

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 31, 2003

TO: Honorable Rodney Ellis, Chair, Senate Committee on Government Organization

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB388 by Ellis, Rodney (Relating to the use and management of certain state-owned real property.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB388, Committee Report 1st House, Substituted: a positive impact of \$53,151,680 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--------------------------------------------------------------------------------|
| 2004 | \$0 |
| 2005 | \$53,151,680 |
| 2006 | \$0 |
| 2007 | \$0 |
| 2008 | \$0 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Revenue Gain from GENERAL REVENUE FUND 1 | Probable Savings/ (Cost) from GENERAL REVENUE FUND 1 | Probable Revenue Gain from STATE HIGHWAY FUND 6 | Probable (Cost) from STATE HIGHWAY FUND 6 |
|-------------|---------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------|
| 2004 | \$0 | \$0 | \$0 | \$0 |
| 2005 | \$62,531,388 | (\$9,379,708) | \$5,341,418 | (\$801,213) |
| 2006 | \$0 | \$0 | \$0 | \$0 |
| 2007 | \$0 | \$0 | \$0 | \$0 |
| 2008 | \$0 | \$0 | \$0 | \$0 |

| Fiscal Year | Probable Revenue Gain from STATE PARKS ACCT 64 | Probable (Cost) from STATE PARKS ACCT 64 |
|-------------|---------------------------------------------------------|------------------------------------------------|
| 2004 | \$0 | \$0 |
| 2005 | \$7,066,753 | (\$1,060,013) |
| 2006 | \$0 | \$0 |
| 2007 | \$0 | \$0 |
| 2008 | \$0 | \$0 |

Fiscal Analysis

The bill would partially implement the Comptrollers E-Texas Report, GG-14, relating to Use Innovative Management Techniques for State Real Property, to modernize the management of state agency owned property. The bill would create the Texas Real Property Interim Committee to investigate the number and function of state agency field offices and sell, close or colocate those offices, if appropriate. The bill stipulates that the proceeds from the sale of any real property shall be deposited to the fund from which the money used to purchase the property was taken, if the fund was known and continues to exist. In any other circumstances, the proceeds will be deposited in the unobligated portion of the General Revenue Fund. The committee would be abolished September 1, 2005.

The bill would also create a "capital charge" which would be an amount paid to the state by a state agency based on the value of real property owned by the agency. Capital charges would be used as incentives for agencies to use property more cost-effectively. And according to the Comptroller's e-Texas report, would be 5 percent of property value.

The bill would amend Subchapter E, Chapter 31 of the Natural Resources Code to require proceeds from the sale of lands that were recommended by the General Land Office and not disapproved for sale by the Governor between 1995 and 2002 be deposited in the unobligated portion of General Revenue for appropriation to the agency that possessed the property at the time of sale.

Methodology

The amount of revenue that would be generated from the Texas Real Property Interim Committee recommendations and actions would depend on the number of sites the committee would identify for sale and the value of those properties. This estimate assumes that the committee would identify 2 percent of state owned real property as underutilized and require agencies to sell such property. Based on the Comptroller's E-Texas report, January 2003, the total market value of state agency real property is \$3.7 billion. Selling two percent of this amount would result in \$74.9 million in revenues, all of which are assumed to occur in 2005 for the purposes of this estimate.

This estimate assumes that 9.4 percent of the proceeds of land sales would be deposited to the credit of the State Parks Account No. 64, 7.1 percent would be deposited to the State Highway Fund No. 6, with remaining amounts deposited to the General Revenue Fund. These allocations are based on the portion of total real property assets owned by the Parks and Wildlife Department (TPWD) and the Department of Transportation (TxDOT), as indicated in the E-Texas report.

This estimate assumes that land sale transaction costs would total 15 percent of each sale, with costs for TPWD and TxDOT land sales being paid out of the State Parks Account No. 64 and State Highway Fund No. 6, respectively.

There is no significant fiscal impact expected from the bill's provisions regarding capital charges. This estimate assumes that agencies would use state property in a more cost-effective manner upon passage of the bill to avoid capital charges.

There is no significant fiscal impact expected from the bill's provisions requiring that proceeds from properties sold that were recommended for sale by the General Land Office Between 1995 and 2002 only be appropriated to the state agency that possessed the property. According to the General Land Office, there is only \$23.2 million in such property remaining to be sold. This estimate assumes that amounts exceeding those designated for use by specific agencies would be appropriated to such agencies in absence of the bill's provisions.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 301 Office of the Governor, 303 Building and Procurement Commission, 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 362 Texas Lottery Commission, 405 Department of Public Safety, 601 Department of Transportation, 696 Department of Criminal Justice

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