

UPDATED
SESSION OF 2013

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2396

As Amended by House Committee of the Whole

Brief*

HB 2396 would amend current law concerning the Secretary of Administration's authority to sell surplus real estate owned by any state agency. In addition, the bill would exempt specific sales by Emporia State University and the University of Kansas from current law which directs that 20.0 percent of the proceeds from the sale of property is to be deposited in the State Surplus Property Fund and the remaining 80.0 percent is to be deposited to decrease the Kansas Public Employee Retirement System (KPERs) unfunded liability.

Sale of Surplus Property

The bill would require each state agency to develop and maintain a list of real estate and to transmit the list annually to the Secretary, who would then be required to publish the list in the *Kansas Register*. Under the bill, the Secretary would no longer have to consult with the head of a state agency to determine if a property should be declared surplus real estate, as required by current law. Further, the bill would allow the Secretary to receive the Governor's approval to offer real estate for sale. Current law requires the Secretary to consult with the head of the state agency that owns the real estate and the Joint Committee on State Building Construction and then gain approval from the State Finance Council before the Governor may approve the sale of property.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

The bill also would require the Secretary to prepare a report of all surplus real estate subject to sale and then transmit a copy of the report to all state agencies, which own real estate contained in the report. If the real property subject to sale is valued at less than \$250,000, the Secretary could sell the property under provisions of current law: public auction; by listing the property with a licensed real estate broker or salesperson; or by sealed bid. If the property subject to sale is valued at \$250,000 or more, the state agency owning the property may appeal the sale and request a re-determination of the status of the real estate. If the Secretary concurs with the appeal by an agency, the property would be removed from the published list of real estate for two years. If the Secretary does not concur with the appeal, the Secretary would transmit a copy of the report, along with any state agency appeals to the Governor. The Governor would make the final decision for any state agency appeal to determine the status of any property. Prior to offering any real estate for sale, the bill would require the Secretary to appoint a disinterested appraiser to determine the market value appraisal of the property, unless the Secretary determines it is in the best interest of the state to waive the appraisal.

Sale of Emporia State University Apartments

The bill, as amended, would authorize the State Board of Regents, on behalf of Emporia State University (ESU), to sell or exchange with the ESU Foundation, certain real estate commonly known as Emporia State University Apartments (formerly married student housing built in the 1960s, and located off campus). The bill would authorize 100.0 percent of the proceeds of a sale to be placed in the Restricted Fees Fund of Emporia State University. The bill also would allow for an exchange of the apartments with land the ESU Foundation is acquiring closer to the campus than the apartments' current location.

Sale of University of Kansas Parking Garage

The bill, as amended, would authorize the University of Kansas and the KU Endowment Association to exchange two parcels of property. The parcels have been appraised and the boundaries have been defined such that the two parcels are equal in value.

Background

The bill was introduced by the House Appropriations Committee. A representative of the Department of Administration testified in support of the bill at the House General Government Budget Committee hearing, noting that the Legislative Division of Post Audit made several recommendations about the State Surplus Property Program, including the recommendation to give the Secretary of Administration sole authority in designating surplus state property.

The House Committee of the Whole amended the bill to insert the contents of HB 2021 and HB 2071. HB 2021 was introduced by the Legislative Educational Planning Committee as part of the Board of Regents legislative package. Proponent testimony was provided by representatives of Emporia State University. Representative Mast also testified as a proponent of the bill. There were no opponents.

HB 2071 was introduced by the Legislative Educational Planning Committee at the request of the Board of Regents. The Chief Business and Financial Planning Officer of the University of Kansas testified as a proponent of the bill, stating the University of Kansas has a piece of property that was purchased with parking funds and currently contains a parking garage that the University wants to exchange for a piece of property owned by the University of Kansas Endowment Association that currently is used as a parking lot.

The fiscal note submitted by the Division of the Budget on the base bill indicates the costs of publishing notices of surplus property would be negligible. The fiscal note indicates there could be cost savings if only one appraisal, as opposed to three appraisals which are currently required, is performed but no savings amounts were estimated. The fiscal note on HB 2071 also indicates that the exchange of property held by the University of Kansas would not have an effect on the state's revenue or expenditures.

The fiscal note on HB 2021 indicates that, under current law, 20.0 percent of the net proceeds from a surplus sale are deposited in the state's surplus real estate fund or, upon the agency's request, a surplus real estate special revenue fund for the agency; the remaining 80.0 percent goes to the Kansas Public Employees Retirement Fund to be applied to the unfunded actuarial liability. HB 2021 would exempt Emporia State University from this process with all proceeds being retained by the University. The fiscal impact would be an estimated decrease in revenue to the state of between \$720,000 and \$960,000.