



STATE OF CONNECTICUT

PROPERTIES REVIEW BOARD

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STAN T. BABIARZ
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TO: Honorable Members of the Government Administration & Elections Committee

FROM: Edwin S. Greenberg, Chairman
Lisa A. Musumeci, Vice-Chairman
Bennett Millstein, Secretary
State Properties Review Board

DATE: March 16, 2009

SUBJECT: Testimony Regarding S.B. No. 839 and H.B. No. 6373

State statutes require the State Properties Review Board (the Board) to review and approve the proposals of nine state agencies that concern the lease, purchase or sale of real estate, review and approve Public Works consultant contracts with architects and engineers, and hear appeals concerning the amount of compensation paid by Transportation for billboard acquisitions. The Board ensures the proposals are financially prudent, conform to good business practices, and in accord with applicable laws and regulations. On average, 400 proposals are reviewed each year.

During the past 33½ fiscal years the State's total investment in Board operating expenses of \$10.322 million has resulted in total savings of \$77.327 million. These savings represent an annual return on investment of 634% and are a tribute to the General Assembly's foresight to create a bipartisan Board with a budget and staff independent of the agencies it oversees.

From this perspective, these comments are offered on the following bills.

S.B. No. 839 AAC MERGERS AND CONSOLIDATIONS OF VARIOUS STATE AGENCIES.

The Board respectfully requests that it be permitted to continue to serve the State with the existing organization and budgetary structure that is a proven model of cost effectiveness.

The Board believes the proposed changes to C. G. S. 4b-3(c) and 4b-3(e) and 4b-4(a) contained in S.B. No. 839 which (1) merge the Board, the Board's staff and budget within DAS and (2) weaken legal restrictions that prevent supporting staff from engaging in conflicting real estate activities, are economically counterproductive and obstruct the Board's legislative mandate as a watchdog agency.

Effects of Proposed Merger into the Department of Administrative Services (DAS)

- *During the first 8 months of the current fiscal year, the Board and its staff reviewed 45 lease proposals directly affecting DAS. These proposals represented 19% of total submittals reviewed and consequently, the recusal of DAS support staff to this extent is not logistically feasible.*
- *Because Board decisions concerning agency proposals are often based on the research and recommendations of support staff, an independent and qualified staff is a significant contributing factor to savings realized by the Board.*
- *DAS support staff assigned to the Board will not be legally required to file statements of financial interest.*
- *The number, qualifications, experience and timing of support staff assigned to the Board will be at the sole discretion of DAS.*
- *The Board will not be able to hire staff or independently schedule staff and review staff performance.*
- *The Board will have no control over its operating budget and therefore, its budget priorities.*

H.B. No. 6373 AAC THE REPEAL OF CERTAIN OBSOLETE STATUTES.

This bill repeals C.G.S. Section 4b-32, concerning renewal of state leases, and states: "All renewals of state leases existing on July 1, 1975, shall be subject to the approval of the commissioner and the State Properties Review Board under regulations to be adopted by said commissioner and said board."

The Board recommends that it continue to review renewals of state leases for two primary reasons:

- Renewal rates are negotiated five years in advance. In times of declining economic activity, rental rates decline as vacancy rates increase. Therefore, lease renewals must continue to be reviewed to insure that the rental rates reflect current market conditions.
- Approximately 40% of leases administered by Public Works are in "holdover" which means that an option to renew the lease has not been exercised. This has resulted in instances where the holdover rental rate is far above the renewal rental rate contained in the lease. Therefore, it is imperative that the Board continue to review the terms of holdover leases as well as lease renewals for approval or disapproval.

Thank you very much for your consideration.