

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**May 22, 2019**

**TO:** Honorable Dennis Bonnen, Speaker of the House, House of Representatives

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE: HB2944** by Gervin-Hawkins (Relating to authorizing the sale or transfer of the G. J. Sutton Building Complex in San Antonio.), **As Passed 2nd House**

**The fiscal implications of the bill cannot be determined at this time.**

The bill directs the General Land Office (GLO) to sell or transfer the G. J. Sutton Building Complex in San Antonio. The bill takes effect immediately if it receives a two-thirds vote of all members elected to each house of the Texas Legislature, or on September 1, 2019.

GLO is unable to provide an estimate of the fair market value of the Sutton Building at this time, therefore the amount of proceeds expected from the sale cannot be determined at this time. The Texas Facilities Commission indicates that it spends \$312,000 per year for property management and custodial services of the Sutton Building. If the Sutton Building is sold, there would be a General Revenue cost savings of \$312,000 per year. However, because the timing of the sale cannot be estimated, the exact nature of these savings cannot be determined at this time.

According to the Texas Public Finance Authority, the sale of the Sutton Building while the tax-exempt bonds remain outstanding could cause the bonds to lose their tax-exempt status. However, the IRS Regulations contain a safe harbor provision relating to the proceeds generated from such a transaction. Strict compliance with the applicable IRS Regulations relating to the sale of the property and to the disposition of the sale proceeds would allow the State of Texas to remain in compliance with its bond covenants and allow the bonds to retain their tax-exempt status.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:**        303 Facilities Commission, 347 Public Finance Authority, 305 General Land Office and Veterans' Land Board

**LBB Staff:** WP, CLo, SZ, MW, PBO, LLo, JMO