



# INTERIM REPORT

*to the 85<sup>th</sup> Texas Legislature*



HOUSE COMMITTEE ON  
STATE REAL PROPERTY DATA COLLECTION,  
REPORTING & ASSESSING



JANUARY 2017

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**HOUSE COMMITTEE ON STATE REAL PROPERTY DATA COLLECTION,  
REPORTING AND ASSESSMENT  
TEXAS HOUSE OF REPRESENTATIVES  
INTERIM REPORT 2016**

**A REPORT TO THE  
HOUSE OF REPRESENTATIVES  
85TH TEXAS LEGISLATURE**

**RON SIMMONS  
CHAIRMAN**

**COMMITTEE CLERK  
ZACH FLORES**

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Committee On  
State Real Property Data Collection, Reporting and Assessment

January 4, 2017

Ron Simmons  
Chairman

P.O. Box 2910  
Austin, Texas 78768-2910

The Honorable Joe Straus  
Speaker, Texas House of Representatives  
Members of the Texas House of Representatives  
Texas State Capitol, Rm. 2W.13  
Austin, Texas 78701

Dear Mr. Speaker and Fellow Members:

The Committee on State Real Property Data Collection, Reporting and Assessment of the Eighty-fourth Legislature hereby submits its interim report including recommendations and drafted legislation for consideration by the Eighty-fifth Legislature.

Respectfully submitted,

A handwritten signature in black ink that reads "Ron Simmons".

Ron Simmons, Chair

A handwritten signature in black ink that reads "G. Capriglione".

Rep. Giovanni Capriglione

A handwritten signature in black ink that reads "Rene O. Oliveira".

Rep. Rene Oliveira

A handwritten signature in black ink that reads "Celia Israel".

Rep. Celia Israel

A handwritten signature in black ink that reads "Ed Thompson".

Rep. Ed Thompson

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# STATE REAL PROPERTY DATA COLLECTION, REPORTING AND ASSESSMENT

## Executive Summary

The State of Texas owns significant amounts of real property of varying types and purposes. While several state agencies have information about state-owned property, the information varies and is inconclusive. There is no single state entity that maintains a complete database of property sites with consistent specifics including location, size, improvements, environmental encumbrances, and value. The lack of information and oversight negatively affects the state's ability to adequately manage and protect its real property assets, and to assess applicable values but also directly impedes the planning for disposition of those assets.

House Bill 3750, filed by Representative Ron Simmons, and sponsored by Senator Brian Birdwell, was passed by the Legislature and signed into law by Governor Greg Abbott on June 19th, 2015 to remedy this lack of vital information.

The following requirements of the House and Senate Select Committees on State Real Property Data Collection, Reporting and Assessment were laid out in HB 3750:

### Interim Report:

The committees established shall jointly adopt recommendations and report in writing any findings and adopted recommendations to the legislature not later than January 13, 2017. The report, at a minimum, must identify a single entity to collect information on all real property owned by the state, including buildings, facilities, and land.

### Capitol Appraisal:

The committees established under this section shall conduct an appraisal of all or part of the Capitol Complex.

### Data Collection

Pursuant to HB 3750, the Legislative Budget Board (LBB) was asked to collect detailed information from each state agency and institution of higher education that possesses real property, and to provide that information to the State Office of Risk Management (SORM) for consolidation, findings, analysis, and any recommendations regarding a statewide strategy to ensure that all real property owned by the state is adequately insured. SORM would then complete an Insurable Assets Study to provide an accurate presentation of this information. SORM was also required to create an electronic database to display this information that was accessible by the Legislature and other state agencies. To decrease the burden and potential fiscal impact on individual state agencies, the LBB coordinated with the SORM, the Texas Higher Education Coordinating Board (THECB, for higher education information), the General Land Office (GLO, for certain other state entities), and six other selected entities, to assist in compiling the statewide data.

The information was then reported to the House and Senate Select Committees on State Real Property Data Collection, Reporting, and Assessment, which, among other requirements, would conduct hearings based off of this information. The following Interim Report is the result of that process.

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## **House Select Committee on State Real Property Data Collection, Reporting and Assessment**

### **House Members**

Representative Ron Simmons, Chair  
Representative Giovanni Capriglione  
Representative Celia Israel  
Representative Rene Oliveira  
Representative Ed Thompson

June 9, 2016, EI.012

The Committee took invited testimony on the implementation of HB 3750.

September 28, 2016, EI.016

The Committee took invited testimony on the implementation of HB 3750.

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## Summary of Hearings

The House and Senate Select Committees on State Real Property Data Collection, Reporting and Assessment met jointly in two hearings that took place on June 9th, 2016 and September 28th, 2016. The following is a summary of what was discussed in the two hearings.

### June 9, 2016:

The Committee met jointly with the Senate Select Committee on State Real Property Data Collection, Reporting and Assessment to hear invited testimony on the implementation of HB 3750

#### **SORM:**

SORM presented its electronic database with data collected by GLO and THECB, coordinated by LBB. SORM contracted with the company Origami to produce said database. The database displayed required sets of data from state-owned buildings and lands, including their insurable and replacement values. While the data was displayed in a comprehensive manner, SORM stressed that this was a sample of the data collected thus far, and certain data sets were incomplete due to the manner in which individual agencies had collected data in the past and how they reported them to the collecting agencies.

#### **LBB:**

LBB reported their experiences coordinating data collection from GLO and THECB. LBB stated they were on track to having an inventory for over 1,000 land parcels (over 11,000 different buildings were entered + appraisal values for buildings).

### September 28th, 2016:

The Committee met jointly with the Senate Select Committee on State Real Property Data Collection, Reporting and Assessment to hear invited testimony on the implementation of HB 3750

#### **SORM:**

Presented testimony on the required Capitol Appraisal study, where the buildings comprising the Texas State Capitol, the Capitol Extension, and the Capitol Visitor Center and their contents were evaluated for their replacement cost, or cost of reproduction. The cost of reproduction for the Texas State Capitol Building, the Capitol Extension, the Capitol Visitor Center, and its contents was appraised at \$669,619,000.

#### **TFC:**

The Texas Facilities Commission testified on its experiences on collecting data.

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## Recommendations

As a result of HB 3750, the committees were able to base observations on state-owned assets and generalized risk assessments. Specifically, the consolidated database provided an opportunity to better manage, understand, and analyze state-owned assets. With standardized, accurate, and comprehensive data, the state could prepare thorough risk analyses and a statewide asset insurability plan to better protect itself from all types of loss.

The unique challenges in collecting, auditing, and validating data for HB 3750 warrant consideration of the continuation and potential expansion of a centralized, consolidated database for state-owned assets.

**1. Designate The State Office of Risk Management to Collect Information on All Real Property Owned by the State, Including Buildings, Facilities, and Land, and Require All Agencies to Submit Data to SORM to be Added to the Existing Database**

The database developed by SORM through Origami is an excellent starting point for the continuation of data collection and reporting. The focus would shift to improving and expanding the data sets in the online database to maintain current data.

**2. Continue Collection to Address Accuracy and Completeness of Data, and Validate and Maintain Data through a Centralized, Consolidated Database**

State entities should participate in identifying essential statutory data and any additional data that would be beneficial to risk and insurability analysis. A comprehensive set of data elements should be created and applied uniformly across all state entities that possess state-owned assets. A consolidated database can be used to centralize this data and provide easy accessibility.

**3. Establish Consistent Data Elements**

Future extension of the purposes underlying HB 3750 should include expectations, guidelines, and clearly defined data criteria to increase efficiency in reporting and ensure accurate, complete data is reported in a timely manner. Formal procedures on data reporting would streamline how data is reported, audited, and validated in the consolidated database. Defining the data would create more consistent information and provide an opportunity for more thorough, complete, and extensive analysis of statewide risk exposures. With consistent



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and unified data criteria, the scope of the data could be refined to provide more accuracy and simplify reporting.

#### **4. Require Regular Data Updates**

State entities should be allowed/required to update their reported data annually or more frequently as needed. Through data revision, verification, and updating, the data in the consolidated database can become more refined, insightful, and contemporary to address statewide issues as they arise.

Having an up-to-date appraisal for a building is essential for a comprehensive asset protection plan. Current appraisals are a more accurate assessment of the actual cost to replace a building because the value is based on current market conditions, cost of construction index, and contemporary labor costs.

Clear guidelines on the content and structure of state-owned property appraisals would ensure consistent and comprehensive data is collected with every appraisal and eliminate gaps in the data. Guidelines that set forth procedures, define data, and establish the scope of the data would enhance the accuracy and consistency of appraisals. State entities should provide and/or update appraisal data to ensure accurate replacement values for the buildings are reported. Direct reporting as changes occur will improve the accuracy of the data and remove potentially outdated data sooner.

#### **5. Require Security and Confidentiality of State-Owned Property Data**

Property and content information in the database should be exempted from the Public Information Act (PIA), Texas Government Code Chapter 552. Knowledge that any data reported to the consolidated database would be secure and not subject to PIA would encourage state entities to report more thorough data and decrease total risk concerns. For example, information pertaining to protection systems could compromise the integrity of a state building. Likewise, the disclosure of the state's information technology infrastructure could make it susceptible to cyber-attack. The Capitol Complex, Governor's Mansion, Texas Department of Criminal Justice, and Texas Military Department are only a few of the state

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entities with highly sensitive security information about their respective buildings and contents.

Exempting information in the consolidated database from the PIA would safeguard the state's ability to obtain appropriate levels of insurance at reasonable and appropriate rates. By pooling statewide risks, individual agencies with average or poor risk ratings are able to benefit from the group buying power of the Statewide Sponsored Property Insurance Program. Diluting participation in that program would drive up insurance costs for the state.

Texas Government Code §552.105 exempts information relating to the location of real and personal property for a public purpose prior to a public announcement of a project. Appraisal and purchase price are also excepted prior to the formal award of contracts for the property.