

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 8, 2019

TO: Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

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

IN RE: **SB1349** by Watson (Relating to authorizing the sale of certain real property by the Texas Facilities Commission on behalf of the state.), **Committee Report 1st House, Substituted**

The fiscal implications of the bill cannot be determined at this time.
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The bill authorizes the sale of the William P. Hobby Building by the Texas Facilities Commission. The bill authorizes the General Land Office to negotiate and close such a transaction on behalf of the Commission. 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

Based on analysis by the Texas Facilities Commission, there would be one-time and ongoing savings to the state associated with the sale of the Hobby Building. The agency estimates outstanding deferred maintenance costs of \$49.6 million for the Hobby Building, which would be avoided with the completion of the sale. In addition, the agency estimates that 2 full-time equivalent maintenance and inspection employees currently assigned to the Hobby Building could be reassigned to support operations of other state facilities. In addition, annual custodial and pest control costs of \$247,000 would be avoided with the sale. However, because the timing of the sale cannot be estimated, the exact nature of these savings cannot be determined at this time.

Based on analysis by the General Land Office, the provisions of the bill relating to property appraisal activities could be absorbed using existing state resources. The General Land Office is unable to provide an estimate of the fair market value of the Hobby Building at this time, therefore the amount of proceeds expected from the sale cannot be determined at this time.

According to the Texas Public Finance Authority, the sale of the Hobby Building while the tax-exempt bonds remain outstanding could create a breach of that pledge and could cause the bonds to lose their tax-exempt status. The fiscal impact to the state related to resolving the tax status of the bonds would be dependent on a subsequent determination by the IRS and thus cannot be determined. However, strict compliance with the applicable IRS regulations relating to the sale of the property and to the disposition of the sale proceeds would provide a safe-harbor that 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 fiscal implication to units of local government is anticipated.

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

LBB Staff: WP, JMO, CLo, NV, SD