CALIFORNIA STATE AUDITOR
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FACT SHEET

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The California State Auditor released the following report today:

Management of Surplus Property Follow-Up Review

The State Has Made Limited Progress, but Fundamental Concerns Remain

BACKGROUND

With the State owning at least 6.7 million acres of real property, identifying and selling surplus property is critical for the State to realize benefits from such sales—for example, using the proceeds to pay the principal and interest on certain bonds, eliminating the maintenance costs and legal liabilities associated with the property, or increasing the tax base if the properties are sold for commercial or residential use. Although the Department of General Services (General Services) is primarily responsible for disposing of the State's surplus properties, individual state agencies are responsible for identifying and reporting excess property. In January 2001 the Bureau of State Audits (bureau) issued a report that focused on state agencies' handling of excess real estate in which the bureau raised numerous concerns, including the State's lack of assurance that its properties are being carefully evaluated, to determine if properties should be sold, because no entity has broad oversight of state property. Further, in a legislative hearing in May 2008, legislative members expressed similar concerns. Thus, the bureau conducted a follow-up review of the State's progress in implementing our recommendations for managing surplus property.

KEY FINDINGS

During our follow-up review of the State's management of surplus property, we noted the following:

- The State still lacks assurance that underused or unused properties are sold to generate revenue or are put to better use. The State continues to operate without having empowered an existing agency or a new commission or authority to oversee and scrutinize the property-retention decisions of individual agencies although we recommended it do so eight years ago.

- Although General Services has implemented some of our 2001 recommendations, it did not fully implement others: it continues to submit annual reports late and has not performed studies of regional office space as planned.

- There continues to be little incentive for state agencies to sell their surplus property because the proceeds from the sale are not typically returned to the entity but rather go towards paying off certain state bonds.

- The Department of Transportation sold numerous parcels of excess land since our 2001 report by establishing goals, performance agreements, and reporting mechanisms. However, its surplus property database continues to have certain inaccuracies that limit its reliability.