

Promoting good health, especially for the elderly, faces key challenges.³¹

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

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

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

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

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

Item 2. Properties

Domestic

Land

Federal government owned land

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

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

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

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

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

| | 2014 | 2015 | 2016 |
|--|-------------------|-------------------|-------------------|
| Land acres¹ | 39,784,271 | 49,601,819 | 42,343,516 |
| Owned and otherwise managed acres | 38,829,324 | 47,909,576 | 41,015,497 |
| Total annual operating costs (in thousands) ^{2,3} | \$ 140,751 | \$ 122,890 | \$ 125,059 |
| Leased acres | 954,947 | 1,692,243 | 1,328,020 |
| Total annual lease costs (in thousands) ^{2,4} | \$ 48,561 | \$ 49,568 | \$ 50,728 |

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

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

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

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

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

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

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

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

State and local government owned and leased land

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

Buildings and other structures

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

| | 2014 | 2015 | 2016 |
|--|----------------|----------------|----------------|
| Buildings⁴ | 275,195 | 273,125 | 267,127 |
| Owned ¹ | 254,083 | 253,481 | 247,723 |
| Total square feet (in thousands) | 2,505,805 | 2,520,991 | 2,490,265 |
| Total annual operating costs (in thousands) ^{3,6} | \$ 14,448,129 | \$ 11,644,642 | \$ 12,022,269 |
| Leased | 21,112 | 19,644 | 19,404 |
| Total square feet (in thousands) | 294,163 | 283,125 | 280,103 |
| Total annual lease costs (in thousands) ^{3,7} | \$ 7,071,773 | \$ 7,103,442 | \$ 7,284,160 |
| Structures⁷ | 481,398 | 496,022 | 496,174 |
| Owned ¹ | 477,634 | 492,263 | 492,725 |
| Total annual operating costs (in thousands) ^{3,6} | \$ 7,784,400 | \$ 8,787,913 | \$ 6,326,949 |
| Leased | 3,764 | 3,759 | 3,449 |
| Total annual lease costs (in thousands) ^{3,7} | \$ 64,972 | \$ 58,053 | \$ 59,135 |
| Buildings real property use⁸ | | | |
| Utilized | 103,902 | 96,718 | 89,359 |
| Underutilized | 1,611 | 3,598 | 7,859 |
| Unutilized | 3,360 | 3,414 | 3,120 |
| Repair needs^{1,2} | | | |
| Owned building repair needs costs (in thousands) | | | \$ 115,672,218 |
| Owned structure repair needs costs (in thousands) ⁵ | | | \$ 92,098,256 |

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¹ Includes federal government owned, foreign government owned, museum trust, and state government owned.

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

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

⁴ Buildings (examples): office, laboratories, hospital, warehouse

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

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

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

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

Buildings detail (2016)

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

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

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¹ Includes federal government owned, foreign government owned, museum trust, and state government owned.

² Includes operations and maintenance costs and rent.

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

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

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

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

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

Federal Indian reservations³²

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

International³³

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

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