

The logo for the Texas Sunset Advisory Commission is a black semi-circle with a white border. Inside the semi-circle, the words "Texas", "Sunset", "Advisory", and "Commission" are stacked vertically in a white, bold, sans-serif font.

**Texas
Sunset
Advisory
Commission**

STAFF EVALUATION

Texas Surplus Property Agency

A Staff Report
to the
Sunset Advisory Commission

1988

TEXAS SURPLUS PROPERTY AGENCY

March 1988

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Summary of Recommendations

The Texas Surplus Property Agency (TSPA) was created in 1945 to distribute federal surplus property in Texas. It is governed by a board of nine public members appointed by the governor. Each year, the agency distributes property which originally cost the federal government approximately \$22 million. The TSPA charges property recipients a service and handling fee to finance agency operations. This fee averages 7.5 percent of the original cost of the item. In fiscal year 1987, fee collections yielded approximately \$1.77 million.

The TSPA distributes property to over 2,700 entities deemed eligible under federal law. All state agencies, political subdivisions, and certain non-profit agencies that provide health or educational services, are eligible. This includes, for example, counties, volunteer fire departments, school districts, and trade schools. The types of property distributed varies widely from school desks to school buses, from emergency radios to heavy earth-moving machines, and from fire trucks to floating dry docks. Under federal law, surplus property regardless of original cost, is made available for donation to eligible agencies. Federal guidelines limit the amount of property the TSPA can obtain and require that property be put to use for 12 to 18 months before ownership transfers from the federal government. In order for eligible entities within the state to receive federal surplus property, federal law further requires that states operate an agency like TSPA.

The sunset review indicated a continued need for the agency's services. Without these services, access to federal surplus property within the state would be jeopardized and the cost to many local governments of obtaining needed equipment would increase. The review also found that the agency has generally met its overall duties in an efficient and effective manner and should be continued for a 12-year period. However, a number of improvements were identified that should be made if the agency is continued. These changes are summarized in the material that follows.

Recommendations

THE AGENCY SHOULD BE CONTINUED FOR A 12-YEAR PERIOD WITH THE FOLLOWING CHANGES:

Policy-making Structure

Selection of the Chairman

1. **The statute should be amended to require that the governor select the board chairman. (Statutory) (p. 22)**

The members of the TSPA board elect a chairman from the board membership. This deviates from a recent trend to allow the governor to select the chairman. Vesting this authority with the governor enhances accountability and continuity within the executive branch of government.

Composition of the Board

2. **The composition of the board should be modified to include the perspective of the state's purchasing agency. (Statutory) (p. 22)**

The TSPA's board is composed of nine public members who are knowledgeable in the field of property management. While this provides a broad based perspective for the interests of the state's citizens as a whole it does not facilitate an understanding of how TSPA services relate to those of another state program which has similar goals. The public member composition also limits the board's perspective on how TSPA services can better address state agency needs. Adding the chairman of the State Purchasing and General Services Commission to the TSPA board will provide the TSPA an ongoing resource of information concerning the potential uses of federal surplus property by state agencies, as well as, the operations of the state surplus property program.

Overall Administration

The review of the agency's overall administration indicated that it was generally effective and that no changes are needed.

Evaluation of Programs

Coordination of the Federal and State Surplus Property Programs

- 3. The time sequence for state surplus property distribution should be modified to include a 10 day time period for the TSPA to distribute property to state agencies and political subdivisions. (Statutory) (p. 31)**

Only 25 percent of state surplus property is distributed to state agencies and political subdivisions, while 75 percent is sold at public auctions. This contrasts with TSPA's experience of distributing 90 percent of federal property to public entities. Recycling government equipment and machinery within government could save government by encouraging the use of low cost surplus property instead of purchasing new equipment. The TSPA services were reviewed to determine which would help the state program the most in getting state surplus to public entities. A short time frame of 10 days, within the regular surplus property distribution timeline, was identified as the best time for the TSPA to assist the state program. This allows the TSPA to focus its efforts on usable state property which has not been distributed to a state agency or political subdivision through the usual state program.

Under this change, the TSPA will be authorized to act as a broker in finding a state agency or political subdivision that needs the property and negotiating a sale with the owning agency. To cover its costs, the TSPA will be authorized to retain a handling fee to be agreed upon in advance by both the TSPA and the state agency. If the TSPA is unable to negotiate a sale with the state agency within the 10-day period, the property will proceed to public sale through the current process.

- 4. The TSPA and the State Purchasing and General Services Commission should develop a Memorandum of Understanding concerning the handling of state surplus property. (Statutory) (p. 32)**

The State Purchasing and General Services Commission is authorized by law to coordinate the state surplus property distribution program. Adding the TSPA to the state distribution program will require an agreement with the TSPA and the state program as to the specific procedures that will be used and how handling fees will be negotiated and collected. The commission, in its lead role in the state distribution program, is the most appropriate agency to negotiate with the TSPA on those procedures. To formalize this agreement, the TSPA and the commission should

enter into a Memorandum of Understanding adopted through the Texas Register and Administrative Procedure Act's rule-making process.

5. The Texas Surplus Property Agency should be authorized to assist state agencies, on contract, in all phases of surplus property handling. (Statutory) (p. 32)

On an individual basis, a state agency may decide that it can more effectively and efficiently dispose of its surplus property by contracting with the TSPA for services beyond those addressed in the above recommendations. For example, some state agencies may need to contract for warehousing their property, reconditioning, negotiating for sales, or regional auctions. The regional location of TSPA warehouses make contracting particularly advantageous for agencies with regional operations. However, the TSPA is not authorized to contract with state agencies. Providing the TSPA with the necessary authority to offer such services, on contract, will facilitate such assistance when, on a case-by-case basis, both agencies agree that TSPA assistance is in the best interest of the individual agency and the TSPA.

AGENCY EVALUATION

Background

Creation and Powers

The Texas Surplus Property Agency (TSPA) operates the federal surplus property distribution program in Texas. This program helps state and local governments and certain non-profit agencies obtain donations of usable federal surplus property. The TSPA has provided this service for over 40 years and has supported all its operating expenses through handling fees for the property. In each of the past five years, the agency has distributed property in Texas which originally cost the federal government approximately \$22 million.

Federal property management laws provide the framework through which the TSPA accesses the surplus property. Under those laws, equipment, furniture, vehicles, and machinery on the inventory of federal agencies must pass through many check points before it can be discarded. Property which is not needed by an agency is declared to be "excess property" and is offered for transfer to other federal agencies. Excess property which is not transferred to another federal agency is declared "surplus" to the needs of the federal government. This property is offered for donation through state agencies like the TSPA. Federal law requires each state to establish a program and file a state plan of operation to administer the federal surplus property distribution program within the state. Without such a program and plan, eligible agencies in the state cannot receive donations of federal surplus property.

The specific duties of state agencies designated to coordinate property distribution, like the TSPA, are to locate usable items from the approximately \$2.5 billion of federal inventory which is declared surplus each year and find a public purpose for those items in their state. Property which the federal government has declared surplus and released to the distribution program is donated to eligible agencies, regardless of its original cost. This federal donation program was founded on the principle that since the goods were purchased with tax dollars, any unused value remaining in the items should be donated to another public purpose, without charge. All 50 states and many U.S. territories participate in the federal program. In summary, federal law puts three main restrictions on the state distribution activities:

- it requires that the property be donated;
- it limits the program to the following entities:
 - state and local government agencies; and

- non-profit agencies that provide health or educational services; and
- it requires that property be put to use by the eligible agency for 12 to 18 months, depending on the original cost of the item.

The Texas Surplus Property Agency was created by Executive Order of the Governor in 1945 following World War II. At that time, the federal government was faced with large amounts of often unused surplus war rations, supplies, and equipment. Federal leaders began a temporary program of donating the surplus to civil defense efforts throughout the country, instead of selling the surplus in the already unsteady economy. Each state was required to establish a program to guide the distribution of the surplus property within the state. Texas responded by creating a temporary, independent, self-supporting agency called the Texas Surplus Property Committee. Even though the federal program was initially a temporary program, a steady supply of federal surplus was available for many years after the war. From 1945 to 1971, a resolution was passed each session authorizing the operations of the agency. In 1971, the 62nd Legislature adopted H.B. 216 which established the Texas Surplus Property Agency (Art. 6252-6b, V.A.C.S.). There has been little change to the agency's enabling act since it was adopted.

The TSPA has had essentially the same duties since its creation:

- Locate usable federal surplus property and put it to a public use in Texas:
 - Distribute the property fairly among eligible agencies;
 - Donate the property but charge enough through handling fees to support the program; and
 - Check to see that property is actually put to a public use.

Policy-making Structure

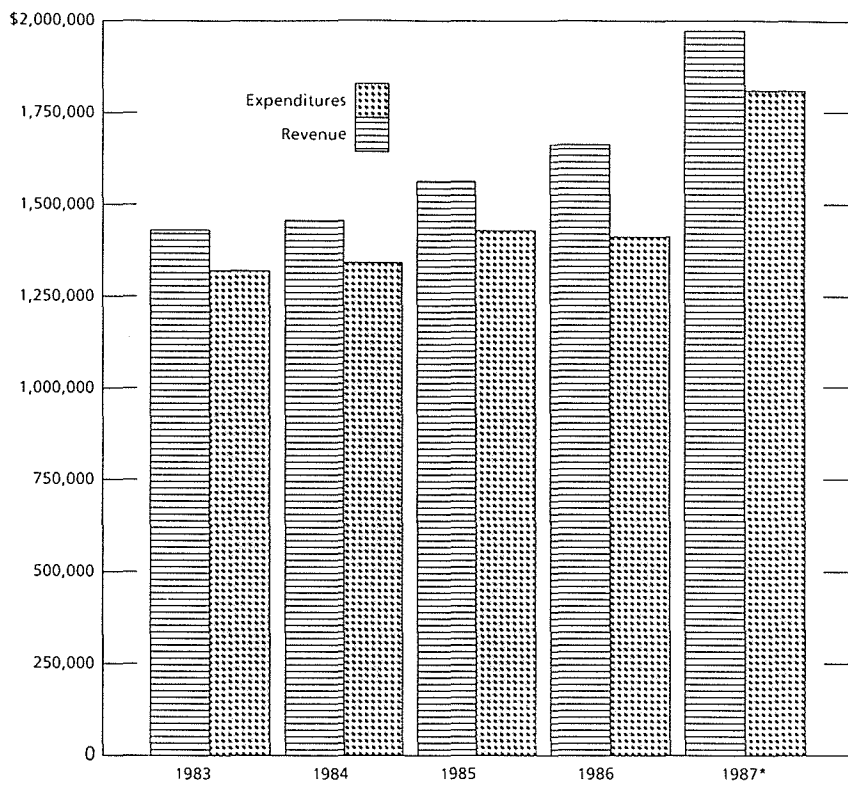
The board of the Texas Surplus Property Agency is composed of nine part-time, public members appointed by the governor with the advice and consent of the Senate for staggered six-year terms. The statute requires that appointees be "outstanding citizens of the state who are knowledgeable in the field of property management". The board is required to meet four times a year and its chairman is elected by the board. The board's duties include the selection of the executive director, adoption of agency rules, approval of the agency budget, updating the state plan, and oversight of agency administration.

The board currently has eight members, the ninth board member position has been vacant since January 1987. The board has met an average of four times a year in the last two years and meetings were held in all areas of the state. Meetings are usually held at district warehouse locations so that members can become familiar with agency operations.

Funding and Organization

In 1987, the 70th Legislature made the TSPA's expenditure subject to the appropriation process for the first time. The agency's budget is set in the General Appropriations Act at \$2,734,561 for fiscal year 1988 and \$2,937,028 for fiscal year 1989. The agency's actual operating budget for fiscal year 1988 is \$2.03 million. The balance of the agency's appropriation was made to cover the cost of building new district warehouses in Fort Worth and Corpus Christi. Funding of this construction is contingent on adequate revenue. The revenue source for agency funding is service and handling fees and interest earned on its fund balance. Exhibit 1 analyzes the agency's revenue and expenditure trends for the past five years.

Exhibit I
TEXAS SURPLUS PROPERTY AGENCY
 Expenditures and Revenue 1983 thru 1987

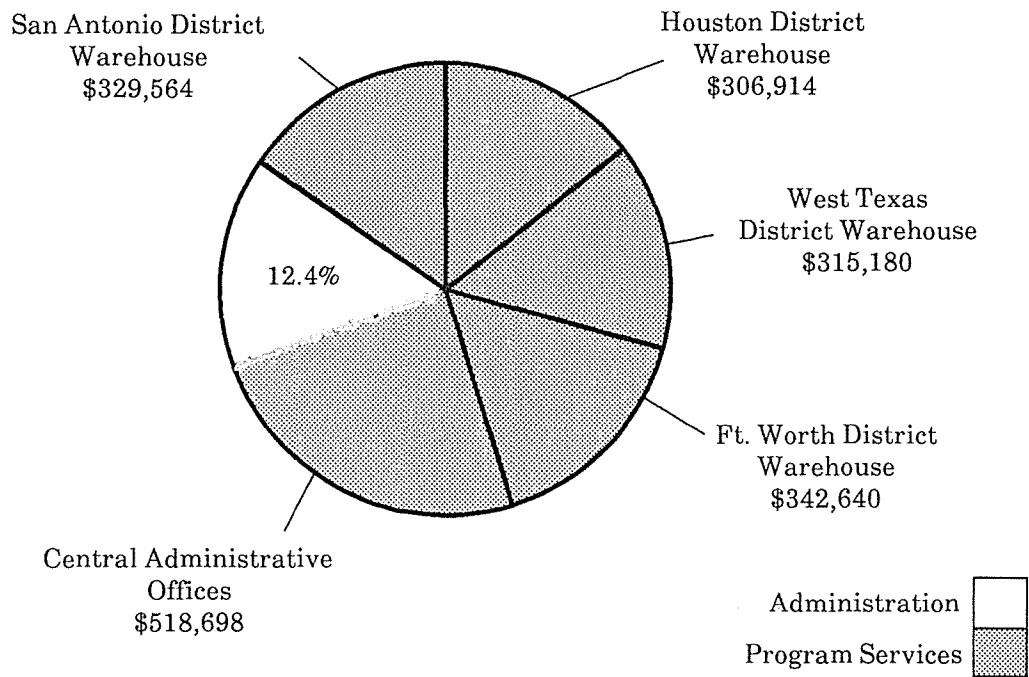


*Budgeted

Property recipients are charged a service and handling fee to cover the cost of TSPA activities. The fee includes the costs of locating the property, freighting, warehousing, and some minor reconditioning of the property. Overall, TSPA fees are approximately 7.5 percent of the price the federal government paid for the item new.

The agency has 48 employees and operates four district warehouses located in San Antonio, Fort Worth, Lubbock, and Houston. The agency’s funding allocation is analyzed in Exhibit 2. Agency administrative costs are estimated to be approximately 12.4 percent.

Exhibit 2
TEXAS SURPLUS PROPERTY AGENCY
Fiscal Year 1987 Budget



Programs and Functions

The agency accomplishes its major program functions through its system of district warehouses. These functions include:

- locating available property, screening the property for needed and usable items;
- transporting, warehousing, advertising, and making the property available for inspection;

- distributing the property and collecting handling fees; and
- monitoring the use of the property once distributed.

Locating usable and needed federal property, obtaining that property and transporting it to the district warehouses is a main focus of the agency's operations. Each year, the federal government makes over \$2.5 billion in property available to the 50 state programs and similar programs in Washington D.C. and five U.S. territories. The TSPA reviews inventory lists of this property and selects items for on-site screening. The TSPA staff screens about five to ten times the amount of property it obtains each year. Screening of large amounts of property helps the TSPA ensure that its efforts are focused on the most usable federal surplus property that is available.

The locations for district warehouses are chosen for proximity to federal installations which distribute surplus property to reduce agency travel and shipping costs. The installations which TSPA uses most frequently are located in Texas and the surrounding states. In fiscal year 1987, approximately 59 percent of the property secured by TSPA came from installations within Texas. Exhibit 3 indicates the major federal installation in Texas and surrounding states which distribute property to TSPA district warehouses.

The TSPA reviews the inventory of the individual warehouses frequently to ensure that similar types and quantities of property are available in all areas of the state. The chart below gives an indication of the level of activity of each district warehouse.

<u>District Warehouse</u>	<u>Inventory at Acquisitions Cost (12-31-87)</u>	<u>Distributions (1987)</u>
San Antonio	\$4,582,000	\$4,705,000
Houston	\$3,182,000	\$5,405,000
Fort Worth	\$3,275,000	\$5,305,000
Lubbock	\$2,648,000	\$6,257,000
TOTAL	<u>\$13,687,000</u>	<u>\$21,672,000</u>

Exhibit 3

District Warehouses and Federal Distribution Sites in Texas and Surrounding States*

DISTRICT WAREHOUSE	FEDERAL DISTRIBUTION SITES
San Antonio	Kelly Air Force Base (AFB) Ft. Sam Houston AFB Lackland AFB Randolph AFB Veteran's Administration - San Antonio V.A. Hospital - Kerrville Laughlin AFB - Del Rio Bergstrom AFB - Austin U.S. Naval Air Station - Corpus Christi Beeville Naval Air Station Kingsville Naval Air Station
Houston	N.A.S.A. Fort Hood - Killeen Fort Polk - Louisiana Louisiana Army Ammunitions Plant (AAP)
Fort Worth	Carswell AFB Fed. General Services Admin. Headquarters - Ft. Worth V.A. Hospital - Waco General Dynamics - Dallas Vought Corp. - Dallas V.A. Hospital - Temple Red River Depot - Texarkana Lone Star AAP - Texarkana Longhorn AAP - Karnack Barksdale AFB - Louisiana V.A. Hospital - Little Rock Ark. Little Rock AFB - Ark. Tinker AFB - Oklahoma Fort Sill - Oklahoma Shepard AFB - Wichita Falls
Lubbock	Reese AFB - Lubbock Pantex Plant - Amarillo V.A. Hospital - Amarillo Fort Bliss - El Paso Holloman AFB - New Mexico Cannon AFB - New Mexico Kirtland AFB - New Mexico Sandia Labs - New Mexico Pan Am Salvage - New Mexico

*Please Note: Because of frequent property redistribution, property from nearby distribution sites may not remain in the local TSPA district warehouse.

For each of the past five years, the TSPA has distributed property which originally cost approximately \$22 million, to 2,700 agencies. Below, is a listing of how the property was distributed in fiscal year 1987 among the various types of eligible agencies.

<u>Entities</u>	<u>Amount Received</u>	<u>Percent</u>
Cities and Counties	\$8,499,000	39.1%
School Districts	\$5,782,000	26.7%
Higher Education	\$3,097,000	14.3%
Non-profit Agencies	\$2,786,000	12.9%
State Agencies	\$1,508,000	7.0%
TOTAL	\$21,672,000	100.0%

Once the property is distributed, the federal government requires the TSPA to monitor whether it is being used by an eligible agency in accordance with federal requirements and the state plan of operations. Federal guidelines require that property be used by an eligible agency for 12 to 18 months, depending on the original cost of the item, before full ownership transfers from the federal government. The TSPA is required to document its activity to monitor compliance with this requirement on all property which originally cost over \$5,000. During fiscal year 1987, the agency monitored 323 items of property under this requirement. All but two items of property were found to be used in compliance with federal requirements. One of the items in non-compliance was returned to working order and is now in compliance, however one item had to be recovered by the TSPA due to unauthorized use.

The end result of the distribution of surplus property is to reduce costs which would have been necessary if the property were purchased new. The following examples illustrate the types of cost savings achieved through the use of federal surplus property in Texas:

- Port Arthur Navigation District of Jefferson County benefited from the relocation of a surplus World War II floating dry dock from Pearl Harbor, Hawaii. The dry dock cost the federal government over \$18 million in the 1940's but its estimated value today is in excess of \$30 million. It is estimated that the dry dock will result in 500 new jobs and add over \$74 million to the economy of the area.

- City of Brownfield received a fire truck from California for a transportation and handling fee of \$1,800 enabling the city to postpone the purchase of a new fire truck until the mid 1990's. This was a net savings of \$100,000.
- Martin County received a tractor-scraper and bulldozer for their sanitary landfill operations and road construction projects. Purchased new the equipment would have cost over \$400,000. However, through TSPA the actual cost, which included shipping from California, was \$25,000.
- Hill College in Hillsboro completely furnished its machine shop with machines through TSPA and every vehicle used in the school's maintenance department was obtained through TSPA. The school also uses federal surplus in the cafeteria, as well as, the art, automotive, and agriculture departments. In total, the school reported annual savings of over \$100,000 for the past several years through the use of surplus federal property.
- Fort Bend County Major Crime Task Force received a night vision scope through the TSPA to help in its efforts to stop illegal drug trafficking. It was previously used by the U.S. Customs and was originally purchased for \$40,000. The TSPA service fee was \$1,728. The cost for a new night vision scope, today, would be \$80,000.
- Cameron County Appraisal District reported that 90 percent of its office furnishings have been obtained through TSPA at one-tenth the cost if purchased new.

Review of Operations

Focus of Review

The review of the Texas Surplus Property Agency focused on five general areas: 1) whether there is still a need for the agency and its services; and if so, 2) whether the policy-making structure fairly reflects the public and state interests; 3) whether the agency's management policies and procedures are consistent with accepted management practices; 4) whether the agency meets the need for services in an efficient and effective manner; and 5) whether additional unmet needs exist within Texas that the agency is particularly equipped to serve.

Analysis indicated that there is still a need for the agency and its services. Many agencies and political subdivisions that use the services of the agency report that the services are valuable to them in their efforts to contain costs. There also appears to be a constant level of surplus federal property available indicating that the supply of material to distribute will continue. A final consideration was that federal law stipulates that for eligible agencies within a state to access federal surplus property, the state must operate a distribution program approved by the federal General Services Administration, such as TSPA. These three factors--service user desire for the program, continued program resources, and federal requirements for the program --lead to the conclusion that there is a need to continue the services of the Texas Surplus Property Agency.

Another question in looking at the need for the agency was whether the state's purposes were best served by operating two separate surplus property functions -- TSPAs which deals with federal surplus property and the state surplus property function performed by the State Purchasing and General Services Commission. An assessment of the multiple state policies involved in the operation of the two separate programs was not possible within the time and resources available for the review of TSPA.

A more limited analysis indicated that because of the substantial differences in focus between the two programs and the potential for disruption of services, there would be little gain in simply combining the programs. However, the analysis showed that expanding some TSPA services to state surplus property distribution will improve the state's overall system of surplus property management.

Policy-making Structure

The statute setting up the agency's policy-making structure should satisfy four requirements. First, the board should be structured so that it is accountable to the legislature and the governor. Second, the statute should provide for board members with an appropriate amount of experience relevant to the agency's functions. Third, the statute should give the board clear direction as to its policy role in the agency. Finally, the board should be of sufficient size to handle its workload and conduct its business efficiently.

The review indicated that the agency's statute appropriately separates the board's policy role from the day-to-day administrative role of its staff. The nine-member size of the part-time board is also appropriate. It is of sufficient size to handle its workload, while not too large to function effectively. Many other part-time boards in the state also function well with nine members. Analysis indicated, however, that the method of selecting the chairman, as well as the type of expertise available on the board, could be improved.

Selection of the Chairman Should be Changed to Improve Accountability

The evaluation focused on two elements to determine whether the board was accountable to the legislature and the governor: the process for the appointment and removal of members, and the method for selecting the chairman. The statute provides for the appointment of members by the governor with senate confirmation. The appointment is for six-year staggered terms. This approach is the one typically used in state government. It allows for control over the policy-making body and at the same time gives a measure of stability by assuring a majority of experienced board members at all times. The statute is silent on removal of members, so general state law applies. State law gives the governor the necessary control over board members after their appointment by setting up a removal procedure for him to follow. The procedure also protects the board member from arbitrary removal. While the statute generally establishes a good structure for the board, its accountability could be further strengthened by changing the way the chairman is selected.

The statute should be amended to require that the governor select the board chairman.

The agency's statute requires the members of the Board of the Texas Surplus Property Agency to elect a chairman from their membership. However, the trend in recent years is to give the governor the authority to select a board's chairman. This approach is now used in many state agencies. Such a policy strengthens the board's accountability to the governor and enhances continuity among agencies in the executive branch of government.

The TSPA's board structure, procedures, and types of policy decisions were examined to determine whether providing the governor the authority to select the chairman presented any particular problem for the board. This analysis indicated no specific problems in implementing this change.

The Composition of the Board Should be Changed to Improve Coordination

The agency's statute should provide for board member expertise in the agency's main function and knowledge of closely related programs in state government. The statute requires that the board be composed of nine "outstanding citizens of the state who are knowledgeable in the field of property management". This requirement appears appropriate. The review indicated, however, that another state agency, the State Purchasing and General Services Commission, also distributes surplus property in the state, and that no knowledge of this system is required of any board member. This analysis resulted in the following recommendation.

The composition of the board should be modified to include the perspective of the state's purchasing agency.

The State Purchasing and General Services Commission operates a program to distribute the surplus property of state agencies; the Texas Surplus Property Agency (TSPA) distributes federal surplus property. The TSPA's activities, while differing in philosophy and scope of services, parallel the state surplus property distribution program. An examination of these two programs shows that, while both agencies have a similar purpose and provide similar property to many of the same eligible entities, there is very little exchange of information or coordination between the two

programs. This results in fragmentation and duplication of effort for both agencies, as well as, eligible local agencies. For example, both agencies must develop policies for property distribution, verify local agency eligibility, publish and mail listings of available property, and keep eligible entities informed of changing policies and procedures. Likewise, eligible entities must keep up-to-date on the property available through both distribution systems, negotiate for property through both systems, and keep informed of policy changes in both systems.

Coordination of programs of two state agencies is often difficult because it requires an understanding of both agencies' procedures, organizational structure, and legal framework, in addition to understanding the services provided. One mechanism that is used in other agencies where interagency coordination and communication are needed, is the appointment of the chairman of one agency board to serve as an ex-officio, voting member of the other agency's board. This dual membership at the policy level provides an opportunity for ongoing communication and coordination between agencies and promotes a fuller understanding of the complex working of both programs.

The chairman of the State Purchasing and General Services Commission as the state's purchasing agent could most appropriately serve a coordination function on the TSPA board. The review indicated that the statute should give the chairman of the State Purchasing and General Services Commission the authority to appoint a designee to serve on the TSPA board. This provision would help keep the chairman's workload within reasonable bounds. The review also indicated that the ex-officio member should be added to the current membership so that a ten-member board would result. The current membership of nine appointed members with staggered six-year terms needs to be kept to satisfy a constitutional requirement of the state. The constitution requires that the number of appointed members to a board be divisible by three. Having the nine appointed members plus the ex-officio member on the board would avoid any constitutional problem while still maintaining a board of workable size.

Overall Administration

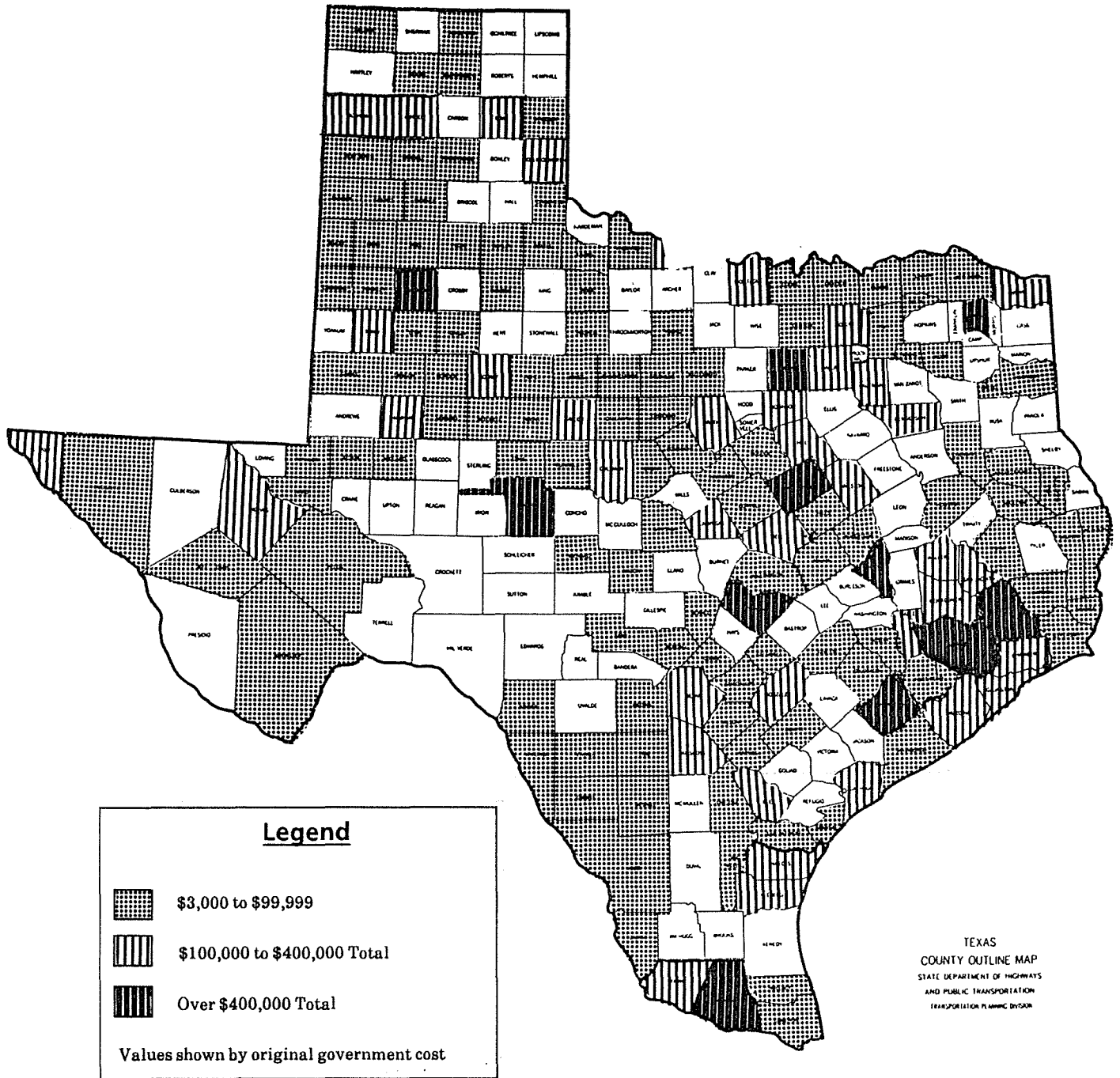
The review of the agency's overall administration was designed to determine whether the management policies and procedures, the monitoring of management practices, and the reporting requirements of the agency were consistent with generally accepted practices for internal management of time, personnel, and funds. The review found that the agency's management policies and procedures do fall within generally accepted standards. Discussions with the State Auditor's Office confirmed these findings. Additionally, the agency's self-supporting history and steady growth reflect the quality of the agency's management.

An initial concern in the review of the administration of the TSPA was whether the agency's services are accessible to all areas of the state. In particular, accessibility to communities in the Rio Grande Valley and far West Texas were a concern because of the agency's lack of existing or planned district warehouses in those two areas. The agency's rationale in choosing its district warehouse locations is proximity to federal distribution sites to reduce screening and freight costs.

Federal law requires the TSPA to distribute property equitably throughout the state. This is, however, tempered by the fact that acquiring surplus property is the option of each eligible agency. Some agencies choose not to use federal surplus property at any given time. However, the convenience of district warehouses could impact the use of the program. The agency's ability to distribute property equitably throughout the state, despite the lack of facilities in certain areas of the state, was evaluated by examining the distribution of property throughout Texas. This evaluation was limited to major items with an original cost of over \$3,000. Data was examined for a two-year period and represented approximately 50 percent of all property distributed in that period of time. The results of this analysis are provided in Exhibit 4. The analysis revealed that property was distributed to all areas of the state and its distribution roughly follows population patterns within the state. Thus, it does not appear that the agency's location of district warehouses has resulted in inequitable property distribution. This finding is consistent with recent federal reviews. The agency compensates for a lack of facilities in certain areas of the state by responsiveness to requests from those areas, encouraging direct screening at nearby federal distribution sites, and assisting with property transportation, when possible.

Exhibit 4

**TOTAL DONATION OF MAJOR ITEMS*
for Fiscal Years 1986 and 1987**



*Items which originally cost more than \$3,000

Evaluation of Programs

The evaluation of programs focused on the four major functions performed by the agency. These functions include:

Obtaining Property -- locating, screening and securing property;

Handling Property -- transporting and warehousing the property;

Distributing the Property -- advertising, distributing and fee collections; and

Monitoring Use -- checking whether the property is actually put to public use.

Analysis of the four functions indicated that the functions of obtaining and handling property, and monitoring the use of the property once donated, were performed in a satisfactory manner. A review of agency files and related documents indicated that during fiscal 1987 the agency secured \$27 million in original value of surplus property for the state of Texas. As seen in Exhibit 5, Texas leads the nation in the amount of property it receives. Only Massachusetts with \$15.3 million and California with \$13.6 million approach Texas' effort. This level of effort has remained constant over the past five years. Similarly, Texas was third in the volume of property it maintains in inventory, ranking below only Florida and Missouri. It should be noted however, that both these states distribute only half the volume of property that the TSPA distributes, annually.

The review of the TSPA's efforts to check the use of the property after it is distributed indicated that the agency meets the necessary federal requirements. Interviews with federal personnel, reviews of federal documents and agency files indicated that the property is used for the purpose it was donated. Comparisons of federal documents relating to other states' monitoring activities indicated that Texas record is good. However, the review indicated that the distribution system for state surplus property could be improved by expanding TSPA services. This area is discussed below.

Distribution of Surplus Property

The review of the activities involved in the distribution of federal surplus property indicated that the system worked well. This conclusion is supported by the following findings:

- The agency secured a large amount of federal property.
- The agency distributed a high proportion of the property it secured within a reasonable time.
- The property was distributed to eligible agencies in an equitable manner.
- The property distributed was useful to and used by eligible agencies.

Exhibit 5
Comparison of Texas Surplus Property Agency
With Programs in Other States

State	Original Cost of Property Distributed (1986)	Inventory on Hand (FY 1987)	Annual Operating Expense (FY 1987)	Operates in Red or Black	Percent of Service Charges to Original Cost
Alabama	\$9,288,000	\$6,116,000	\$1,000,000	Black	8.8%
Alaska	7,542,000	225,000	N/A	N/A	N/A
Arizona	6,000,000	2,500,000	300,000	Red	5%
Arkansas	7,759,000	2,391,000	380,000	Black	6.4%
California	13,678,000	10,000,000	2,150,000	Red	8%
Colorado	7,583,000	2,008,000	369,869	Red	4.5%
Connecticut	1,745,000	600,000	125,000	Black	8%
Delaware	980,000	386,198	104,000	Red	10%
Florida	9,333,000	20,995,594	976,000	Black	9.12%
Georgia	12,389,000	5,115,897	819,000	Red	11%
Hawaii	1,859,000	818,131	150,000	Red	7%
Idaho	1,598,000	479,000	200,000	Black	12.97%
Illinois	1,237,000	1,386,600	836,607	Red	12.9%
Indiana	2,118,000	5,000,000	170,000	Red	2%
Iowa	4,896,000	2,886,002	151,656	Black	8%
Kansas	3,260,000	4,992,046	456,300	Black	7.15%
Kentucky	5,188,000	4,095,967	750,151	Black	8.25%
Louisiana	9,336,000	7,696,765	377,776	Black	5%
Maine	4,621,000	608,000	120,000	N/A	5-10%
Maryland	8,160,000	4,758,148	422,902	Red	9%
Massachusetts	15,346,000	13,500,000	436,000	Black	3.3%
Michigan	4,408,000	6,720,000	776,000	Red	10%
Minnesota	1,138,000	4,500,000	400,000	Red	14%
Mississippi	7,890,000	3,972,000	N/A	N/A	N/A
Missouri	10,401,000	14,821,648	965,582	Black	5.9%
Montana	424,000	-0-	214,000	Black	N/A
Nebraska	2,734,000	1,767,713	222,722	Black	12%
Nevada	1,131,000	868,115	100,000	Black	10%
New Hampshire	1,931,000	300,000	60,000	Black	5-7%
New Jersey	3,104,000	832,000	300,000	Black	7.5
New Mexico	3,529,000	3,200,000	212,100	Black	12%
New York	6,702,000	252,000	344,000	Black	7.4%
North Carolina	9,150,000	4,100,000	590,000	Black	7.5%
North Dakota	1,611,000	1,700,000	200,000	Black	11%
Ohio	2,410,000	7,217,582	287,398	Red	10%
Oklahoma	5,663,000	4,620,000	453,200	Black	8.26%
Oregon	14,678,000	1,260,000	N/A	Red	12%
Pennsylvania	3,746,000	6,675,380	600,000	Red	9%
Rhode Island	3,684,000	-0-	92,000	Red	Appropriated
South Carolina	6,171,000	3,000,000	350,000	Black	7%
South Dakota	5,334,000	6,998,121	500,000	Black	11.66%
Tennessee	6,846,000	6,701,124	225,000	Black	N/A
TEXAS	\$22,694,000	\$14,159,114	\$1,812,996	Black	7.5%
Utah	13,389,000	6,503,000	650,000	Black	4.5%
Vermont	960,000	654,000	37,500	Black	6.5%
Virginia	6,799,000	4,850,200	605,000	Red	6.9%
Washington	9,670,000	117,920	271,100	Black	4.77%
West Virginia	3,992,000	2,504,827	1,000,000	Black	8%
Wisconsin	5,057,000	8,476,000	N/A	N/A	N/A
Wyoming	1,336,000	1,901,293	114,609	Black	7.4%

While the program works well within its current statutory limits, the review indicated that the statutory authority currently in place does not allow the state and federal surplus property programs to work together. This separation in the two systems results in inefficiencies in the state's overall system of surplus property management which need to be addressed.

The State Would Benefit if the Federal and State Surplus Property Programs Worked Together

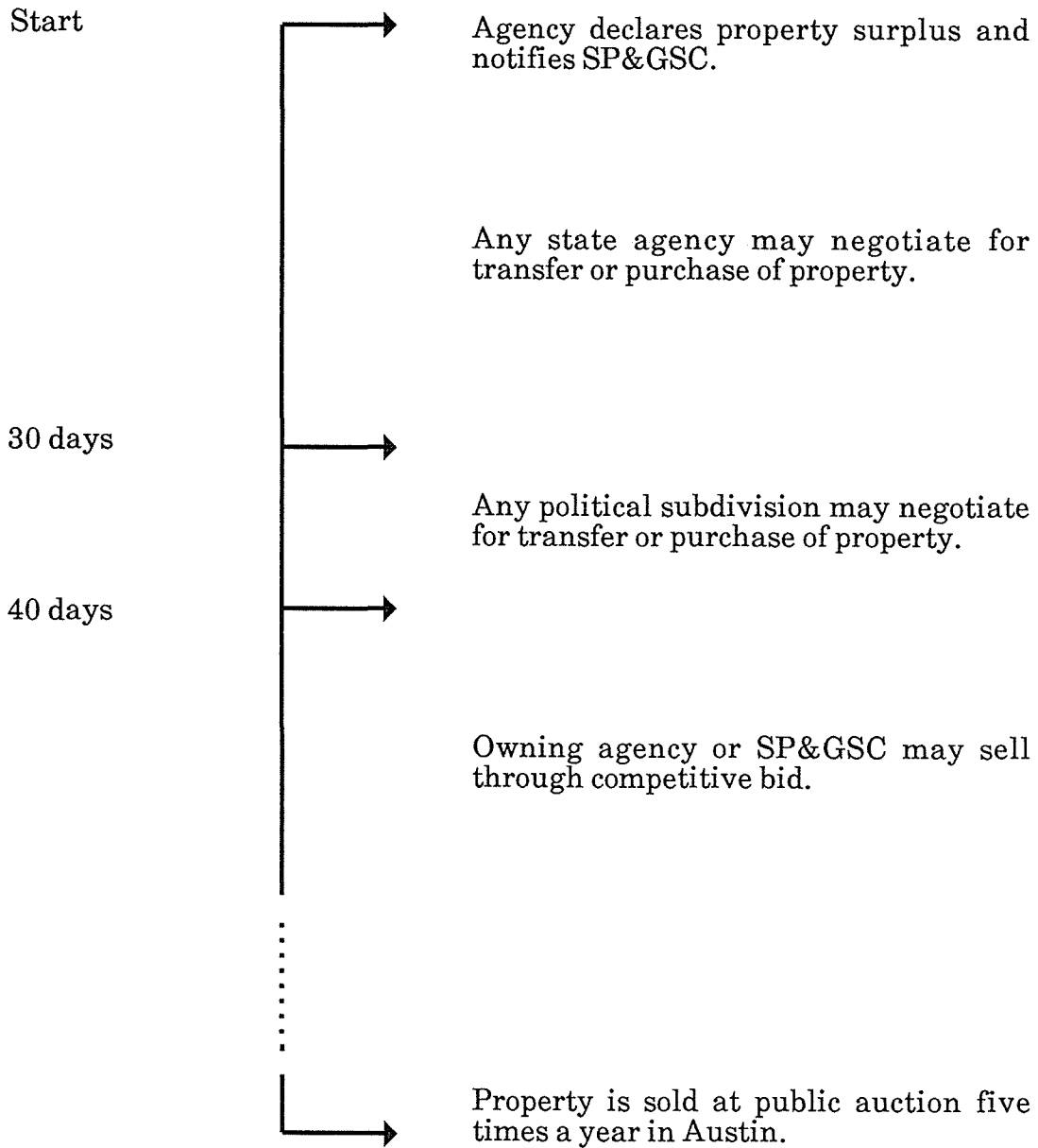
As mentioned previously, the Texas Surplus Property Agency distributes federal property in the state, while the State Purchasing and General Services Commission coordinates state property distribution. A comparison was made of the two programs' statutory requirements, program practices, and results to determine what modifications are needed to improve the state's overall system of surplus property management.

State surplus property handling is guided by a series of steps which are set out in state law (Art. 601b, Sec. 9, V.A.C.S.) and described in Exhibit 6. The State Purchasing and General Services Commission coordinates the process. State law gives state agencies and political subdivisions early access to state surplus property. Political subdivisions include entities such as cities, counties, school districts, water districts, and volunteer fire departments. Property which is not sold to a state agency or political subdivision within 40 days, is offered for public sale, usually at large state auctions arranged by the commission five times a year. The proceeds from sales, less the commission's advertising costs, are credited to the owning agency. Each agency is responsible for warehousing property until it is sold. One commission employee is responsible for determining the eligibility of local agencies under state law, publishing and mailing the monthly Buy Ways listing, and arranging for the public auctions.

The TSPA, on the other hand, operates under state law and federal law and guidelines for the distribution of federal surplus property. Under the authority of these laws and guidelines and with funds generated through fees on federal surplus property, the TSPA employs a staff of 48 employees, maintains four regional warehouses and operates a system of vehicles to transport property to locations around the state. The agency has also established a working relationship with many of the governmental entities that are eligible for both federal and state surplus property. The TSPA is not authorized, however, to assist state agencies in their

Exhibit 6

**Current Time Sequence For
State Surplus Property Distribution**



efforts to deal with state surplus property and is not included in the state's statutory time sequence established to guide the state's distribution of surplus property.

In fulfilling its mandate, the TSPA takes on the role of a broker of federal surplus property to governmental and non-profit agencies. The term brokering in this situation, simply means that the agency makes an effort to match up agency needs with available property. For example, the agency keeps in touch with eligible agencies to determine what property will be most needed by the agencies. The TSPA reviews surplus property lists and carefully screens items using hands-on evaluation to ensure that only usable property is secured. Minor reconditioning is provided to enhance the usability of the property. Property is available for inspection at district warehouses. In addition, the TSPA takes particular property requests and attempts to locate needed items and provides ongoing support if a piece of major equipment or a vehicle presents particular problems such as difficult to find parts. No similar functions are present in the state surplus property distribution program.

The analysis of the results of the two programs revealed a basic difference in orientation. The disposition of state surplus property is largely handled through sale to the public. Of the \$20 million in original value of property disposed of by the Department of Public Safety and the Department of Highways and Public Transportation, 73 percent was sold to the public, usually at auction. The sales for these two agencies amounted to \$5.3 million. On the other hand, TSPA distributed \$22 million, or 90 percent of the property it obtained, to governmental and non-profit entities during the same year. Ten percent of the property was returned to the federal government for public sale. The TSPA covered its handling and reconditioning costs through the collection of \$1.77 million in fees. In short, the state approach emphasizes cash return on its original investment while the TSPA approach emphasizes self-supporting surplus property recycling within government.

Recycling property can produce significant savings for the buyer while maintaining a reasonable rate-of-return for the seller. In fiscal year 1987, approximately 73 percent of surplus state property was sold through public sales or auctions at a 24 percent rate-of-return on the original property cost. The rate-of-return for state surplus property sold to state and local governments, however, was 35 percent. Better use of the "brokering" services of the TSPA should lead to more surplus state property being purchased by state and local governments. Recycling in government can avoid the higher cost of new or used item purchases with built in profit margins and at the same time provide a rate-of-return to the selling agencies higher than that available through public sales or auctions. A good example of the

type of cost avoidance possible through recycling government surplus was reported by a rural panhandle school district. The Roosevelt School District in Lubbock County receives approximately 75 percent of its budget through state aid. The school recently obtained three microscopes for its science department through TSPA for a handling fee of \$60 each. These microscopes would have cost \$600 each, if purchased new. Using surplus property, the school district avoided a \$1,620 expense and had quality equipment.

In summary, a comparative review of the programs revealed that the "brokering" services available through the TSPA are not available through the system in place to dispose of surplus state property. Allowing the TSPA to provide such services for the state system should lead to better recycling of surplus state property within state and local governments and reduce overall government costs. The statutory modifications needed to implement the authorization are discussed below.

The time sequence for state surplus property distribution should be modified to include a ten day time period for the TSPA to distribute the property to state agencies and political subdivisions.

The requirements concerning state surplus property handling were examined to determine what TSPA services are needed and how the TSPA could best assist. Since 25 percent of state property is distributed to state and local governments under the current structure, it was important not to disrupt those sales. By law, those sales occur within 40 days from advertising. There is frequently several months time lag between the end of the 40 days and public auction. A short time frame of 10 days, within this time period, was identified in which TSPA could be most useful in assisting the state program. This allows the TSPA to focus its efforts on usable state property which has not been distributed to a state agency or political subdivision through the usual state program.

The TSPA's role with the state surplus property program under this change will be that of a "broker" of state surplus property. The TSPA will be notified of property which may soon be available through the monthly "Buyways" listing. Items which the TSPA staff know are needed can be checked at the end of the 40 day period for availability. The TSPA will then be authorized to act as a broker in finding a government agency that needs the property and negotiating a sale with the

owing agency. To cover its costs, the TSPA should be authorized to retain a handling fee to be agreed upon in advance by both the TSPA and the state agency. If the TSPA is unable to negotiate a sale with a public agency in the ten day period, the property will proceed to public sale through the current process. The proposed timeline is provided in Exhibit 7.

The TSPA and State Purchasing and General Services Commission should develop a Memorandum of Understanding concerning the handling of state surplus property.

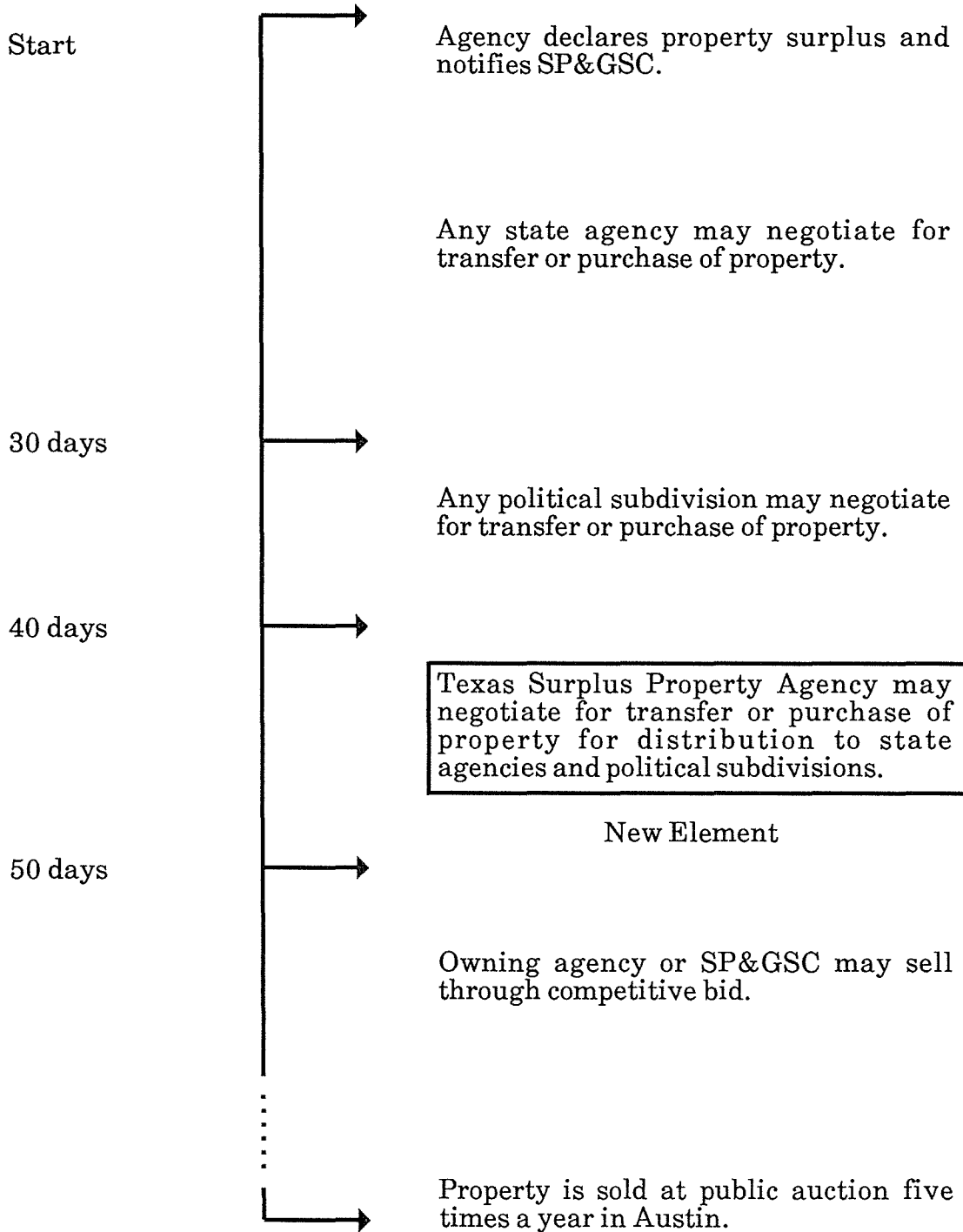
The State Purchasing and General Services Commission is authorized by law to coordinate the state surplus property distribution program. Adding the TSPA to the state distribution program will require an agreement with the TSPA and the state program as to the specific procedures that will be used and how handling fees will be negotiated and collected. The commission, in its lead role in the surplus distribution program, is the most appropriate agency to negotiate with the TSPA on those procedures. To formalize this agreement, the TSPA and the commission should enter into a Memorandum of Understanding adopted through the Texas Register and Administrative Procedure Act's rule-making process.

The Texas Surplus Property Agency should be authorized to assist state agencies, on contract, in all phases of surplus property handling.

On an individual basis, a state agency may decide that it can more effectively and efficiently dispose of its surplus property by contracting with the TSPA for services beyond those addressed in the above recommendations. For example, some state agencies may need to contract for warehousing their property, reconditioning, negotiating for sales, or regional auctions. The regional location of TSPA warehouses make contracting particularly advantageous for agencies with regional operations. Providing the TSPA with the necessary authority to offer such services, on contract, will facilitate such assistance when, on a case-by-case basis, both agencies agree that assistance is in the best interest of the individual agency and the TSPA.

Exhibit 7

**Proposed Time Sequence For
State Surplus Property Distribution**



OTHER CHANGES

Minor Modifications of Agency's Statute

Discussions with agency personnel concerning the agency and its statute indicated a need to make minor statutory changes. The changes are non-substantive in nature and are made to comply with federal requirements or to remove out-dated references. The following material provides a description of the needed changes and the rationale for each.

**Minor Modifications to the
Texas Surplus Property Agency Statute
Article 6252-b, V.A.C.S.**

Change	Reason	Location in Statute
1. Delete language which set the terms of the initial board appointees to allow for staggered terms.	To remove outdated language since initial appointments have expired and all appointments are now staggered.	Sec. 1
2. Modify references to provisions in state law to conform with codification of the state purchasing act.	To conform with modern statutory citations.	Sec. 4(g)
3. Delete requirement that the agency meet federal Merit System standards.	To remove obsolete language.	Sec. 4(i)
4. Modify reference to the state plan being adopted by the executive director to instead require that it be adopted in a manner consistent with federal law.	To provide flexibility to comply with federal regulations.	Sec. 4(k)
5. Modify language to place funds in the State Treasury.	To conform with current practices as required by State Funds Reform Act.	Sec. 4(m)
6. Rename the TSPA Special Fund to delete "Trust Fund" status.	To make name better reflect the funds status as an operating fund.	Sec. 4(m)
7. Delete language that transferred the authority of the agency as created under Concurrent Resolution to the agency as created under Art. 6252-6b, V.A.C.S.	To remove outdated language.	Sec. 5

Across-the-Board Recommendations

From its inception, the Sunset Commission identified common agency problems. These problems have been addressed through standard statutory provisions incorporated into the legislation developed for agencies undergoing sunset review. Since these provisions are routinely applied to all agencies under review, the specific language is not repeated throughout the reports. The application to particular agencies are denoted in abbreviated chart form.

Texas Surplus Property Agency

Applied	Modified	Not Applied	Across-the-Board Recommendations
			A. GENERAL
X		*	1. Require public membership on boards and commissions.
X			2. Require specific provisions relating to conflicts of interest.
X			3. Provide that a person registered as a lobbyist under Article 6252-9c, V.A.C.S., may not act as general counsel to the board or serve as a member of the board.
X			4. Require that appointment to the board shall be made without regard to race, color, handicap, sex, religion, age, or national origin of the appointee.
X			5. Specify grounds for removal of a board member.
X			6. Require the board to make annual written reports to the governor, the auditor, and the legislature accounting for all receipts and disbursements made under its statute.
X			7. Require the board to establish skill-oriented career ladders.
X			8. Require a system of merit pay based on documented employee performance.
X			9. Provide that the state auditor shall audit the financial transactions of the board at least once during each biennium.
X			10. Provide for notification and information to the public concerning board activities.
X			11. Place agency funds in the treasury to ensure legislative review of agency expenditures through the appropriation process.
X			12. Require files to be maintained on complaints.
X			13. Require that all parties to formal complaints be periodically informed in writing as to the status of the complaint.
		*	14. (a) Authorize agencies to set fees. (b) Authorize agencies to set fees up to a certain limit.
X			15. Require development of an E.E.O. policy.
X			16. Require the agency to provide information on standards of conduct to board members and employees.
X			17. Provide for public testimony at agency meetings.
X			18. Require that the policy body of an agency develop and implement policies which clearly separate board and staff functions.
X			19. Require development of accessibility plan.

*Already in statute or required.

Texas Surplus Property Agency
(cont.)

Applied	Modified	Not Applied	Across-the-Board Recommendations
			B. LICENSING
		X	1. Require standard time frames for licensees who are delinquent in renewal of licenses.
		X	2. Provide for notice to a person taking an examination of the results of the exam within a reasonable time of the testing date.
		X	3. Provide an analysis, on request, to individuals failing the examination.
		X	4. Require licensing disqualifications to be: 1) easily determined, and 2) currently existing conditions.
		X	5. (a) Provide for licensing by endorsement rather than reciprocity. (b) Provide for licensing by reciprocity rather than endorsement.
		X	6. Authorize the staggered renewal of licenses.
		X	7. Authorize agencies to use a full range of penalties.
		X	8. Specify board hearing requirements.
		X	9. Revise restrictive rules or statutes to allow advertising and competitive bidding practices which are not deceptive or misleading.
		X	10. Authorize the board to adopt a system of voluntary continuing education.