BILL ANALYSIS

C.S.H.B. 1727
By: Brown
Government Efficiency & Reform
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, Texas faces an historic budget shortfall, so it is important that the state search not only for ways to cut the budget and promote efficiency, but also for means to build revenue. The sale and leaseback of state facilities may be a source of untapped revenue that could help reduce the state's budget deficit. Selling and leasing back these facilities will put numerous, high value real estate properties back on the tax rolls, and also would be an opportunity to obtain much needed renovations to certain facilities. C.S.H.B. 1727 seeks to cut the state's budget, promote efficiency, and build revenue by taking action on state buildings and land that may be sold or sold and leased back to the state.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 1727 amends the Government Code to require the Texas Facilities Commission (TFC), with assistance from the asset management division of the General Land Office (GLO), to study the financial implications for the state of selling state buildings and leasing office space for a period of 99 years. The bill requires the TFC, with assistance from the asset management division of the GLO, to identify state buildings and underused or undeveloped land that could be sold or sold and leased back from the purchaser by the state under the bill's provisions and, in making such a determination, to consider the state's current and projected need for office space, the potential uses for underused or undeveloped land, the fair market value of the buildings or land, the current and projected lease costs, any property tax implications resulting from the sale, and the terms of the leaseback agreement.

C.S.H.B. 1727 amends the Natural Resources Code to require the commissioner of the GLO, if the commissioner determines that the sale of one or more state buildings or parcels of underused or undeveloped land identified by the TFC is the best use of the building or land for the state, to sell those buildings to one or more purchasers. The bill authorizes the commissioner, if the commissioner determines that the sale and leaseback of one or more state buildings is the most economical means of providing office space for the state, to agree to lease the buildings back to the state under a long-term lease. The bill makes provisions of law relating to the School Land Board's first option to purchase certain real property of the state inapplicable to a sale and leaseback of state buildings under the bill's provisions.

C.S.H.B. 1727 requires the lieutenant governor, the speaker of the house of representatives, and the governor to appoint an oversight committee to receive information about the identification of state buildings and land by the TFC and sale or sale and leaseback transactions made by the commissioner of the GLO. The bill establishes the membership of the committee and the terms of its members and requires the committee to report to the lieutenant governor and the speaker of the house of representatives on any building or land recommended for sale and make any recommendations the committee determines are necessary. The bill requires the commissioner and the TFC to keep the committee informed.

C.S.H.B. 1727 requires the TFC, not later than September 1, 2012, to develop a list of state buildings and underused or undeveloped land that could be sold or sold and leased back from the purchaser by the state to raise revenue. The bill authorizes the comptroller of public accounts to group the buildings identified by the TFC into packages that would each raise approximately $500 million in revenue. The bill requires the governor to appoint the public member of the oversight committee for a term expiring February 1, 2017.

EFFECTIVE DATE

September 1, 2011.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 1727 contains a provision not included in the original requiring the Texas Facilities Commission (TFC), with assistance from the asset management division of the General Land Office (GLO), to study the financial implications for the state of selling state buildings and leasing office space for a period of 99 years.

C.S.H.B. 1727 differs from the original by requiring the TFC, with assistance from the asset management division of the GLO, to identify state buildings and underused or undeveloped land that could be sold or sold and leased back from the purchaser by the state, whereas the original requires only the identification of state buildings that could be sold and leased back from the purchaser by the state. The substitute differs from the original in nonsubstantive ways by making related conforming changes.

C.S.H.B. 1727 differs from the original by including the potential uses for underused or undeveloped land and the fair market value of the land among the factors the commission is required to consider in making a determination under the bill's provisions, as in the original.

C.S.H.B. 1727 contains a provision not included in the original requiring the commissioner of the GLO, if the commissioner determines that the sale of one or more state buildings or parcels of underused or undeveloped land identified by the TFC under the bill's provisions is the best use of the building or land for the state, to sell the building or the land to one or more purchasers.

C.S.H.B. 1727 differs from the original by authorizing the commissioner, if the commissioner determines that the sale and leaseback of one or more state buildings is the most economical means of providing office space for the state, to agree to lease the sold buildings back to the state, whereas the original requires the commissioner, given the same determination, to sell those buildings to one or more purchasers who agree to lease the sold buildings back to the state under a long-term lease. The substitute omits a provision included in the original requiring the state and a purchaser to enter into the lease agreement at the time of the sale.

C.S.H.B. 1727 differs from the original by requiring the governor, in addition to the lieutenant governor and the speaker of the house of representatives, as in the original, to appoint an oversight committee, rather than a joint standing legislative committee, as in the original, to receive certain information under the bill's provisions. The substitute contains provisions not included in the original establishing the membership of the committee and the terms of its members and requiring the committee to report to the lieutenant governor and the speaker of the house of representatives on any building or land recommended for sale and make any recommendations the committee determines are necessary.

C.S.H.B. 1727 omits a specification included in the original of the amount of revenue to be raised by the sale and leaseback of state buildings in the list the TFC is required to develop.

C.S.H.B. 1727 differs from the original by authorizing the comptroller of public accounts to group the buildings and land identified as saleable into packages that would each raise approximately $500 million in revenue, whereas the original requires the comptroller to group the buildings identified into packages that would each raise approximately $2.5 billion in revenue.

C.S.H.B. 1727 contains a provision not included in the original requiring the governor to appoint the public member of the oversight committee for a term expiring February 1, 2017.