Transportation,
- Employee Relocation,
- Mail,
- Personal property in general,
- Vehicles, and
- Aircraft.

Generally speaking, "personal property" is defined as any property except buildings and land, agency records, and naval vessels.

Before I mention specifics, I will outline the basic process that Federal agencies go through to dispose of property that they no longer need, as described in Title 40 of the United States Code. This is important so that we have a common level of understanding about the current process.

- First, a Federal agency declares that a piece of property is excess to their needs and reports it to GSA.
- GSA offers the excess property to other Federal agencies using the GSAXcess website.
- If no Federal agency claims it within 21 days the property is deemed to be "surplus" to the needs of the Federal government. The property is then made available to the State Agencies for Surplus Property (SASPs) for donation to eligible organizations within their states – please note that at this point, the property is no longer "excess" property but now the property is "surplus" to the Federal Government.
- If no SASP wants the surplus property, then the Federal government decides whether to sell it or declare it scrap.

With regard to H.R. 752, the Federal Electronic Equipment Donation Act, I am advised that GSA and the Administration are studying the bill.

However, I would like to mention that GSA already is running the successful Computers for Learning program. The Computers for Learning program was established in accordance with Executive Order 12999, which allows Government agencies to transfer excess computer equipment to schools and educational nonprofit organizations, giving special consideration to those with the greatest need. EO 12999 includes citations to GSA's Title 40 authorities, as well as to the Stevenson-Wydler Technology Innovation Act of 1980, as amended (15 U.S.C. 3701, *et. seq.*), to allow agencies to transfer excess computers directly to schools, rather than first making them available to other Federal agencies. Transferring computers to schools gives students the resources to succeed - and build a successful future for America. GSA has made many improvements to the Computers for Learning program since taking it over in 1999.

Please note that computer equipment transferred to schools under EO 12999 is excess, not surplus. It has not traveled far enough through the process to be considered surplus.

Next, I would like to turn to the proposed revisions to Part 102-38 of the Federal Management Regulation which deals with the Sale of Personal Property.

Under the Federal Property and Administrative Services Act of 1949 (now subtitle I of title 40, United States Code), Congress gave the Administrator of General Services the authority to manage the use and disposal of Federal property, including the authority to issue regulations governing the disposal of Federal personal property (40 U.S.C. 121) . Those implementing regulations are in the FMR.

The Federal Management Regulation (FMR) is located in Chapter 102 of title 41 of the Code of Federal Regulations. In my testimony today, I will be referring to the FMR's Sale of Personal Property provisions as "FMR 102-38." I want to emphasize that these proposed provisions have not yet been put into effect – they are still in the regulations-development process.

The proposed changes to the FMR 102-38 are intended to bring the Federal regulation into line with the existing Federal Asset Sales (eFAS) policies. These policies have been developed through a collaborative process that involved Federal agencies and OMB.

The eFAS initiative is part of the President's Management Agenda, under the overall objective of expanding service delivery to the American people using electronic technology.

The guiding principles of the eFAS initiative are:

- Unify and Simplify - Make it easy to find, buy, and sell assets;
- Results Oriented - Leverage economies of scale to increase return on assets sold, decrease cost of sale, and reach a broader customer base ;
- Best Practices - Take advantage of market driven practices and solutions; and
- Transparency – Make it easy for agencies and the public to see what the Federal government is selling, what is sold, and how well its sales activities are performed.

In short, the eFAS initiative seeks to provide citizens with an efficient and easy-to-use method of finding and buying assets for sale by the Government, and to assist agencies in selling their assets in an effective manner with maximum return to our taxpayers. GSA is the managing partner for this initiative.

GSA and its partner agencies launched GovSales.gov on October 1, 2006. When you visit this website, you will find a searchable catalog of property available for sale by the Government that is linked to various sales sites that conduct both on-line and off-line sales of:

- Personal Property: including business equipment, vehicles, furniture, and various other items that are surplus to the Government's needs or have been forfeited or abandoned or are eligible for an exchange/sale transaction..
- Real Property: including residential, industrial, commercial, agricultural, and other types of real estate that is surplus, forfeited, or foreclosed.

Ultimately, citizens will be able to search and shop for all assets available for sale by the Government through this one centralized website.

One of the key characteristics of the eFAS initiative is the use of recognized sales experts, including experts from the Federal government and private sector. We have worked with Federal agencies to encourage them to offer the most effective and efficient solutions, regardless of whether those solutions are government-managed or contractor-managed.

All of the eFAS Sales Centers are self-nominated. A Federal agency's bid to become a Sales Center is reviewed by an interagency subcommittee of the eFAS Executive Steering Committee. All recommendations of this subcommittee must be approved by the Office of Management and Budget.

The eFAS initiative has conducted two rounds of this process. Four Sales Centers were approved after the first round, and they are operating today. The second round yielded two additional potential Sales Centers, which we are in the process of developing. To date, all agencies that submitted and pursued a bid through the selection process have been recommended to be Sales Centers. I mention this to point out that the GSA is not eliminating any agency from seeking to become a Sales Center.

Agencies that are not already Sales Centers, but that believe that they can obtain a better sales solution than available from an existing Sales Center, are encouraged to apply for a waiver to test whether they can truly obtain a better solution (I will discuss the waiver process shortly). If the agency is indeed able to obtain a better sales solution than otherwise available, they will be given the opportunity to become a Sales Center so that all agencies can benefit from the better solution.

The eFAS initiative judges "best available" sales solutions as those solutions making the property available to the widest audience of potential buyers, selling the property in the shortest amount of time, getting the highest net return for the property sold (i.e., maximizing the sales price and minimizing the fees charged by the sales solution and other costs to the holding agencies, such as storage, transportation, etc.), and reporting performance measures on items sold to assure transparency of the sales process.

We have high expectations for these sales solutions. All sales opportunities (with a few exceptions) will be posted on the common website to maximize visibility to potential buyers and, therefore, to maximize the sales price. Sales centers are required to report to GSA key information about the items sold and the related sales performance metrics. Examples of our metrics include cycle time to sale, gross sales proceeds, transaction costs, and net proceeds. The transparency into the sales process that these metrics provide is essential to achieving the accountability that we seek.

Regarding private sector participation in the eFAS initiative, any sale of Federal **surplus** personal property must, by law, be conducted by a Federal agency, as only an authorized Federal official may approve a sale and bind the Government. However, in addition to that Federal sales official, the Sales Center may be composed of any mix of Federal employees or private sector contractors supporting the sales process. Agencies that are Sales Centers are encouraged to continually survey the solutions offered by the private sector and upgrade their current solutions when beneficial to do so.

The eFAS initiative also deals with forfeited, foreclosed, and exchange/sale property. Since these are not categories of **surplus** property, Sales Centers selling these assets may be composed of Federal employees or private contractors.

Our proposed changes to FMR 102-38 will make it clearer that Sales Centers must provide the best and most effective solutions and should consider, and even encourage, private sector participation in the agency sales process. Private sector entities interested in participating in the Federal sales process must only (1) demonstrate their effectiveness to an existing Sales Center or to an agency interested in becoming a Sales Center, and (2) agree to a service contract with that Sales Center.

The eFAS initiative focuses on maximizing Sales Center performance. Agencies have already embraced the participation of the private sector to help in providing effective solutions. Three of the four Sales Centers that are currently approved and operational use private sector partners in the sales process. The only exception is one Sales Center which only services the Metropolitan Washington, DC area and realizes approximately $100,000 in sales proceeds annually.

There is much confusion about the eFAS waiver process, so let me explain. If an agency wants to take exception to anything in the entire FMR (so long as their exception would not violate the law), the agency may request a *deviation.* This *deviation* process already exists in the FMR; it is described in FMR 102-2.60 through 102-2.110. In the property arena, for example, we recently granted a *deviation* to allow donation of flu vaccine

without prior testing by the USDA Food and Drug Administration (FDA). The FMR requires testing, but the FDA said that, in this case, testing was not required because the vaccine was still under the control of the original manufacturer.

The eFAS initiative has developed a separate process, under which an agency may request a *waiver* from requirements or milestones that are part of the eFAS process. Working with the agencies, GSA has defined this waiver process and established procedures for it. The proposed regulatory change would incorporate the eFAS waiver process into FMR 102-38.

Ten agencies have applied for waivers. One example is an agency that sells a specific type of property to a limited pool of buyers, and there is little likelihood of finding new buyers. A waiver could be the right answer, in this example, because there would be little to be gained from requiring the agency to restructure its process.

GSA and its eFAS partners have developed this *waiver* process to encourage the best solutions to rise to the surface. In the *waiver* process, as with the Sales Centers, we are encouraging the agencies to seriously consider private sector participation to make their solutions as efficient and effective as possible. All *waivers* will have a time limit, with the possibility of renewal.

In conclusion, Mr. Chairman, I would like to say that the eFAS initiative has made dramatic progress toward its goals of unifying and simplifying the sales process, while being results-oriented, adopting best practices, and maintaining transparency. We have learned a lot along the way, and we have solid plans for the future.

Thank you again for this opportunity to speak to the Subcommittee. I am happy to answer any questions you may have.

Mr. WELCH. Ms. Sanders.

STATEMENT OF BUNNY SANDERS

Ms. SANDERS. I am Bunny Sanders, mayor of the town of Roper, population 625. Roper is located in Washington County, which has a population of only 14,000. Washington County is the 5th poorest county in the State of North Carolina.

There are an additional 16 counties in the northeast region of which 11 are Tier 1s. This is the State's designation for the most depressed counties in the State. There are approximately 45 incorporated municipalities in the northeast region that have less than 1,500 people. Many of these communities do not have public access to computers and high speed Internet, and in fact, some of them do not even have public libraries.

Approximately 5 years ago, the town of Roper assisted with the organization of the WOWe-Community Development Corp. It is the only e-CDC in the State. The mission of the CDC includes the preparation of the Washington County labor force for 21st century employment and entrepreneurial opportunities, and to ensure accessibility to computers and the Internet to the citizens of the country and to Northeastern North Carolina.

The town of Roper received Federal grants for the construction of the Windows on the World Technology Center which is operated by the Community Development Corp. The technology center houses a digital library with 20 computers connected to high speed Internet, a digital literacy classroom with an additional 25 computers, a video conference equipped classroom for distance learning, and a 100-seat auditorium for distance learning.

WOWe-CDC also operates e-Business Incubators where workers can maintain and upgrade computers. For more information on the Windows on the World Technology Center, you might visit WOWe-CDC.org.

Pursuant to its mission, WOWe-CDC develops and promotes a variety of computer and Internet-related enterprises that creates some of those 20th century employment opportunities. To date, it has provided training for indigent residents in computer maintenance repairs, A+, the Network+ certification. It is training in electronic health records; it operates a computer repair maintenance enterprise; it is a vendor for conversion of paper medical records to e-HR. It develops, maintains, and hosts sites, and it has developed Web sites for 28 small towns with less than 1,500 in Eastern North Carolina at no cost to the towns.

These Web sites would have been of no urgency for these towns, just because they do not have the resources to do it, but what we realize is that not having a Web site is like not having a ZIP code. So it was important that these towns have it, and we have been able to do that.

The North Carolina General Assembly, recognizing the necessity to offer direct engagement for information technology in remote rural communities, designated the WOWe-CDC as a Technical Resource Center for the Northeast. It specifically charged the CDC with development, maintenance, and hosting of municipal Web sites for small towns, developing computer and public access points for these communities, and operating a wireless ISP to serve the

more remote communities that telecommunications companies cannot profitably reach.

The CDC uses municipal and county water towers which base stations or access points or place, and then these antennas project the signals out to the remote communities. Incidentally, we believe that the only way to provide affordable broadband to the more remote communities is wirelessly and through non-profit Internet service providers.

Pursuant to its mission of ensuring access to computers and the Internet to citizens and children in remove communities of northeastern North Carolina, WOW has requested computers. We get them from wherever we can manage, and there are never enough. Necessary upgrades are done by graduates of our computer maintenance repair program, thus creating technology-related employment in communities where there is no technology-related industry.

We regard information technology and computer and Internet-related enterprises as our hope for growth and development because IT is not limited to dependence on local markets, which are always small in small communities, but rather offers us as global market. But we cannot achieve this goal without the infrastructure and the tools to participate in a knowledge-based economy.

Specifically, we must have what most Americans consider basic: computers and broadband. In both cases, State and Federal Government initiatives that should reach our communities often do not. The reasons have to do with the lack of understanding of the culture and how small low-wealth communities must operate. It is very important to understand the nature of the small towns and rural communities that these computers are intended to serve.

The day-to-day operations of many of the towns of less than 1,500 people are run by the town clerks with part-time volunteer mayor, such as I am, I tend to be a full-time volunteer mayor, but most of them have part-time mayors who have other employment. The towns often do not have the human resources or funds for shipping the computers, nor can they do the necessary upgrades. More importantly, many towns do not even know that the program exists. Efforts to access computers to the State are all but impossible for a small to navigate.

In North Carolina, the process will require a trip to the State capital on Fridays. Most communities in Eastern North Carolina are at least 2 or 3 hours from Raleigh. You would be permitted to inspect the items on which you would bid, but computer cases may not be opened during the inspection time, which is between 9 and 2. Item descriptions indicate internal components and what the State knows about the item. Often the condition of the item is unknown.

The process assumes that the bidder—and in our case small towns—has someone who would know about internal components of a computer doing their bidding, which is highly unlikely. Small low-wealth communities cannot afford technology-savvy staff. Unfortunately, the bidder must assume all the risk. Needless to say, small, low-wealth communities cannot take the time nor afford the trip, nor take the risk that the computers will require extensive upgrades.

This process really eliminates Federal and/or State surplus as an option for small low-wealth communities. Neither towns nor regional centers such as Windows on the World Technology Center can afford this process. The cost of purchasing, shipping, and upgrades puts the computers out of reach of the very communities that need them most.

When we were able to get computers from USDA in the past, WOW distributed those computers to local schools, small towns, and non-profits who paid only the cost of the organizational expenses related to bulk shipping and upgrading. This process did make the computers more affordable and more accessible to low-wealth communities.

I would assume that there are other non-profit regional centers like the Windows on the World Technology located in rural communities throughout the United States that are charged with addressing digital literacy and access to computers and the Internet. These centers would have the documented capacity to upgrade the computers and ensure distribution to communities and low-income families throughout rural America.

In addition, these non-profit regional centers could also use the surplus computers to establish public access to computers and the Internet in remote communities, thus creating a network of digital libraries in rural America. These digital libraries could be established in churches, community centers, and other non-profit facilities which is where we are now establishing them.

Most of today's public libraries are run by librarians whose orientation is books. That is fine, but the mistake is that, that is also in many cases we are adding a few computers and calling it public access. Many of our libraries in Eastern North Carolina have five or six computers on which citizens are given maybe a half hour. We must provide communities with digital libraries in the 21st century for the same reason that libraries, book libraries, were provided in the 20th century: Books were not available in private homes.

Now in rural America, computers and affordable broadband are not available in many private homes. Here we have really an opportunity for the Federal Government to jump-start 21st century libraries throughout rural America without having to spend the money on bricks and mortar. The point is that in rural America where remote communities often do not have access to affordable broadband and computers at home, public access is critical.

I serve on the Board of Governors of the UNC university system. The system is increasingly utilizing online studies as a means of reaching remote communities with higher education. Without access to computers and the Internet, distance from the community college and the university will continue to be a deterrent to higher education.

Preparation for participation on a knowledge-based global economy cannot stop at 3:30 p.m. Monday through Friday. We have an obligation to ensure that young people all over this country have equal access to the tools that enable and empower them to be productive citizens. For this reason I urge you not to allow Government red tape to prohibit thousands of communities throughout the United States from accessing surplus computers that could very well make the difference between citizens who are self-sufficient

and those who lack the necessary skills to function in the 21st century.

The proposed bill would make Federal surplus computers directly accessible to any entity that can document the capability of upgrading and distribution of computers to schools, non-profits, and libraries in rural low-wealth municipalities and documented low-income families, or that could establish public access points for computers and the Internet.

Because technology is not only an opportunity for growth of low-wealth communities but is central to the survival of rural America in a knowledge-based global economy, it is imperative that Congress recognizes that there are over 25 million people living in 25,000 communities in this country whose lives could be impacted by the digital divides simply because of where they live, and you should pass legislation that would address the issues unique to IT needs and be specific so as to earmark types of communities that would be beneficiaries.

If this country expects to compete in a knowledge-based global economy, it cannot afford for any citizen to be denied access to the tools that would empower and enable them to contribute. Therefore, the language of this bill should be clear regarding direct availability of surplus computers for non-profits whose mission is related to digital literacy, public access to computers, computers for small towns, and IT training. This will ensure that there will not be any misinterpretation of the intent of the legislation by those who administer the programs.

I have brought the procedures of the North Carolina State Surplus Property Agency for your review and consideration. Thank you.

[The prepared statement of Ms. Sanders follows:]

Congressional Testimony

I am Bunny Sanders, Mayor of the town of Roper, NC, population 625. Roper is located in Washington County, which has a population of 14,000. Washington County is the 5th poorest county in North Carolina. There are 16 counties in the northeast region, of which 11 are Tier I. This is the state's designation for the most depressed counties in North Carolina. There are approximately 45 incorporated municipalities in the northeast region that have less than 1500 people. Many of these communities do not have public access to computers and High Speed Internet. In fact, many of them do not even have public libraries.

Approximately 5 years ago, the town of Roper assisted with the organization of the WOW e-Community Development Corporation (WOW e-CDC). It is the only e-CDC in North Carolina. The mission of the e-CDC includes the preparation of the Washington County labor force for 21st Century employment and entrepreneurial opportunities; and to ensure accessibility to computers and the Internet to the citizens of Washington County and Northeastern NC. The town of Roper received federal grants for construction of the Windows on the World Technology Center which is operated by WOW e-CDC. The technology center houses a digital library with 20 computers connected to high speed Internet; a digital literacy classroom with an additional 25 computers; a video conference equipped classroom for

distance learning; and a 100 seat auditorium/classroom for distance learning. WOW e-CDC also operates an e-business incubator where workers can maintain and upgrade computers. For more information on the Windows on the World Technology Center and the WOW e-CDC, you may visit wowe-cdc.org

Pursuant to its mission, WOW e-CDC develops and promotes a variety of computer and Internet related enterprises that create some of those 20th Century employment opportunities. To date, it has provided training for indigent residents in computer maintenance and repairs, A+ and Network + Certifications; and electronic health records. It operates a computer repair and maintenance enterprise; Is a vendor for conversion of paper medical records to electronic health records (EHR); Develops, maintains, and hosts web-sites; Has developed web-sites for 38 small towns in eastern North Carolina at no cost to the towns; and is a wireless broadband ISP. WOW e-CDC recently conducted a study of 21 eastern North Carolina communities which revealed that almost 40% of the households do not have access to broadband.

The North Carolina General Assembly, recognizing the necessity to offer direct engagement for information technology in remote rural, designated the WOW e-CDC as the Technology Resource Center for the 16 counties located in the northeast region. It specifically charged the CDC with development, maintenance, and hosting of municipal web sites for small towns; developing computer and Internet public access points for these communities;

Initiatives that increase the urgency of digital literacy; and operating a wireless ISP to service the more remote communities that telecommunications companies can not profitably reach. The CDC uses municipal and county water towers on which base stations or access points are placed. These antennae project the signal out to remote communities. We believe that the only way to provide affordable broadband to the more remote communities is wirelessly, and through non-profit Internet Service Providers.

Pursuant to its mission of ensuring access to computers and the Internet to citizens and children in remote communities of northeastern North Carolina, WOW e-CDC has requested computers from as many businesses and others entities as possible. Necessary upgrades are done by graduates of the computer maintenance and repair program, thus creating technology related employment in a community where there is no technology related industry.

Proposed Legislation

It is very important to understand the nature of the small towns and rural communities that these computers are intended to serve. The day to day operations of many of the towns with less than 1000-1500 people are run by the town clerks with part time volunteer mayors who have other employment. The towns often do not have the human resources or funds for shipping the computers, nor can they do the necessary upgrades. More importantly, many towns do not even know about the program.

Efforts to access computers through the state are all but impossible for a small town to navigate. In North Carolina, the process will require a trip to the state capital on Fridays. Most communities in eastern NC are at least 2 to 3 hours from Raleigh. You would "inspect" the items on which you would bid. Computer cases may not be opened during the inspection time, which is between 9am and 2 pm. Item descriptions indicate internal components and what the state knows about the item. Often, the condition of the items is unknown. The process assumes that the bidder, in our case, the town, has someone who would know about internal components of a computer doing their bidding, which is highly unlikely. Small, low wealth communities can not afford technology savvy staff. Unfortunately, the bidder must assume ALL risks. Needless to say, small low wealth communities cannot take the time, nor afford the trip, nor take the risk that the computers will require extensive upgrades. This process really eliminates federal and/or state surplus as an option for small low wealth communities. Neither towns nor regional centers such as Windows on the World Technology Center can afford this process. The cost of purchasing, shipping, and upgrades put the computers out of reach of the very communities that need them the most. When we were able to get computers from USDA in the past, WOW e-CDC distributed the computers to local schools, small towns, and non-profits who paid only the cost of the organizational expenses related to bulk shipping and upgrading. This process made the computers more affordable and more accessible to low wealth communities.

I would assume that there are other non-profit regional technology centers like the Windows on the World Technology Center, located in rural communities throughout the United States that are charged with addressing digital literacy and access to computers and the Internet. These centers would have the documented capacity to upgrade the surplus computers and ensure distribution to communities and low income families throughout rural America. In addition, these non-profit regional centers could also use the surplus computers to establish public access to computers and the Internet in remote communities, thus creating a network of digital libraries in rural America. These digital libraries could be established in churches, community centers, and other non-profit facilities where there is a commitment for volunteers or state and/or foundation funded operations.

In the 21st Century, digital literacy and Internet proficiency are as important as the ability to read and write. We must accept the idea that the 21st Century library is digital, and those capable of using it are those who have digital literacy. The reality is that in rural America, where remote communities often do not have access to affordable broadband, public access is critical. I serve on the Board of Governors of the NC University System. The system is increasingly utilizing on-line studies as a means of reaching remote communities with higher education. Without access to computers and the Internet, distance from the community college and/or the university will continue to be a deterrent to higher education in rural America. Preparation for

participation in a knowledge based global economy cannot stop at 3:30 pm Monday through Friday. We have an obligation to ensure that young people all over this country have equal access to the tools that enable and empower them to be productive citizens. For this reason, I urge you not to allow government red tape to prohibit thousands of communities throughout the United States from accessing surplus computers that could very well make the difference between citizens who are self-sufficient and those who would lack the necessary skills to function in 21st Century America.

The proposed bill should make federal surplus computers directly accessible to any entity that can document the capability of upgrading and distribution of computers to schools, non-profits, and libraries in rural low wealth municipalities, and documented low income families; or that could establish public access points for computers and Internet.

Further, the language of the bill should be clear regarding direct availability of surplus computers for non-profits whose mission is related to digital literacy, public access to computers, computers for small towns, and IT training. This will ensure that there will not be any misinterpretation of the intent of the legislation by those who administer the program.

I have brought the procedures of the North Carolina State Surplus Property Agency for your review and consideration.

Mr. WELCH. Thank you very much.
Mr. Bailey.

STATEMENT OF SHANE BAILEY

Mr. BAILEY. Mr. Chairman and honorable members of the committee, first thank you for this opportunity. This is something NASASP has looked forward to for years, and we appreciate the opportunity.

NASASP is the National Association of State Agencies for Surplus Property. We are represented in all 50 States, various U.S. territories, District of Columbia. We represent 67,000 organizations across the United States. Those organizations include villages, towns, townships, counties, 8(a) States, SBAs, public educational institutions public health agencies, public safety to include police and fire agencies, libraries are included.

Certain not-for-profit organizations include private schools, veterans homes, senior centers, homeless shelters, and food banks. NASASP believes that once property has been deemed excess or surplus to the Federal Government needs, the highest and best secondary utilization of property is by the public and private organizations of this nation dedicated to the education, the training, and the health and civil protection and other public benefits.

NASASP supports the Donation of Information Technology. There are some very good contents of H.R. 752. All the computers, copiers, fax machines, we believe that these do need to be donated to the public and private organizations qualified to assist the underserved areas of our States. These organizations are currently served by our program.

Congress has passed several laws in the past establishing policies and procedures designed to serve the best interests of the taxpayers. These personal property management laws such as Public Law 094–519, Public Law 105–50 require Federal agencies to transfer excess personal property to other Federal agencies as the highest utilization of such property. The next highest priority is to transfer such property in the public use through the State Agency for Surplus Property. This system has served the public well for over 60 years and helps ensure 100 percent of the usage of taxpayer property is fulfilled.

GSA-approved donations through NASASP are only made to very specific organizations with clear missions of public goodwill, public service and structure to aid all the Nation's citizens. A centralized process such as the one overseen by GSA and managed by the State Agency for Surplus Property ensures fair and equitable distribution. H.R. 752 will provide computers and other electronics to organizations.

NASASP can ensure that property is placed into the hands of those who need it the most. We have been told over the years that we serve the neediest of the needy, and that is what we base our program on.

Mr. Butterfield mentioned in his opening remarks, serving the neediest of the needy. NASASP has proven track record in moving property across the United States. Several States have to travel 100 miles to acquire Federal excess property. This is one of the constraints that we are now facing at the State level.

We urge the members to take steps to ensure that no personal computer, server, external storage device, is transferred to the general public that might contain sensitive or confidential information. We also encourage the Federal agencies to continue to provide access to grants and other funding to States across the Nation designed to support state-wide consumer-based electronic recycling policies to decrease the potential PCs being thrown to the ground, dumped in roadside ditches, or found in the back alleys.

There are two major issues that are depleting the amount of property that is available through the Federal Donation Program. The first issue is the DRMS downsizing. A–76 proposal reduced property sites across the United States. I mentioned some States have to travel hundreds of miles receive excess property. Nevada, for instance, is a State that there is no DRMO within—I think Stockton is the closest one. That is hundreds of miles to go get a load of computers, so we share a lot of the same concerns that the mayor has.

The second major issue that we feel is depleting the Federal program as much or more than DRMS downsizing is the GSA Exchange Sale Authority. We believe that a number of Federal agencies are selling property for pennies on the dollar when that property could be transferred to the neediest of the needy mentioned earlier by the mayor, and NASASP has a resolution that would require a 30 percent return on property sold. If that property does not return 30 percent, then the sale is void. This way the taxpayers receives the full utilization possible for this Federal property.

Thank you for your time.

[The prepared statement of Mr. Bailey follows:]

National Association of State Agencies for Surplus Property
Shane T. Bailey, President (Alabama)
Curtis A. Howard, Vice President (Illinois)
Scott Pepperman, Secretary (Pennsylvania)
Marilyn Trachsel, Treasurer (Missouri)
http://www.nasasp.org

February 8, 2008

The Honorable Members of the House Subcommittee on
Government Management, Organization & Procurement

RE: H.R. 752

Dear Committee Members:

Members of NASASP, Inc. are the State Agencies for Surplus Property (SASPs) of the 50 States, U.S. territories, and the District of Columbia. We represent 67,000 organizations including villages, towns and townships, counties, 8 (a) businesses, public educational institutions, public health agencies, public safety (police and fire), libraries, not-for-profit organizations including private schools, veteran's homes, senior centers, homeless shelters, food banks, and other eligible recipients as determined by Federal law. Our Agencies ensure fair and equitable distribution of Federal surplus property. All recipients of the donated property are held accountable under Federal and State statutes. We network across the country and the world with our donee organizations through a system of communications, warehousing and transportation. We serve the neediest of America's organizations.

The United States Congress fulfills its responsibility under the United States Constitution to "make all needful rules and regulations respecting the territory or other property of the United States." In the exercise of this authority, Congress has passed laws about property designed to serve the best interests of the citizens. These laws are based on the premise that the public is the actual owner of Government property and Federal agencies that hold and utilize such property are merely custodians of it. Consequently, personal property management laws require Federal agencies to transfer excess personal property to other Federal agencies as the highest utilization of such property. When no Federal need is expressed, the next highest priority is to transfer the property, and continue its public use through the SASPs. This system has served the public well for many years, allowing the property to continue to serve the public throughout its useful life.

NASASP applauds the support shown by Mr. Butterfield, Mr. Conyers, Ms. Lee, Mr. Honda, and Mr. Baca to further the advancement of underserved areas, organizations, and individuals of our nation by transferring technology into the hands of those who need it but can't afford to buy it. Such donations will assist in narrowing the gap of the "Digital Divide" across America.

NASASP supports the donation of Information Technology (IT), e.g., computers, copiers, fax machines, etc., to public and private organizations qualified to provide education and training to assist the underserved areas of our states. Such organizations currently participate in the Federal Surplus Property Donation Program.

It is imperative that the Federal agencies take the necessary steps to ensure that no personal computer, server, external storage device, or related electronic component is transferred to the general public that might contain sensitive or confidential information. It is just as important that an IT donation system include mechanisms to prevent donations of unusable equipment, and ensure that when the useful life of equipment ends, it is disposed of in an approved manner. NASASP encourages the Federal agencies to continue to provide access to grants and other funding to support state-wide, consumer-based electronic recycling policies. Such donations from the Federal government to local organizations within states will further decrease the potential for contamination of land-fills.

The U.S. General Services Administration (GSA) oversees the fair and equitable disposition of all excess and surplus federal property. GSA promulgates rules and regulations for the enrollment, transfer, and donation of personal property to the SASPs that result in accountability and reduce the potential for fraud, waste, and abuse. Donations are made only to organizations with clear missions of public service and documented goals and programs to aid our nation's citizens. It is important that the Federal government maintain centralized accountability of donations. The process in place, managed by the SASPs, ensures fair and equitable distribution.

NASASP requests that this Subcommittee address our concerns. We encourage you to enable the SASPs to continue furthering the goals of the Federal Surplus Property Donation Program by making the federal government's surplus IT equipment available to the taxpayers through the SASPs.

NASASP also requests that we be consulted concerning any contemplated changes to the Exchange Sale Authority in law or regulation, and that we be invited to testify at any and all hearings on this matter, as well as on any matter affecting the personal property disposal process, including IT equipment. As the sole conduit for placing Federal surplus personal property back into the hands of the American taxpayers for over 60 years, we are singularly well qualified to offer testimony on this subject.

Pro Bono Publico,

Shane T. Bailey
President
NASASP, Inc.

Mr. WELCH. Thank you all.

We are going to now ask questions, and what I want to do is turn it over to Representative Bilbray, who was not here to give his opening statement, but we will let you start the questioning, and if you want to start out with any comments or remarks, go ahead.

Mr. BILBRAY. Thank you. First of all, as a former mayor myself, I apologize for the fact that Honorable is not in front of your name.

Ms. SANDERS. That is quite all right.

Mr. BILBRAY. You have earned the right, and I apologize, and staff just happens to inform me it was an oversight, so from the committee I think all the members here would owe an apology.

Mr. WELCH. The Honorable Sanders looks like she has been able to weather some more fierce storms than this, but——

Mr. BILBRAY. I was a mayor of 27,000. They made a lot of jokes about a thousand for each year, but the smaller communities. So when I ask these questions, I am coming, at least from the California point of view, from the smaller communities, and it may seem huge to you but coming from growing up in a working-class neighborhood, this kind of hits home of the selective kind of access technology has had in our society.

I guess I have to ask both of you first of all, the ability to pool resources. And here is one of those issues that I know the League of California Cities, the National League of Cities, and, I assume, you have a League of North Carolinian Cities that could possibly discuss the issue of having a pooled access so that you, personally or your employees, would not have to personally have to venture off to this.

And I guess, Mr. Bailey, you should engage in this, too. What is the ability for us to work with the local government agencies and the State agencies at trying to get more cooperation so that the little guy does not get left out in this process?

Ms. SANDERS. Well, let me just speak to the idea of resources. It is very difficult. One of the things that happens to small towns is the definition. The Federal Government thinks 25,000 people is a small town. Some people think 10,000 people is a small town, but I am mayor of a town of 625 people. That is a small town.

Mr. BILBRAY. The difference between a small city and a small town.

Ms. SANDERS. And it is very difficult, even when you are a part of leagues, of municipalities, it hardly ever filters down to the point where the uniqueness of really small communities in corporate municipalities get the kind of attention it needs.

In terms of resources, we raised the taxes in my town by 12 percent on $100 of evaluation, and we raised $12,000. Twelve percent. So that just gives you an idea of how difficult it is. There is no tax base, and this whole idea of technology gives such an opportunity to become a part of the global economy that we just do not want to miss this opportunity. But what we have found is that we just don't have the resources to go out and buy computers, and neither do the people we serve.

We have three towns, for example, in Washington County. The only library in that county is in the county seat. The other two towns are ten and nine miles, respectively, from the county seat. So, effectively, those other two towns do not have computers. What

we are trying to do, for example, is set up public access points in those other two towns, and then make arrangements for the county library to electronically browse the card catalog in the county seat so that we can even get libraries for those towns.

So it is really, really, a very, very poor area, and it is very difficult to——

Mr. BILBRAY. I want to get back to that direct service, but let's talk about getting the hardware, getting the resources out to these smaller communities.

Mr. Bailey, you would really be an essential part of that network or some kind of coordination that there would be certain underserved communities that we recognize either by your organizational League of Cities. What is the ability to create, basically, an agent for these smaller communities? Because it comes down to the debate, do we break up the distributing system, federally, and try to get it in every little neighborhood?

Because I really believe that you are going to find that we are not going to be able—somebody is going to fall into the cracks—that it is better to try to have a medium going both ways, somebody at the State or regional level being able to identify those communities that qualify, and then be able to move the assets into those communities for them as their agents.

And your organization seems like it's absolutely made in heaven to be able at least to address the issue of creating those kind of vehicles.

Mr. BAILEY. Yes, sir. We have been in existence 60 years, and I have been at this job for 9 years. And every week we average anywhere from five to ten new donees, recipients, in Alabama alone. We are in all 67 counties of Alabama. We have 2,300 donees just in Alabama.

But there are so many people that come in every day that say, I have been mayor for 20 something years, I have never heard of this program. We just do not have the funding, we do not have a marketing program. I go and speak to the League of Municipalities in Alabama. Every year I am at the County Commissioners Convention. We do the promotion as much as we can on a regular basis, but it is one of those things.

The Governor had no idea that we existed until Hurricane Katrina hit. We are now his new best friend. We have been able to move trailers, we have been able to move bottled water, things like that, that come from FEMA or other agencies that he had no idea that we had access to. It is a shame that it took a disaster like that to get the program to where it needs to be, but it is an every-day challenge, not only in my State but all the 56 States and U.S. territories that I am representing today.

We just had our convention here last week in D.C. only 15 States showed up. They do not even have the money to come and network us together. So to go back and carry a marketing program back to the State and be sure that every town gets a letter from Alabama Surplus Property, or NASASP, or whoever, is extremely difficult.

Mr. BILBRAY. And I will say this. I know that, as a former chairman of a county, too, after I left the city, ma'am, was the fact of trying to get a good manageable size that is not—our county was

3,000,000, bigger than 20 States of the Union. Obviously, there are some manageable sizes there.

Mayor, I have a question. In your State or in Alabama, is the use of Internet cafes, they are called, really they are just small, little operations where public has access to it, do they exist at all in the rural areas that you know of?

Ms. SANDERS. They do not exist, but—they do not exist because most areas—many of the areas, the more remote communities do not even have broadband. So it is very difficult.

I mean, the WOWe-CDC that we operated, a wireless ISP that tries to reach them, but to the point of how to possibly break this down, there are seven regions in the State of North Carolina, and we are a regional organization that has been designated by the State of North Carolina to address issues of public access.

And so we could conceivably, regional organizations like ours, State organizations, could—I mean, we don't have a problem, for example, with coming directly to Washington and picking up loads of computers and then going back and using our trainees to upgrade those computers, and then we are responsible for the distribution. I mean, the State has funded us for the operation, but what we don't have is the access to the computers to set up the public access points.

And the truth is that we really do need to be considering digital libraries, and this is an opportunity to jump start the idea of digital libraries throughout rural America, because you do not need—we are using churches and community centers, and whatever building we can find to set up 10, 12 computers. And all of a sudden you have a digital library in a community that otherwise would have never had it.

Mr. BILBRAY. Well, Mr. Chairman, I just want to say I represent a very prosperous area, and the concept of the Internet cafe in the United States tends to be the Starbucks with upper class, very wealthy, very high educated. It may shock somebody, but I spent a lot of time in Latin America, and that shocks me that when I go out to rural America, you do not see access for the general public into the computer.

But I can go to a small village on an isolated coastline in Baha, CA, with no running water, no municipal electricity, but I can go into an establishment with 10 computers that is hooked up to the international system, and I can email my staff back and get my stuff off. That kind of technology exists in the Third World.

And it is shocking to me as I go round the rural parts of my families from Monroeville, AL, and it shocks me that certain parts of our country does not have half of the Internet connections that you can find in Third World countries like El Salvador, Costa Rica, Nicaragua, Mexico. And I would really kind of say that it shocks me that they figured out how to put the Internet, using a lot of private sector involvement, but that has become part of their culture, and it has not become a part of our rural culture yet.

Ms. SANDERS. Well, the telecoms will run lines to areas as long as they are densely populated and they are not poor. But that is where the line stopped in North Carolina.

Mr. BILBRAY. Well, Mayor, I am telling you that the technology—I worked on the Telecommunication Bill 96 over at Energy and

Commerce, and I can tell you from personal experience in other countries they do not use hard lines; they are using satellite connections. And it is sad that we still have communities like yours that do not have access to the network that a city like Turtle Bay, Baha, CA, would have with their little bit.

And, frankly, they are responding to an opportunity, and it just shocks me that we still have not. So I just want to raise that. I think it is something just to sort of question ourselves over why we are doing that.

Mr. Chairman, I appreciate the chance to be able to ask questions, and I yield back.

Mr. WELCH. OK, Mr. Platts—thank you, Mr. Bilbray.

Mr. PLATTS. Thank you, Mr. Chairman, and my thanks again to all of our witnesses.

I have just two questions before I have to run, and, Ms. Rhodes, could you walk me how you see what you do today under the Computers for Learning program? And in your testimony talking about giving special consideration to those with the greatest need, and how your understanding of the legislation that is part of the hearings today would impact that application of who you give computers to, to the bill which says, or gives highest preference to EZ and EC communities when transferring—you know—how is that going to play out and impact what you do?

Ms. RHODES. The way the Computers for Learning program works today is a supply and demand. The schools actually register on the Computers for Program Web site their needs, and then the agencies as they have computers that are excess, they then match those computers that they have that are available up with the needs of the school.

In terms of the bill, GSA has not commented on the bill yet, so I really cannot say anything about that at this time, but we can certainly give you comments.

Mr. PLATTS. Well, on the current process with Computers for Learning, so the need you are talking about is what they say they need in computers, not necessarily the financial ability of the community. But is there an assessment of the poverty level of the community or the school asking for the equipment, or is it just what they are saying, "Hey, we need these type of computers," but no accounting for whether it is a wealthy district looking just to get them for free, or if it is a very poor——

Mr. BILBRAY. No litmus test.

Mr. PLATTS. Yes.

Ms. RHODES. Not to my knowledge, but I would like to clarify that in writing.

Mr. PLATTS. OK. Yes, because I think that is one of the keys here is trying to target where there is not the tax base, perhaps that is as great to be able to purchase versus——

Ms. RHODES. Can I ask a question back there?

Mr. PLATTS. Sure.

Ms. RHODES. Dave, is there any——

Mr. ROBBINS. Excuse me, is there any school registration where they have information if there are income empowerments on that in place, medium empowerment zones, number of students receiv-

ing federally assisted lunches, some general information on how many ensured per student the school currently has?

Mr. PLATTS. Ms. Rhodes, you might just want to repeat that so we have it in the record, the answer. Do you get it?

Mr. BAILEY. Dave Robbins spoke. He is with Federal Acquisition Service, and his answer was within the system, within the Computers for Learning system, there are some questions that schools respond to relative to whether they are in the EZ zone, number of——

Mr. PLATTS. Free or subsidized lunches.

Ms. RHODES. Subsidizes lunches—and I forget what the other——

Mr. ROBBINS. Number of computers versus [remarks off microphone].

Ms. RHODES. Number of computers versus——

Mr. PLATTS. So there is some review of that, maybe not—it doesn't appear as substantive as what the bill proposes as far as trying a better target.

Ms. RHODES. That is true.

Mr. PLATTS. OK. The other—and this is really to all, any of the three witnesses—in the bill the requirement of mandating the use of nonprofit reuse or recycling programs to make sure the equipment is kind of up to speed and really usable, do you have any worry that part of the bill could have a negative impact in what is made available to begin with? And that in the intent of making it more usable, less is made available because of that being a mandate?

Ms. SANDERS. Well, what we have done is where the computers need upgrading, we have used the opportunity to operate a training program. And we train young people to upgrade computers and maintain them, maintain them and repair them.

And so very often, I mean what we find that we have to do is train people for jobs that do not exist. And this kind of helps us create a job because what we can do is give those kids who are now graduates of our training program an opportunity to upgrade these computers that we then put out into communities for public access.

Mr. PLATTS. I am not sure—and I guess it is something to be looked at—whether what you are doing, which sounds like a good approach, would qualify under the bill's language of the mandate.

Ms. SANDERS. Well, if we are given, as a regional technology center, were given direct access to the computers from GSA, and we were able to come up and pick them up, we would bring them to our community which is a very poor area, and we would upgrade those computers, and then we would make them available to schools, nonprofits, small municipalities, people who are engaged in setting up public access and so forth.

So you eliminate the need. There is not a need for us to have a perfect computer, because we will use it for training.

Mr. PLATTS. Mr. Bailey.

Mr. BAILEY. If I could go back on the CFL issue for just a second, Executive Order 12999 when it was initially introduced, it is my understanding that it provided transportation.

Some of the mayor's concerns that she has mentioned as having to drive two to 3 hours to pick up computers that may or may not

have hard drives, that may or may not just be nothing but a shell, so it is our concern, and the Congressman from California mentioned, that having one central location to work this through. I rarely take computers on the Federal side. I also run the State/Federal Surplus Property program, and I will get all the State surplus.

The only reasons I do not take them from the Federal side is because you never know what you are getting. If we could institute something to where the hard drives remain in, they are just cleaned over and over, whatever it takes to get the sensitive data removed, then that would be beneficial for everyone.

Mr. PLATTS. So the mandate from your perspective would be a positive one to make sure you are getting something usable, workable.

Mr. BAILEY. Yes.

Mr. BILBRAY. Can I followup on a question you just asked?

Mr. PLATTS. Yes.

Mr. BILBRAY. The gentleman yields. When they are doing this closed-box auctioning to the nonprofits and the public agencies, do they do the same closed-box auctioning with, once it has been reviewed, when it goes out to bid for private disposal?

Mr. BAILEY. I am not sure I understand the question.

Mr. BILBRAY. The question is this: It is right now, when the nonprofits in the cities, and the schools want to go after—it is a closed box basically, take it or leave it.

Mr. BAILEY. That's right.

Mr. BILBRAY. My question is, let's just say it gets left, and then it goes over for disposal under the fair market value to the general public. Is it still a closed-box auction at that time?

Mr. BAILEY. Yes.

Mr. BILBRAY. OK, so, Mr. Chairman—and I will just say this. I have to think that assets and resources are being lost to the taxpayer one way or the other by having the closed-box process; that you will get more getting to the right place of the private sector and to the public sector and the non-profit with an open-box system. And what is sold and put on the open market you will get a higher price for that.

And then a lot of this like the RTC, I find the procedure does not lend itself to the consumer or the taxpayer getting their fair share out of it just because, bureaucratically, it is easier just to keep it locked up and just take it or leave it. And I yield back.

Mr. PLATTS. Thank you, Mr. Chairman, and I yield back as well and thank the witnesses again for their testimony.

Mr. WELCH. I will ask a few questions. Thank you.

Ms. Rhodes, on the GSA rules for how Federal agencies sell their surplus, it looks like everyone has to go through GSA unless they get a waiver. In a letter that GSA wrote to the chairman, GSA made it clear that waivers would be routine, but other Federal agencies and private auctioneers seemed to be getting a different message. It may be, from your perspective, it is routine; from theirs it is kind of a big deal.

Is GSA sending a strong message to Federal agencies that they cannot and should not seek private sector alternatives?

Ms. RHODES. No, actually, we are sending the opposite. We are encouraging agencies to find best practices whether that be with private sector or their internal processes.

Mr. WELCH. Are you seeing agencies take advantage of the waiver process?

Ms. RHODES. We currently have 13 agencies requesting waivers, and—we have 10 agencies, I think, requesting 13 waivers, I said that wrong, incorrectly, I am sorry—that we are currently reviewing. And I do not see that we are sending any message that this is something they should not be doing.

Mr. WELCH. What are your thoughts about providing incentives to agencies to find the most efficient solution by allowing them to keep the proceeds of their auctions. And, as you know, that option is being considered for real property sales. In fact, there is a bill by Mr. Duncan on that very topic. Is this an option that, in your judgment, would make any sense for personal property as well?

Ms. RHODES. I think the only way an agency would, certainly, be interested in being a sale center would be if they could keep their profits.

Mr. BILBRAY. So what do you think of that?

Ms. RHODES. Personally, I think it is a good idea.

Mr. BILBRAY. OK. Mayor, it is amazing what you have done I mean you created jobs and everything with all this. When every other community that I know of does not even know these opportunities exist, how did you figure it out?

Ms. SANDERS. Well, matter of necessity. We managed to get, we managed to build with the grant the Technology Center, but what we did not have was operating capital because we didn't have a source of that. So we had to become very entrepreneurial in how we dealt with this, and plus that, we had to create jobs that did not exist in our community. Nobody is rushing to small-town America to set up businesses. So if our people are going to work in this field—and they need to—then we had to entrepreneurial in our approach.

Mr. WELCH. I want to talk about—you are probably the best person to talk to about this—some of the practical issues that you face. You had mentioned local schools in small towns and nonprofits were able to pay for the organizational expenses of shipment and upgrades.

What do you mean by organizational expenses and who paid the remainder of those costs, because those can run into some real money?

Ms. SANDERS. I could give an example. We have a Work Force Development Board that pays for us to train students in upgrading computers. Well, part of the income from that then will go to coming up here, for example, to get a shipment of computers.

We will come back to our community with those, and those students can now work, be paid for the upgrades and the shipping, and we might charge a school or non-profit less than $200 for a computer, the mouse, the keyboard, everything. And that makes it affordable.

And when we go in to set up the public access points, there is no cost to them relative to the networking because the State has given us some operating capital. Now, since they made us the re-

gional technology resource, so they gave us money for the operation. What they didn't give us money for was the computers.

So we need free computers. We do not need to have to buy them from anybody.

Mr. WELCH. You were talking about this tremendous program, the WOW program. Where do you get your funding for that?

Ms. SANDERS. Well, the building itself came from a USDA root of community facilities grant, and the operating capital for the first 4 years came from about four different foundations, grants, wherever we could find money. But we recently got put into the State budget on a pilot project which says the State wants to test the efficacy of having regional technology centers that can become resources for 15, 16 counties each.

Mr. WELCH. Yes.

Ms. SANDERS. And that is what we have become as a kind of pilot program for the States.

Mr. WELCH. Well, thank you, and congratulations on all your success.

Ms. SANDERS. Thank you.

Mr. WELCH. Mr. Bailey, Mayor Sanders has been telling us that it is next to impossible for small towns far from their State capitals to acquire surplus Federal property through State agencies. And I come from a small town, as I mentioned early on, and I don't know that anybody in the small towns I represent as aware that this is a potential possibility.

What mechanisms do States have in place, if any, to get this property to these areas?

Mr. BAILEY. We institute a donee screening procedure in Alabama where the donees, the recipients, the mayors of towns, municipalities that I mentioned earlier can actually go on GSA excess, just like I do and my guys that work for me to everyday, and look for property anywhere in the world.

We have a minimal service charge. We do not turn a profit in Alabama; we lose money every year administering this program, as do most States in our Association.

The donees can get on GSA excess, they can screen property and access it through there just like we do. When a donee does that, then Alabama—I can only speak on Alabama, I cannot speak for North Carolina—in Alabama when a donee does that, we transfer that property at the very minimal cost, which is usually 1 percent of the original acquisition, to handle paperwork, overhead things, overhead expenses that occur from day-to-day business.

Mr. WELCH. Yes.

Ms. SANDERS. Please, just let me ask you this. The problem we have is digital literacy. As I told you, these towns are run by clerks, and they do not have the digital literacy to even go to that site and even find out what is available. And that would be a problem for us in that respect.

Mr. BAILEY. I understand. Mr. McCarthy mentioned last week, we cannot sent them an e-mail notice because they do not have the computers to receive the e-mail there to work the programs.

Ms. SANDERS. Right.

Mr. BAILEY. So we are with you on this. We would be glad for a resolution some way, one way or another.

Mr. WELCH. Yes. Mr. Rhodes had pointed out that the Computers for Learning in H.R. 752 deal with computers at the point when they are still considered excess property; not the surplus property that the State agencies handle. Does that create a redundant process?

Mr. BAILEY. No, it is Federal statute that Federal agencies have first access to it.

Mr. WELCH. Yes.

Mr. BAILEY. And we are fine with that.

Mr. WELCH. Right.

Mr. BAILEY. The best utilization possible is for it to stay within the Federal Government. After that is when it trickles down to the State surplus.

Mr. WELCH. So you think we need State agencies to help distribute the property?

Mr. BAILEY. Yes, sir, most definitely. If nothing else, we provide accountability. We have proven over the years that we have the network in place.

Mr. WELCH. Yes.

Mr. BAILEY. We are already serving these people. Obviously, we are not serving all of them. That would be a great goal to set. But we are making strides in those efforts.

Mr. WELCH. Great. Do you believe that all Government surplus property is being made available to State agencies before being offered for auction?

Mr. BAILEY. Most definitely not.

Mr. WELCH. It is not. What can we do to change that?

Mr. BAILEY. I mentioned the Exchange Sale Authority that GSA has in place. We feel like that a lot of properties being sold for pennies on the dollar with no parameters set or not accountability—FEMA trailers are a real good example. We petitioned to get those brought out of the Exchange Sale to where we could run them through the donation program. That allowed other Federal agencies to receive trailers as well that would not have if they would have all stayed to be sold.

So not all Federal agencies would be against some parameters set on Exchange Sale.

Mr. WELCH. Yes.

Mr. BAILEY. The State agencies, this is our No. 1 congressional concern, has been since I became president 18 months ago, we are up here every two or 3 months meeting with organizations and national associations trying to pursue this to get some congressional help, to set some parameters set on that. There is no doubt in our mind, and we have requested reports to see how much of this property is going out the door that nobody knows, and we have yet to receive any of those.

Mr. WELCH. Well.

Mr. BAILEY. And I think that would be something this committee needs to look at.

Mr. WELCH. Thank you.

Ms. Rhodes, so you have any followup comments on that, that might be helpful to us?

Ms. RHODES. We actually do have an Exchange Sale Report, and if I am correct, I believe we are compiling that now that we cer-

tainly could provide to you. I am not aware of any exchange sale that goes for pennies on the dollar.

Exchange Sale was actually not a disposal tool, it is an acquisition tool. The agencies have not determined their items to be excess; they are determined that they still need these items, so they are still in use needed by the Federal agencies.

A good example of an exchange sale would be equipment that, say, NASA would have that they would turn back to their OEM; the OEM would give them money, then, toward an update of that particular item or piece of equipment. So it really has not reached the disposal arena yet. It is still an in-use item, it is an acquisition tool.

Mr. WELCH. OK, thank you.

Ms. RHODES. But we would be more than glad to share the reports that we have.

Mr. WELCH. Thank you. Mr. Bilbray, do you have any other questions?

Mr. BILBRAY. Ms. Rhodes, I have a question. I am looking at the different type of property to dispose of. How do you know when to sell surplus and when to scrap it?

Ms. RHODES. That is a decision that is made by the agency at the time. I do not know that I could answer that generally at this time.

Mr. BILBRAY. Which agency? Do you mean the agency that is using the equipment?

Ms. RHODES. The selling agency.

Mr. BILBRAY. Is there any in our procedures, is there any decommissioning inventory done for our equipment when we take it off line where the user basically fills out an inventory of the condition of the equipment? Because I know, like in law enforcement, when you decommission a cruiser, they will get the mileage, they will get basic condition, any references to any problems, and that document is there.

Do we do any such thing, let's say, with computers when they are decommissioned?

Ms. RHODES. I cannot specifically say for computers. I do know that we have condition codes that are assigned to every item that goes to GSA excess, whether it is in a good condition. Each of the codes have a description, and I am sure that applies to computers as well.

Mr. BILBRAY. I would turn it around, Mr. Bailey, if we had a decommission inventory basically on the box so that there was some, at least some review of what was there, what was the deal, what was the general condition of it. Would that not at least be a step out of the black box?

Mr. BAILEY. That would be a huge step. There is a warehouse within 20 miles of this building that has more computers than anyone can ever imagine. I go there once a month, and I cannot take them because I do not know what is in them. They are shrink-wrapped on a pallet. We have no idea.

Mr. BILBRAY. Mr. Rhodes, much like we do with decommissioning our squad cars, the best people to really do the inventory are the people who have been using it and now are basically taking on new equipment. And I sure hope we can take a look at, at least a proce-

dure that does not seem like a big deal at the time to the user, but means a huge deal later down.

And I have to, Mr. Chairman, almost—when you talk, Mr. Bailey, I almost can picture the last scene in Raiders of the Lost Ark, and the warehouse after warehouse of how the hell we are ever going to find the right computer in this group. And I would it at least show the common decency that before you close the box up and sent it to the warehouse, somebody puts on two angels carrying in a case and give some idea what is inside that box.

Thank you very much. I yield back, Mr. Chairman.

Mr. WELCH. Thank you.

Well, on behalf of the committee I want to thank you for your very, very helpful testimony. Ms. Rhodes, thank you. Mayor Sanders, thank you, it sounds like a great community. And Mr. Bailey, thank you very much for your leadership. This panel is now completed.

Now I would like to welcome our second panel, and the panel members are John Rosenthall—come on up. Thomas Williams, Mr. Williams. And as with the first panel it is the custom of this committee to swear in the witnesses, and I would ask you to stand.

[Witnesses sworn.]

Mr. WELCH. The record will reflect that the witnesses answered in the affirmative and welcome.

Mr. Rosenthall, I understand you are the president of Small Towns Alliance where you advocate for economic development opportunities for small towns. A lot of us in Congress find that work the Lord's work.

And Mr. Williams, co-founder of Williams and Williams Real Estate Auctions, and the president of National Auctioneers Association. Do not talk so fast, OK? And we are delighted to have you here.

And we are going to be going in to vote, so what I would like to do is have you give a summary of your statements, and then we will be able to followup with some questions and get the benefit of your experience. Thank you.

Mr. Rosenthall, do you want to start?

STATEMENTS OF JOHN A. ROSENTHALL, PRESIDENT, SMALL TOWNS ALLIANCE; AND THOMAS L. WILLIAMS, CO-FOUNDER WILLIAMS AND WILLIAMS REAL ESTATE AUCTIONS, AND PRESIDENT OF NATIONAL AUCTIONEERS ASSOCIATION

STATEMENT OF JOHN A. ROSENTHALL

Mr. ROSENTHALL. Thank you, Mr. Welch.

My name is John Rosenthall. I am president of the National Small Towns Alliance, and we are pleased that one of our members, Mayor Bunny Sanders, is here today.

For the last 10 years, I have been working to get excess surplus Government computers to small towns just like Roper, NC. In my statement that I have submitted, there is a newspaper article from Augusta, GA. Augusta is not a small town, but Augusta has 15 elementary schools that have computer lists, computer labs. And a computer list/computer lab is not a lab at all.

Now, what we have been advocating is taking the excess and surplus Government computers and distributing them through these centers such as the one that's in Roper, NC. The Executive Order 12999 is working, and it is working well. It is working very well, but the question becomes, who is it working well for, and from whose perspective?

From the Government's perspective, it works well because it gets computers out there. For the small schools that come to D.C. or to a Federal facility and pick up a computer, it works well for them. But for a school that cannot afford the transportation cost, it does not work for them at all. And the value of the program should be measured, not necessarily by how many people it serves, but it should be measured to some degree by the number of people that it fails to serve, the people who cannot participate at all.

I have seen estimates that the Government disposes off nearly 500,000 computers a year. If we could take some of those computers and set up the regional center such as the one that Mayor Sanders was, that would be a very effective way of disposing of those computers and making sure they get to the people who need them more so than anybody else.

Now,I have taken a look at the Executive Order 12999, and, frankly, it appears to me that the Government has the authority right now to distribute computers to non-profit organization that can establish these refurbishing and distribution centers. The literal verbiage or language of 12999 states that the Government can deliver these computers to schools, non-profits, and educational non-profits.

Now, the Department of Agriculture has taken the position that, yes, our policy limits the distribution to schools and educational nonprofits. They have taken the position that their policy is not inconsistent with the Executive order, but it does not exercise the full authority of the Executive order. And I find it a little bit ironic that the Department of Agriculture would also agree that distribution of computers to small towns and rural areas wold be beneficial to those small towns and rural areas, yet and still they will not extend their policy to the point that makes that particular distribution possible.

Now, students. Let's go back to the 15 schools in Augusta, Georgia. If you talk about a student having access to a computer at school, that is one thing. If you can have it at home, that is a whole different ball game. If you have access to a computer at the library, that is another. I am familiar with some of Congressman Butterfield's district, and there is a small town called Ahoskie, NC, I have been to, occasionally, and Ahoskie has five computers in the library. The library is open some days from 10 to 6; other days from 2 to 6.

Kids get out of school at 4 o'clock, 3:30 to 4 o'clock. If you are waiting to use the library, if you are on the way up and somebody is waiting, you have 20 minutes. And it is closed on Sundays. So the library option is not available to most kids, and then if you have transportation, and you can get to the library, our you can walk to the library, it is available. But if you do not have transportation to get to the library, that is not even an option.

What I would recommend to the Congress is that to get surplus and excess computers to the most needy communities, the most feasible way of doing it is through these regional technology centers. In addition to getting the technology out there, there is a possibility of creating an entire information technology industry in small towns. The Government spends a tremendous amount of money every year on information technology. Some of that work can be done here, some can be done anywhere.

The type work that can be done in these technology centers could create an infinite information technology in rural America and transfer some of the jobs from the Washington, DC, Metropolitan Area to rural America. That would be what we would recommend.

And thank you so much for this opportunity today, and I look forward to any questions you may have.

Mr. WELCH. Thank you very much, and I am thinking about my own library in Hartland, and this is exactly right, you know. It is a great place, kids use it, but the usable hours for them,when you can factor in school is pretty limited. And we do have a few areas where we have these regional technology centers, so that is very practical, helpful advice. Thank you.

[The prepared statement of Mr. Rosenthall follows:]

Testimony of John A. Rosenthall
National Small Town Alliance
Before
The Committee on Oversight and Government Reform

February 13, 2008

Mr. Chairman and members of the Committee, I am John Rosenthall, President of the National Small Town Alliance. I am pleased and honored to be here this afternoon to discuss computers and technology for small towns and rural schools in America. The National Small Town Alliance is a non-profit organization that serves the interest of the twenty-five thousand small towns and rural communities in America. It does so by advocating for these communities before federal agencies and by presenting their issues to Congress. We are happy to see this effort to help small towns and schools get computers and other technology equipment.

For more than ten years now, I have been personally working to help small towns get excess and surplus government equipment. The majority of that work has been through and in collaboration with the United States Department of Energy's Environmental Justice Program. The Department of Energy is committed to Environmental Justice. Environmental Justice requires that all peoples impacted by a decision have a reasonable opportunity to influence the decision. Two fundamental components of DOE's environmental program are public participation and capacity. The Department believes that all stakeholders should have meaningful and knowing participation the agency's environmental decisions to the fullest cxtent of the law. Where various populations lack the capacity to navigate the DOE decision-making process, or lack the ability to respond to technical or complex matters, DOE helps these populations gain the requisite capacity or leads them to trained and qualified technical assistance.

DOE found that oftentimes small towns, rural areas, minority and low-income communities are limited in their ability to participate in various federal processes. This is due to the lack of information, technology, expertise and decision-makers. For many, the answer or technical assistance is only a keystroke away. But for those without a computer or Internet connection, the answer or technical assistance is not just a keystroke away, and may just be away.

In order to support small towns and rural communities near DOE facilities, the agency teamed with The Urban Environment Institute at Howard University to provide small towns and rural communities with excess and surplus computers, training and technical assistance. There was also help with Internet access. The majority of the technical assistance came from The DOE Dr. Samuel P. Massie Chairs of Excellence, deans and professors from Historically Black Colleges and Universities with schools of engineering.

Our experiences with small towns and rural communities near DOE facilities demonstrated the depth of digital challenges throughout the country. As news spread

about DOE's efforts to provide computers to communities near its facilities, requests for computers and community technology centers came from numerous quarters.

These requests lead to DOE's environmental justice program forming a partnership with the United States Department of Agriculture's National Office of Outreach. The National Office of Outreach was aware of the Computers for Learning program and saw this program as a steady source of equipment for small towns, schools and community groups.

DOE and USDA have been very successful distributing excess and surplus computers to needy communities. This has been a successful partnership that has distributed nearly 5,000 computers and established a number of community technology centers. The majority of the computers have come through the Computers for Learning program under Executive Order 12999. Other agencies that have contributed to this effort include General Services Administration, Department of Treasury and the National Defense University.

During the life of the DOE/USDA computer distribution partnership, we have seen a number of small towns and schools receive computers as the only ones available to them. There are a number of schools without computer labs and small towns with insufficient computers to run their daily operations. However, I want to point out just one situation.

The November 30, 2007 edition of the Augusta Chronicle printed the following story.

Kids at Lake Forest Hills Elementary sing about their computer needs. (Augusta Chronicle, November 2007)

The designated computer lab at Lake Forest Hills Elementary School has one small problem: no computers.

Chris Thelen/Staff
Lake Forest Hills Elementary School fifth-graders work on one of the school's outdated computers. The school, children and PTA are working to raise money to buy computers for their lab. The school isn't alone. It is one of 15 in Richmond County that has computerless computer labs. Even the computers that Lake Forest has in its classrooms are outdated, many of them 10 to 12 years old. And this despite being in one of the county's more prosperous areas...

"We're making it work," teacher Stephen Fox said, adding that an equipped computer lab would allow students to practice state standardized tests online. "If

we're making success now, the sky is the limit if we had resources." Some of Lake Forest Hills' classroom computers are so slow they won't run new math software the school uses, Mr. Fox said. "We're going into the war with literacy not fully armed," he said.

Richmond County's technology plan calls for every school to have a computer lab and the ratio of pupils per computer to be lowered to 4 to 1. At Lake Forest Hills, its nine pupils for every one computer and some schools have a ratio of 15 to 1.
Carol Taylor, the director of educational media and technology, said money from the 1-cent special purpose local option sales tax will be a "giant step toward meeting that goal" of reducing the ratio. She recommends the $6 million in sales tax money be used to establish computer labs, add computers and replace old computers and servers. An advisory committee will help the school board decide how best to spend the money.

Lake Forest, however, has become creative in its efforts to replace old computers and fill its computer lab. That includes a music video with the schoolchildren singing about their technology needs. The video was for a contest the school entered in hopes of winning money to purchase computers. The school is also writing grants, and its PTA is raising money. But Mr. Fox said parents question whether they should be providing computers. They worry that digging into their pockets now will hurt the school later when tax money is divvied up, and they are hesitant to pay more toward what they are already paying for. Lake Forest Hills Principal Pearl Bailie agreed. "We've been working our bottoms off right now, but we don't want it to count against us," she said, adding that the school even held penny drives last year. "I want (computers) for today, but our children need them for the future."

There are 15 schools in Richmond County, GA with computerless computer labs. Augusta is in Richmond County. Augusta is known for the Masters and is better off by far than many jurisdictions in other states. It is estimated that the federal government replaces approximately 500,000 computers each year. With such a turnover, there should be no school in America with computerless computer labs.

How can HR752 solve the problem of computerless computer labs in Richmond County and elsewhere in America?

First let's examine HR752 in light of Executive Order 12999. While HR752 supersedes Executive Order 12999, it contains some of the same provisions found in 12999. Therefore, we should examine the carryover provisions and discuss their effectiveness.

HR752 plugs one of the holes in 12999 in that it places small towns, counties and libraries on equal footing with schools. It also affirmatively states the intent to make equipment available to small towns as well as schools. It can go further and state an intent to revive small towns and rural communities through technology. That goal can be accomplished by creating a series of regional technology centers that can serve numerous functions including outreach centers for the United States Department of Agriculture and other Federal agencies.

Executive Order 12999 makes computers available to schools and nonprofits. However, the Computers for Learning program places a higher value on providing computers to

schools than to non-profit community based technology centers that can provide resources to meet a variety of community needs. These needs include after-school and weekend technology programs for students without access to technology at home.

Students without technology at home and at school, like the Richmond County students, are out of options. If they happen to live in a small town where the library has five computers connected to the Internet, is open from 10 to 6, closed on Sunday, and limits Internet use to 30 minutes when someone is waiting, there are few options. The limited library option is available if the student can walk to the library or get a ride from a parent or friend. If the library is 25 – 30 miles away, the limited library option is taken away.

The current implementation of Executive Order 12999 does not include distribution to non-profits to create and manage community technology centers. The Federal government recognizes that it has that authority but a policy precludes providing computers for that purpose. Rather, the Federal government takes the position that the policy is not inconsistent with the Executive Order, it just does not go as far as the Executive Order. It further suggests that the community technology centers can be worked through an educational institution to be consistent with the policy. A much easier way to help rural communities and rural students is to change the policy. HR752 solves that problem.

Community Technology Centers
HR752 should provide funds to establish a series of community technology centers in small towns and rural areas that have deficient technology resources to support public schools and municipalities.

Since 1999, the Department of Energy (DOE) has worked through an informal collaboration to create community capacity through technology. This project has involved providing computers, training, and technical assistance to municipalities, schools, and community groups in selected areas across the country. This informal collaboration now includes the General Services Administration, the United States Department of Agriculture, Tennessee State University and DOE's Massie Chairs. Many small towns and rural areas and their constituents require assistance to gain access to computers, training, technical assistance, and connections to the Internet. Otherwise, efforts to improve the Federal government's value to these municipalities and their citizens through technology will fail.

This past year, DOE and USDA and EPA collaborated with others to create two such centers in South Carolina. Each center will employ technology to facilitate planning, resource development, communication, and project management. The technology centers will also include online technical assistance to help community groups, public schools, small towns, and rural communities address energy, environmental, economic development, academic and other challenges. The guiding principle of each project is to build community capacity for environmental cleanup, waste management, academic excellence and sustainable economic development in a manner that permits the local host community to grow and develop over time with little or no additional assistance.

Academic Achievement: One project goal is to support academic achievement through technology. Many rural schools lack sufficient computers and software to allow all students ample time on the computer and Internet to complete their research and assignments. That problem is compounded when teamed with the fact that many students lack access to computers and the Internet at home. This effort will provide high-tech resources, including technology training and classes, for children and their parents who would otherwise not have access to current technology. They will have additional utility in the rural communities without adequate library services. This effort will work to establish a virtual library for students and parents to access books and resources not otherwise available to them.

Students who participate in the centers will discover a variety of resources and activities:

- Use of up to date computers, software and printers;
- Training in computer and software use by qualified instructors and volunteers;
- Access to the Internet (proposed);
- An environment in which to complete homework assignments with assistance from volunteers and peers;
- The opportunity to use donated computers in their homes; and,
- Participation in educational and enrichment activities.

Economic Development Project: Another project goal is to employ entrepreneurship to create jobs and economic development in small towns and rural communities. That will be accomplished through a series of community and municipal technology centers. The centers will have the following features:

- Computers and high speed internet access
- Information Technology training
- Online and in-person technical assistance
- Entrepreneurship classes and business assistance
- Small business incubator

The centers will be used to create an information technology industry in small towns and rural communities that can provide services to Federal agencies, state government and the private sector.

Federal Information Technology Mentor/Protégé program: Each year the Federal government spends billions of dollars in information technology purchases. Some of these purchases could be accomplished through small businesses and entrepreneurs that are participants in the centers created with excess and surplus federal government computers. HR752 can create a mentor/protégé program that will partner Federal information technology contractors with small businesses and entrepreneurs in small towns and rural areas as a means to create additional jobs and thus increase economic development in these communities. Federal information technology request for proposals

could include a provision that rewards applicants that include a small business or entrepreneur from one of the community technology centers on the proposal team. There are current federal programs that make such awards in other instance such as veterans' preferences, 8(a) companies and USDA's BRAVO program. The Federal Information Technology Mentor/Protégé would be another such program.

In summary, there is a great need to get excess and surplus government computers into small towns and rural schools. The most effective manner to distribute computers to rural schools is through regional technology centers. Schools that are not located in a federal facility may find the transportation cost prohibitive. The centers can be developed in a manner to support a variety of community goals including academic achievement and economic development. The centers should have the ability to recoup their out of pocket cost for transporting equipment from federal facilities, refurbishing technology equipment and distributing the equipment to schools and others. Small businesses and entrepreneurs from the centers' incubators should be teamed with federal information technology contractors to spur employment and economic development in small towns and rural areas. I would also urge the Committee to include funds in HR752 to fund a series Regional Refurbishing and Distribution Centers in small towns and rural areas. These measures will make giant strides toward eliminating poverty in small town, rural America.

Thanks for the opportunity to speak to you this afternoon. I would be pleased to answer any questions that you may have.

Mr. WELCH. Mr. Williams.

STATEMENT OF THOMAS L. WILLIAMS

Mr. WILLIAMS. Mr. Chairman, I am going to speak on a little different issue than what we have been talking about on the computers.

Mr. Chairman, members of the committee, my name is Tommy Williams. I am president of the National Auctioneers Association and co-founder of Williams and Williams Real Estate Auction Co. in Tulsa, OK. I appreciate the opportunity to speak before you today, in opposition to GSA's proposal, proposed rule governing Federal asset sales.

The National Auctioneers Association represents the interest of approximately 6,000 professional auctioneers who conduct online and in-person auctions throughout the United States and around the world If GSA's proposed rule is enacted, agencies will no longer be able to choose the best option for their individual needs, thereby eliminating the beneficial role of many experienced, knowledgeable, private auctioneers.

Let me first provide you with an example from our nationwide NAA membership to show how the Federal Government, small business customers around the country, and Federal taxpayers have been well served by our auctioneers. Before the GSA told the U.S. Forest Service that private auctioneering auctions were no longer allowed, Jerry King of Fletcher, NC, and his family business managed the sales of heavy equipment for the agency. Prior to Jerry's work for the Forest Service, the agency's returns on their sales of surplus property were only a fraction of the property's value. Thanks to Jerry's expertise selling vehicles and equipment, Jerry was able to double and even triple the returns for the agency.

Jerry like to tell the story of his first auction for the Forest Service. When he was interrupted midway through the auction by the agency's property manager, who enthusiastically insisted that Jerry sign on as a permanent auctioneer, Jerry and his employees had already doubled the returns of any previous sale held by the agency.

Unfortunately, agencies will no longer be allowed to simply choose Jerry and other private auctioneers across the country if the proposed rule is enacted as it currently reads. Let me briefly describe how that is so.

The GSA's proposed rule requires all Federal agencies to conduct their surplus sales through a GSA-approved Government Sales Center whether those agencies wish to use a Sale Center or not. Private businesses such as auctioneers would be excluded from continuing to service this market under their current arrangements for the overwhelming bulk of Federal surplus sales. In fact, the chilling of the marketplace has already started.

As GSA representatives have told agency officials for 2 years, that the pending rule change is imminent, and agencies have shied away from contracting with a private sector. As written, agencies would have to cease managing their own personal property sales or apply to become a Sale Center. A GSA-chaired panel has sole discretion to decide whether an agency can become a Sale Center.

The rule grants a GSA-effective monopoly rights to sell the vast majority of Federal surplus personal property as GSA currently operates the only full-service Sale Center. That is the only Sale Center that the sales that sells all Government surplus. The other Sale Centers GSA likes to talk about are extremely limited in scope, ironically by the GSA itself, to a tiny segment of Government surplus.

The NAA firmly believes this is a clear conflict of interest. Many executive agencies have developed private partnerships and solutions to serve their agencies' personal property disposal requirements. The NAA and others have requested that a provision be added to the rule allowing agencies to opt out of the requirement of using an FAS Sale Center and instead select the best option for their needs. The GSA should make this change.

Let me also briefly rebut some of the arguments that the GSA likes to make in support of its proposal: First, the GSA says that only specially trained Federal agencies like the GSA itself can handle the complex sales of selling Government surplus. The GSA sold $130 million in goods and services in 2007, but the live auction industry sold $270.7 billion over 2,000 times that amount.

Second—and I think this is very important—the GSA says that they do not run the only surplus Sale Center; however, GSA's operations is the only full-service Sale Center. GSA's $130 million in sales in 2007 represented some 90 percent of all Federal civilian surplus sales. Moreover, 99 percent of all civilian Federal property managers are now forced to use GSAauctions.gov as part of the Federal asset sales initiative. That sounds pretty close to a monopoly to me.

Third, the GSA will say that a Federal agency can waive out of the Sale Center requirement in order to use a private sector option; however, the devil is in the details as a so-called waiver requirements are both temporary and unrealistic.

Let me quote from the letter received from GSA yesterday. They did reply to a letter I wrote in November: "Waivers are expected to be of a limited duration such that the waive sale solution either becomes a Sale Center or the agency identifies and migrates to a better sale solution, which is an approved Sale Center."

Very few property managers will even attempt to jump through the bureaucratic hoops needed to apply for a waiver. That is especially true since the GSA, with a vested financial interest in limiting competition, has a sole authority to approve or reject the waiver request in the end.

Fourth, the GSA will tell you that consolidating all auctions into one Web site is good for the public, but couldn't GSA's Web site just be a portal listing all private and public sector Web sites selling Federal surplus?

Fifth, the GSA will claim that its prices are competitive. GSA charges a minimum commission of 20 to 25 percent for all sales. The vast majority of private sector auctioneers selling Government surplus charge just 5 to 10 percent for the exact same service and realize better returns for their customers as well.

Finally, I want to add that the NAA would strongly support a policy change enabling individual agencies to keep the Government's share of the surplus sales proceeds instead of that share re-

turning to the general U.S. Treasury. This change would encourage agencies to choose the surplus sale solution that best maximized their return.

Mr. Chairman, we do not oppose the GSA's overall goals for e-Government; what we oppose is taking the sale of surplus property completely away from the private sector and make it solely a Government function. There is no justification for this. All we ask is for the committee to ensure that each Federal agency has the opportunity to choose a sale solution for their private or GSA run that provides the best, most cost-effective approach in their individual case. Without this committee's intervention, the GSA will succeed in squeezing out small businesses across the country.

Thank you for the opportunity to testify, and, of course, I would be happy to answer any questions.

Mr. WELCH. Well, thank you very much for your clear point of view. We appreciate it.

[The prepared statement of Mr. Williams follows:]

Written Statement of

Thomas (Tommy) L. Williams

President – National Auctioneers Association

Submitted to the

Government Management, Organization, and Procurement Subcommittee

Oversight and Government Reform Committee

United States House of Representatives

Wednesday, February 13, 2008, 2pm, 2247 Rayburn House Office Building

Committee Hearing on

"Surplus Property: Improving Donation and Sales Programs"

Chairman Towns, Ranking Member Bilbray, and Members of the Committee, my name is Tommy Williams, and I am the president of the National Auctioneers Association and co-founder of Williams & Williams Real Estate Auction Company in Tulsa, Oklahoma. I appreciate the opportunity to speak before you today about our concerns and opposition to the General Services Administration's (GSA) proposed rule 41 CFR 102-38 governing the Federal Asset Sales Initiative (eFAS) regarding the sale of surplus government property.

The National Auctioneers Association is a professional association that represents the interests of approximately 6,000 professional auctioneers who conduct on-line and in-person auctions throughout the United States and around the world. The members of NAA represent all aspects of the auction profession, which range from real estate auctions, to livestock auctioneers. In the interest of protecting the general public, our members abide by a strict code of ethics and are committed to continuing their education and advancing the profession of auctioneering.

Introduction

The NAA and its members are concerned with the GSA's proposed rule 41 CFR 102-38. If enacted, the proposed rule would have a damaging impact on auctioneers and the private sector who currently assist Federal agencies in the sale of surplus personal property to small businesses and other private-sector customers around the country. The proposed rule requires Federal agencies to cease managing their own personal property sales and requires agencies to either migrate their personal property sales to a GSA-approved Sales Center or apply to operate their own Sales Center.

If enacted, the rule would create an effective government monopoly and would risk eliminating the ability of auctioneers and the private sector to contract with agencies to sell their surplus personal property. In fact, private auctioneers are already getting squeezed out, as the GSA has already told other Federal agencies that this policy shift to government-run Sales Centers has already occurred.

That is unfortunate, since the private sector currently assists these Federal agencies by more efficiently and effectively selling surplus property than the GSA can do itself. The NAA firmly believes that the private sector should not be restricted from this market and that agencies should be allowed to continue to choose the sales option that works best for their individual needs.

The NAA and others have requested that an "opt-out" provision be added to the rule allowing agencies to "opt-out" of the requirement of using an FAS Sales Center and select the best option for their needs. If the Sales Center policy does move forward, the NAA believes that private businesses should be allowed to become a Sales Center.

Finally, the NAA would strongly support a policy change enabling individual agencies to keep the government's share of the surplus sales proceeds, instead of that share returning to the general U.S. Treasury.

Role of Auctioneers in Disposal of Federal Surplus Personal Property
Auctioneers have been an effective and efficient partner of government agencies throughout the years. Professional auctioneers across the country have assisted agencies at all levels of government in their surplus sales and disposal needs. These contracts range from selling surplus computers and office equipment for state agencies, to the disposal of surplus vehicles and heavy equipment for Federal agencies. However, if GSA's proposed rule is enacted, agencies will no longer be able to choose the best option for their individual needs, thereby eliminating the beneficial role of many experienced, knowledgeable private auctioneers.

Let me provide you with a couple of stories from our nationwide NAA membership to show how the Federal government, small business customers around the country, and Federal taxpayers have been well-served by our auctioneers.

Before the GSA told the U.S. Forest Service that private auctions were no longer allowed, Jerry King of Fletcher, North Carolina and his family business managed the sales of heavy equipment for the agency. Prior to Jerry being contracted by the Forest Service, the agency's returns on their sales of surplus property were only a fraction of the property's value. Thanks in part to Jerry's experience selling vehicles and equipment and his business' extensive mailing list of over 70,000 prospective customers, Jerry was able to double and even triple the returns for the agency.

Jerry likes to tell the story of his first auction for the agency when he was interrupted mid-way through the auction by the agency's property manager who enthusiastically insisted that Jerry sign-on as their permanent auctioneer. While Jerry and his employees were only halfway through the auction, they had already doubled the returns of any previous sale held by the agency, a true testament to the use of a qualified, professional auctioneer.

As one of the Department of the Navy's contracted auctioneers, Tom Thornton of Jacksonville, Florida has over 10 years of experience selling for the government. An automobile and heavy equipment auctioneer by trade, Tom uses his industry knowledge and marketing/advertising experience to draw prospective bidders from across state lines, many of whom are previous small business customers, to purchase items such as government-owned cranes, bulldozers, pick-up trucks, vans and other equipment no longer in use by the government.

Tom has faced similar challenges to those being proposed by the GSA in the past. Over ten years ago, the Defense Re-Utilization Marketing Service (DRMS) challenged private auction companies involved in the disposal of government property to the Pentagon. To settle this matter, the Navy's Public Works Division provided each party with identical vehicles to sell at auction. The results were staggering. DRMS

successfully auctioned their passenger van with the winning bid coming in at $800.00. Tom Thornton and his business, Dixie Auction Company, also successfully sold their passenger van but the price far exceeded DRMS's return of $800. Tom's final bid and selling price was $3,500, an increase of over 400%.

After the auction DRMS was allowed to auction only cars and passenger buses for the Navy, while Tom Thornton and his business were contracted to sell the remainder of equipment and vehicles. Ironically, a few short years later, DRMS gave up and opted to outsource their auction sales to a private auction company, which currently handles their vehicle sales.

In addition to successfully disposing of property for this agency and others, Tom strives to provide his services at a reasonable cost to the agency he sells for. In the case of Dixie Auction Company, the company charges a fee of $75.00 per vehicle sold at auction. No matter the vehicle, whether it is a passenger van or a bulldozer, the selling fee charged is $75.00. This fee is minimal in comparison to the fees currently charged by the GSA's GSAauctions.gov, which also handles government surplus sales. On average, the GSA charges Federal agencies a commission fee of 25%, over double and sometimes triple the commission rate charged by the private sector.

Unfortunately, while their merits have been proven, agencies will no longer be allowed to simply choose Jerry, Tom, and other auctioneers across the country if 41 CFR 102-38 is enacted as it currently reads. Let me describe how that is so.

41 CFR 102-38

Proposed in April 2007 by the GSA, 41 CFR 102-38 requires all federal agencies to conduct their surplus sales through a GSA-approved government Sales Center under the Federal Asset Sales program, whether those agencies wish to use a Sales Center or not. By restricting sales of surplus personal property to government-run Sales Centers, private businesses, such as auctioneers, would be excluded from continuing to service this market under their current arrangements. In fact, the chilling of the marketplace has already started, as GSA representatives have repeatedly told agency officials for the past two years that the pending rule change is imminent, leading agencies to shy away from contracting with the private sector in the meantime.

As written, agencies would be required to migrate their personal property sales to a GSA-approved Sales Center, thereby ceasing to manage their own personal property sales, or apply to become a Sales Center themselves within six months. The GSA-chaired Federal Asset Sales Executive Steering Committee has sole discretion to decide whether an agency can be approved as a Sales Center, and the evaluation criteria for Sales Center applications is not clearly stated in the proposed rule. In essence, the rule grants the GSA effective monopoly rights to sell the vast majority of Federal surplus personal property, as GSA currently operates the <u>only</u> full-service Sales Center in GSAauctions.gov. The NAA firmly believes this is a clear conflict of interest.

Many executive agencies have invested substantial time and effort to develop private partnerships and solutions to serve their agency's personal property disposal requirements. The NAA and others have requested that an "opt-out" provision be added to the rule allowing agencies to "opt-out" of the requirement of using an FAS Sales Center and instead select the best option for their needs. The GSA should make this change to its proposal.

Let me also briefly rebut some of the arguments that the GSA is likely to make in support of its proposal:

First, the GSA will tell you that only specially trained federal agencies, like the GSA itself, can handle the complex sales of selling government surplus. However, since the mid-1800s, federal, state, county, and city governments have relied on the private sector to auction government property. One prominent auctioneering company sells surplus property on behalf of 1,500 government agencies nationwide. The GSA sold $130 million in goods and services in 2007, but the live auction industry sold $270.7 *billion*, over 2,000 times that amount. Now the GSA is telling us that we are no longer competent enough to run our auctioneering businesses? What exactly is the GSA able to do that a private auctioneer could not do more efficiently?

Second, the GSA will say that they do not run the only surplus Sales Center. However, GSA's operation is the only full-service Sales Center. USDA's Sales Center only covers property located in the Washington, DC area. The U.S. Marshals and Treasury Sales Centers only sell seized and forfeited assets for their respective Departments. The $130 million in surplus sales by GSA in Fiscal Year 2007 represented about 90% of all federal surplus sales. Moreover, 99% of all civilian federal property managers are now forced to use GSAauctions.gov as part of the Federal Asset Sales initiative. That sounds pretty close to a monopoly to me.

Third, the GSA will say that a federal agency can waive out of the Sales Center requirement in order to use a private-sector option. However, the devil is in the details on that one, as the so-called waiver requirements as described in FMR 102-2.60 to 102.2.110 are unrealistic. According to the regulation, the federal property manager would need to have the "head of your agency" or a "designated official" write to the GSA's Regulatory Secretariat, describe the duration of the temporary deviation (since "deviations cannot be open-ended") and provide a quantitative business case to meet an unclear GSA standard. The property manager then must "[c]onsult informally with appropriate GSA program personnel to learn more about how your agency can work within the FMR's requirements instead of deviating from them."

Very few property managers will even attempt to jump through those bureaucratic hoops to apply for a waiver. That's especially true since the GSA, with a vested financial interest in limiting competition, has the sole authority to approve or reject the waiver request in the end. This is a waiver process in name only.

Fourth, the GSA will tell you that consolidating all auctions into one website is good for the public. But that's the beauty of the Internet. It's not hard to search for multiple auction websites. Plus, we all support e-government, but couldn't GSA's website just be a "portal," listing other private- and public-sector auction websites without forcing them to use or become a government-run Sales Center?

Fifth, the GSA will claim that its prices are competitive. Well, GSA charges a minimum commission of 25% for sales under $1,000, 25% for sales between $1,000 and $5,000, and 20% for sales between $5,000 and $25,000. The vast majority of private-sector auctioneers selling government surplus charge 5% to 10% for the exact same services.

Let me also provide a couple of examples of instances in which the GSA's attempted rebuttals have fallen short so far. GSA Administrator Lurita Doan, in a letter to Chairman Edolphus Towns in January 2007, stated that agencies would not be required to migrate to a designated Federal Sales Center as long as they submit a simple business case attesting to the merits of their preferred sales solution. However, when the rule was proposed in April 2007, the draft rule did not contain a simple business case waiver.

Furthermore, in a letter to Oversight and Government Reform Committee Member Virginia Foxx in September 2007, GSA narrowed its previous promise by stating that agencies with existing private sector sales partners would be able to "request a deviation from this rule" if they could "demonstrate a more effective sales solution" than the GSA-run Sales Center.

As also suggested by my "prebuttal" above, there are several problems with GSA's suggested approach to Congresswoman Foxx regarding a waiver:

First, under existing federal law (FMR § 102.2.75), a "deviation" can be only temporary, which leaves agencies with little incentive to pursue effective sales vendors in the meantime.

Second, GSA would be running the sole full-service Sales Center while also deciding if private vendors provide "a more effective sales solution."

Third, the deviation approach appears to apply only to agencies with existing private partners, meaning that it would be impossible for agencies without current private partners to choose that option in the future.

Fourth, according to the "waiver" requirements, you need to have the "head of your agency" or a "designated official" write to the GSA's Regulatory Secretariat, describe the duration of the temporary deviation (as "deviations cannot be open-ended") and provide a quantitative business case to meet an unclear standard from the GSA. The property manager then must "[c]onsult informally with appropriate GSA program personnel to learn more about how your agency can work within the FMR's requirements instead of deviating from them."

Again, GSA needs to do a lot better than this as it decides on a final policy. GSA needs to include a fair and simple "check-the-box" opt-out to allow agencies to use private-sector surplus sales partners.

Finally, the NAA would strongly support a policy change enabling individual agencies to keep the government's share of the surplus sales proceeds, instead of that share returning to the general U.S. Treasury. This change would encourage agencies to choose the surplus sales solution that best maximizes their return. In most cases, we believe that a private auctioneer would be that solution.

For all of these reasons, the National Auctioneers Association looks forward to receiving clear guidance from the GSA that will enable the private sector to continue its valuable partnership with federal agencies in the sale of surplus government property. Private auctioneers provide a more efficient and effective return to the taxpayer than GSA's proposed Sales Centers, and we want to continue to provide that service.

Mr. Chairman, we do not oppose the GSA's overall goals for e-government. What we oppose, and what GSA has made clear that it intends to do by its actions to this point, is taking the sale of surplus property away from the private sector and making it a government function. There is no justification for this.

All we ask is for this committee to ensure that each federal agency has the opportunity to choose the sales solution, whether private or GSA-run, that provides the best, most cost-effective approach in their individual case. Without this committee's intervention, the GSA will succeed in squeezing out small businesses across the country because the devil is in the details on the GSA's current proposal. Input from the Congress to GSA to make these points, thanks to this hearing and otherwise, will be invaluable in our efforts.

Thank you, Chairman Towns and Ranking Member Bilbray, for the opportunity to testify. I will be pleased to answer any questions that the Committee may have.

Mr. WELCH. I do not have questions at this point. I have to go to another committee hearing, but I just want to thank you. One of the things that we are doing here and have the benefit of you all coming, both panels of witnesses, is focusing the attention of Congress on what is a problem. And we have Roger Clemens downstairs, but I actually think if we can make progress on this issue of how do we utilize this surplus property, how do we get it to people who need it, who can use it and make it practical for some of these kids, do it in ways that are fair to the taxpayers will maybe accomplish more than what we will if we each come out with our own opinions about did he, or didn't he?

Mr. WILLIAMS. I certainly agree.

Mr. WELCH. So I just want to thank you. Congressman Butterfield has been providing tremendous leadership here, and what is interesting to me as I listened to each of you testify is how this does cut across Small Town America. I mean it is an issue that is important to taxpayers; it is an issue, obviously, that is important to our own sensibility about using things before their useful life is ended. And what it requires us to do is find practical ways to get that piece of equipment that has gone beyond its useful life in the original home into the hands of one of those young kids, to do it in a way that is going to be most beneficial to the taxpayers and most beneficial to our future.

So this is very, very important, and you all are at Ground Zero on address this, and I want to say on behalf of Chairman Towns I appreciate his leadership on using his position as chair of this subcommittee to give you an opportunity to educate us. And our obligation to you is that we followup.

So I want to thank each and every one of you for being here. Thank you.

Mr. WILLIAMS. And thank you very much.

Mr. WELCH. This hearing will now come to close, without objection.

[Whereupon, at 3:35 p.m., the committee was adjourned.]

○