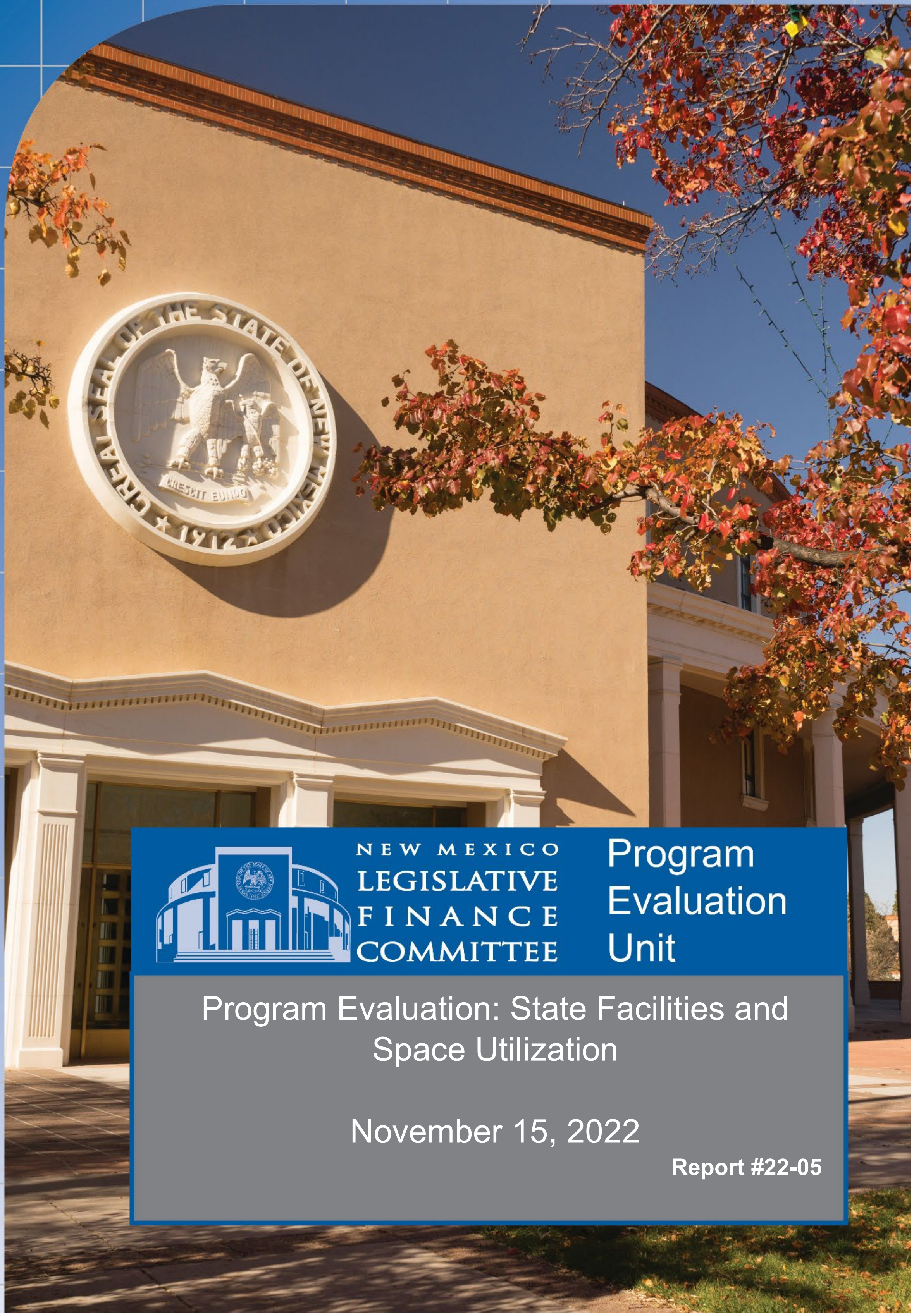

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

Program Evaluation Unit

Program Evaluation: State Facilities and Space Utilization

November 15, 2022

Report #22-05

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David Abbey
Director

November 15, 2022

John A. Garcia, Cabinet Secretary
1100 S St Francis Drive,
Santa Fe, NM 87505

Dear Secretary Garcia:

The Legislative Finance Committee (LFC) is pleased to transmit the evaluation, *State Facilities and Space Utilization.* The program evaluation examined the space utilization, cost effectiveness, and management of state facilities. An exit conference was held with you and your staff on October 7, 2022 to discuss the contents of the report.

The report will be presented to the LFC on November 15, 2022. LFC would like plans to address the recommendations within this report from the General Services Department within 30 days of the hearing.

I believe this report addresses issues the LFC asked us to review and hope the agency will benefit from our efforts. We very much appreciate the cooperation and assistance we received from you and your staff.

Sincerely,

David Abbey

David Abbey, Director

Cc: Representative Patricia A. Lundstrom, Chair, Legislative Finance Committee
Senator George K. Muñoz, Vice-Chair, Legislative Finance Committee
Courtney Kerster, Chief of Staff, Office of the Governor
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Unused Space Costs the State up to $18 million, Flagging a Need for Better Space Planning Around Vacancies and Telework

State government has a significant physical footprint, with roughly 22 million square feet of owned and leased building space. This building space costs the state approximately $158 million each year in maintenance, utilities, and rent. Yet, the state is underusing its available building space, a problem that predates but is exacerbated by trends in telework.

Before the pandemic, state agencies were underutilizing available space. This underutilization has been partially caused by agencies using budgeted full-time employees (FTE) as a benchmark for space needs despite a 21 percent statewide employee vacancy rate in state government. Underutilization has been exacerbated by lower levels of filled positions and more recently by telework since the pandemic. Based on August 2022 data, up to 38 percent of state employees telework on any given day.

Over multiple site visits, LFC staff found entire office buildings and several building floors of unused office space. For example, almost all employees of one agency occupying a building with a $1.2 million annual lease continue to telework, and the agency had no existing return-to-work plan.

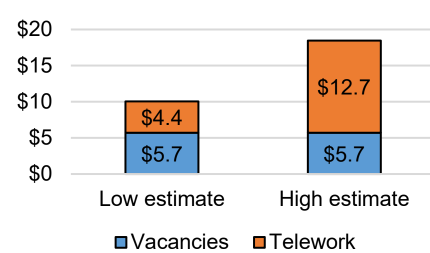
Evaluation Objectives:

- *Review how state government plans for and manages its facility needs; and*
- *Assess the space utilization, cost effectiveness, and management of state facilities.*

New Mexico is at a crossroads, where the state could return to a prepandemic level of office use or reduce its building square footage in response to fewer employees and increased telework practices. While other states have reduced facilities footprints and lease costs in response to telework, New Mexico is paying up to $18 million statewide for unoccupied office space.

As noted in a recent LFC evaluation, the State Personnel Office has not enacted a systemwide policy or future goals regarding telework, despite these being recommended best practices from the U.S Government Accountability Office. In the absence of a statewide telework policy, the General Services Department's Facility Management Division (FMD) cannot plan the state's future space needs. Additionally, FMD lacks data to actively monitor and manage how agencies use space within buildings. FMD is not fully exercising its statutory authority to oversee agency use of state building space and should establish rules for determining whether agencies are effectively using their assigned space, whether requests for additional space are needed, and for reassigning unused space. The state has not enacted building use fees to incentivize agencies to manage space efficiently even though there is statutory authority to do so.

Chart 1. The State Pays up to $18 Million Annually for Unoccupied Workspace
(in millions)



Source: LFC analysis of data from the state facilities inventory and SPO

At the same time, the state is planning a new $221.6 million executive office building that includes a $46 million underground parking garage. However, plans for the executive office building were developed prior to the pandemic and the onset of teleworking. The agencies expected to occupy the new building have high rates of telework and LFC staff observed hundreds of unused parking spaces around the state capitol campus. GSD should revise its plans for the executive office building based on recent cost escalations and expected occupants' telework practices.

Key Findings

The state is underutilizing building space and overestimating space need, costing up to $18 million annually.

The state needs to proactively plan and manage agency space use, including telework practices.

Plans for a new $221.6 million executive office building should be revised for cost increases and telework.

Key Recommendations

GSD should

- Change its space planning standards within the next fiscal year to plan building space needs based on funded FTE;
- Establish rules by FY24 for determining whether agencies are utilizing their assigned space, whether requests for additional space are necessary, and reassigning space that is unused by agencies;
- Pilot a building use fees schedule in FY25 for state agencies under its jurisdiction occupying state-owned buildings in Santa Fe;
- Set regulations by FY24 making the purchase of future state buildings contingent on the implementation of building use fees for occupants of those buildings; and
- Revise plans and cost estimates for the executive office building with recent construction cost estimates and expected occupant telework practices.

The State Personnel Office should

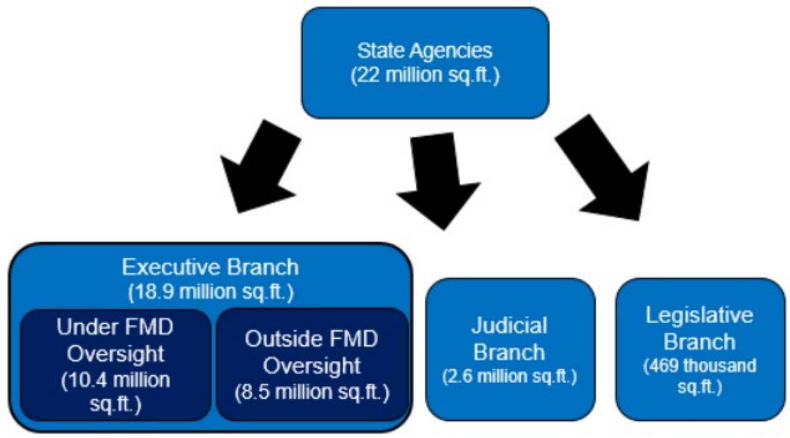
- Set a systemwide telework policy with consistent eligibility criteria for telework and report it to the Legislature, by January 2023.

BACKGROUND

State agencies own or lease 22 million square feet of building space at an estimated cost of $158 million per year

New Mexico state government has a significant facilities footprint across the executive, judicial, and legislative branches of government. Executive branch agencies have 86 percent of the 22 million in total square feet of leased or owned space (or 18.9 million square feet), judicial agencies have 12 percent (2.6 million square feet), and legislative agencies have 2 percent (469 thousand square feet). This distribution of building square footage is similar to the distribution of full-time employees (FTE) across the three branches of state government.

Figure 1. Building Square Footage of New Mexico State Agencies



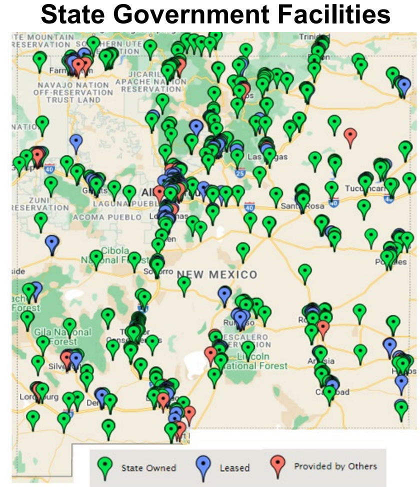
Notes: FMD stands for Facilities Management Division of the state General Services Department. State agency square footage includes state-owned facilities and leased facilities. This chart does not include the square footage of school districts and charter schools (62 million sq. ft.) or public higher education institutions (18.2 million sq. ft.).

Source: LFC analysis of data from the state inventory of facilities.

The General Services Departments' (GSD) Facilities Management Division (FMD) is responsible for overseeing 55 percent of executive branch space, including leases. Certain other executive branch agencies (such as the Department of Transportation and the Department of Cultural Affairs) oversee their own facilities space. Additionally, the legislative and judicial branches also have their own agencies to manage their facilities space, Legislative Council and Administrative Office of the Courts, respectively. This program evaluation focuses on building office space under FMD purview.[1]

Although only 17 percent of state building space is leased, lease costs represent 45 percent ($71 million) of recurring spending on facilities. Of the total 22 million square feet, state government owns 16.6 million gross square feet across 2,977 facilities.[2] In FY22, agencies budgeted $87 million in recurring funds for the utilities, maintenance, and improvement of state-owned facilities, or an estimated $5 per square foot (See Appendix B). Agencies also rent 3.7 million square feet from 543 leases at a cost of $71 million per year, or an average of $19 per square foot. The remaining 1.7 million square feet is provided by counties to the state

Figure 2. Map of New Mexico State Government Facilities



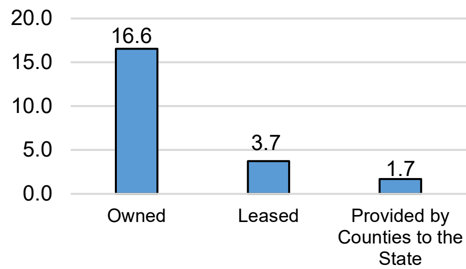
Source: State Inventory of Facilities and Properties

[1] For this program evaluation, LFC staff engaged with FMD as the primary contact for and representative of executive agencies occupying building space under FMD oversight. LFC staff separately communicated with agencies not directly under FMD oversight, such as the Law Offices of the Public Defender and Office of the State Auditor.

[2] According to the Building Owners and Managers Association International, "gross square feet" (GSF) includes the total area of a building enclosed by exterior walls; "usable square feet" (USF) includes the area occupied by a tenant; and "rentable square feet" includes usable square feet plus a portion of common areas.

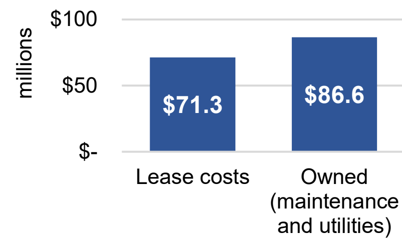
at no cost for 168 facilities, mostly for district courts and district attorneys.[3] Based on these data, it is annually less expensive for the state to own facilities than to lease facilities on a per square foot basis. The FY22 GSD strategic plan notes FMD is seeking to reduce lease costs and move agencies out of leases when state-owned facility space is available.

Chart 2. State Government Owns Most Space Assigned to State Agencies
Total = 22 million square feet
(in millions of square feet)



Source: LFC analysis of state facilities inventory data.

Chart 3. The State Spends an Estimated $87 Million on State-owned Facilities and $71 million on Leased Space, Annually



Source: LFC analysis of state facilities inventory Data and agency operating budget data (S-9 forms).

A state commission approves facilities master plans and FMD manages building space under its purview.

The Capitol Building Planning Commission approves long-term facilities master plans developed by contractors and FMD.

In 1997, the Legislature created the Capitol Buildings Planning Commission to plan for the long-term facility needs of state government (Laws 1997, Chapter 178; Section 15-10-1 NMSA 1978). The commission consists of 11 members from the legislative, executive, and judicial branches of government. The commission does not have a recurring operating budget. The commission is staffed by Legislative Council Service and collaborates with FMD.

Since 1998, the commission has retained Architectural Research Consultants Incorporated (ARC), a private architectural planning firm, to develop facility master plans for different regions of the state. Most recently in 2021, the commission approved a long-range facilities master plan for Santa Fe. FMD issued a purchase order in 2019 for $431.5 thousand to ARC for the Santa Fe space master plan. Additionally, since 2012, ARC has also maintained and periodically updated an online inventory of state facilities that includes summary data on building square footage, occupant agencies, and budgeted and filled FTE at each building.

FMD is responsible for regulating the use of state buildings under its purview. Under state law, FMD assigns the use of state buildings under its jurisdiction to agencies to make "the best and highest beneficial use of the property" (Section 15-3B-4 NMSA 1978). FMD also sets building space standards, oversees state leases, regulates agency capital projects, and directly provides maintenance and custodial services to state-owned buildings in Santa Fe. FMD is funded through general fund appropriations with an FY23 budget

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[3] State law requires counties to provide adequate facilities space for district courts, district attorneys, and local public health offices (Sections 24-4-2; 34-6-24; and 36-1-8.1 NMSA 1978).

of $17.3 million. Roughly 90 percent of FMD's 146 staff are dedicated to either managing capital outlay projects or providing maintenance and custodial services to Santa Fe state-owned buildings, according to State Personnel Office data from August 2022. FMD's Asset Management Bureau has 9 budgeted (and filled) FTE and is responsible for regulating the occupancy of state-owned and leased buildings statewide.

Previous LFC reports have found ongoing inefficient space utilization.

Previous LFC reports found inefficient space utilization and recommended improved data, more centralized oversight, and incentives for better space management. A 2012 LFC program evaluation found state office space was inefficiently used, with the average state office building providing nearly two times the state's space standards on square feet per FTE. The 2012 program evaluation attributed this inefficiency to incomplete state facilities data, poor agency planning and follow-through, and a lack of agency incentives to efficiently manage space.

Past LFC reports recommended improved data, more centralized oversight, and incentives for better space management.

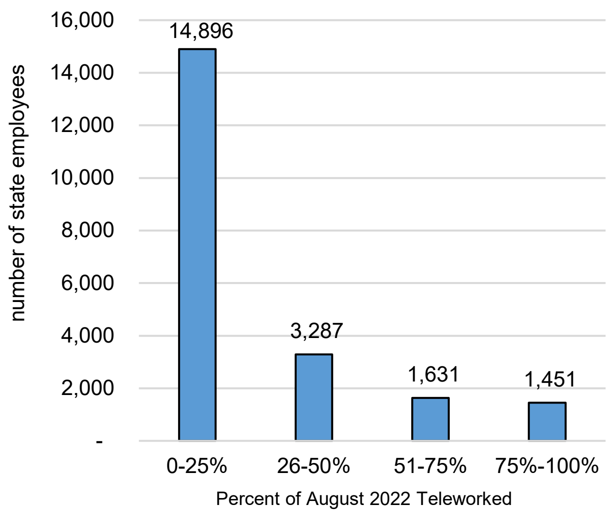
A 2015 LFC progress report followed up on the findings and recommendations of the 2012 program evaluation and did not find observed improvement in efficiency. The progress report also found only two of the 2012 evaluation's five key recommendations were completed (requiring building modifications to comply with approved plans) or partially completed (creating an online inventory of state buildings). In addition to implementing the recommendations from LFC's 2012 evaluation, the progress report recommended that building projects designed to consolidate facilities in Santa Fe should be reevaluated with a goal of rightsizing in light of a smaller state government workforce.

In New Mexico, telework is prevalent but varies across state agencies.

The Covid-19 pandemic brought unprecedented changes including the allowance of telework for many state workers. However, the lack of a statewide teleworking policy presents unique challenges for space planning. Since the March 2020 public health order, state government increased its adoption of telework with differing telework practices across state agencies. LFC staff analyzed state employee time record data from the SHARE statewide personnel and accounting system from August 2022. Of 21.3 thousand state employees, 99.9 percent of employees teleworked at least some amount of time in August 2022. On any given day, up to 38 percent (8,042 thousand employees) of state employees teleworked.

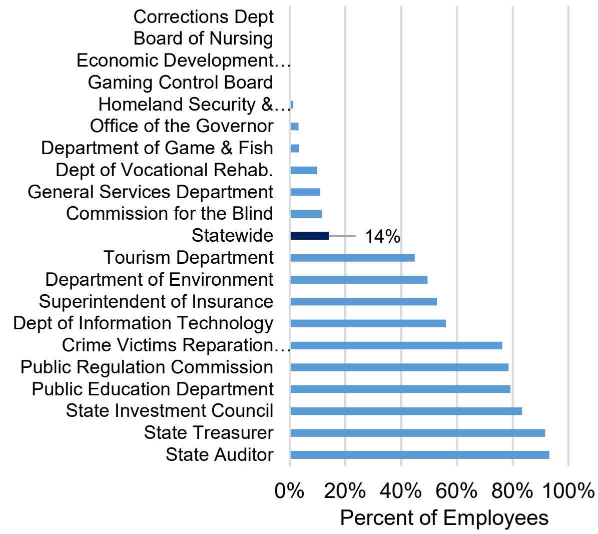
In August, 14 percent of state employees teleworked more than half of the month and some agencies had higher proportions of telework. Of the 21.3 thousand state employees who worked in August 2022, 86 percent (or 18.2 thousand employees) teleworked less than half-time while 14 percent (or 3,082 employees) teleworked for more than half-time. State agencies varied widely in their proportion of employees teleworking more than half-time. Some agencies had nearly all staff teleworking full time (such as the Office of the State Auditor) while other agencies had very few staff teleworking more than half time (such as the Corrections Department), likely a result of their job duties and need to be onsite. An August 2022 LFC Program Evaluation of SPO recommended SPO implement a mandatory systemwide telework policy to promote fairness across agencies and market it to potential employees as a benefit. Such a policy would also benefit building use planning.

Chart 4. State Employees by Percent of Time Teleworked in August 2022
(total employees = 21.3 thousand)



Source: LFC analysis of August 2022 SHARE data

Chart 5. State Agencies Varied in the Percent of Employees Who Teleworked More than Half of August 2022



Source: LFC analysis of August 2022 SHARE data

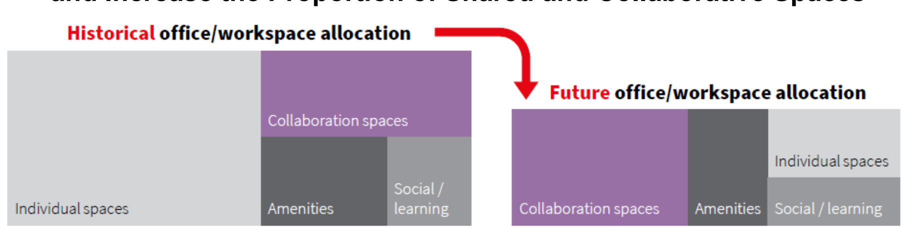
The Federal Government and Other States Report Telework Benefits

- Recruitment and retention of talent,
- Increased employee performance and engagement,
- Enhanced employee satisfaction and wellbeing,
- Reduced facilities footprint and energy use,
- Increased job opportunities in rural areas,
- Improved air quality.

Source: U.S. Office of Personnel Management.

Many states are considering reducing their real estate portfolio due to increased telework. A 2021 survey of 23 states by the National Association of State Chief Administrators (NASCA), a nonprofit professional association, and Jones Lang LaSalle Incorporated (JLL), a global commercial real estate services company, found the majority of surveyed states are reconsidering their real estate strategies (87 percent), and over one-third of states expected to reduce their office real estate footprint by up to 30 percent through hoteling (or desk sharing) and colocating or consolidating agencies into shared spaces. According to the NASCA report, and a 2018 report by the U.S. Government Accountability Office, agencies can reduce their space up to 30 percent using strategies such as hoteling. The NASCA report notes states in which the administrative services division has centralized control over the state's real estate portfolio are in the strongest position to make these changes, which also requires close collaboration with the state personnel office and the department of information technology.

Figure 3. Multiple States are Planning to Reduce Individual Workspaces and Increase the Proportion of Shared and Collaborative Spaces



Source: JLL Research

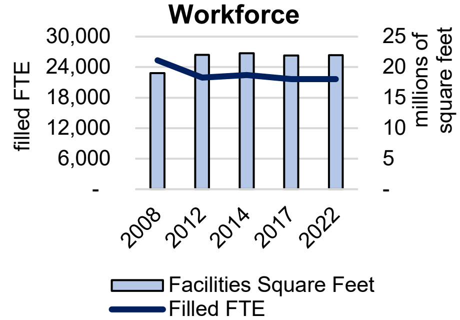
The State is Underutilizing Building Space and Overestimating Space Need, Costing up to $18 Million Annually

State government is underutilizing building space at an estimated cost of up to $18 million each year. Since 2008, the state workforce has decreased while its facilities footprint has grown. The state is now maintaining more building space for fewer employees. FMD and agencies plan building space needs based on budgeted full-time employees (FTE) even though the state consistently budgets for thousands more FTE than it actually employs or has funding for.

Many agencies are underutilizing space because of telework. In March 2020, state government significantly moved to a telework model. As other states have reduced their facilities footprints and lease costs in response to telework, New Mexico has opted to pay for empty offices. LFC staff found multiple instances of underutilized space during site visits, including an empty office building with a $1.2 million annual lease and no return-to-work plan. The state lacks a statewide policy, long-term goals, or updated space standards on telework, which makes it difficult to plan for future office space needs.

New Mexico is at a crossroads, where the state could either return to a prepandemic level of office use or reduce its facilities footprint in response to telework. However, the state should veer away from status quo of continuing to pay for unused vacant space.

Chart 6. The State has not Aligned its Facilities Footprint With a Smaller Workforce



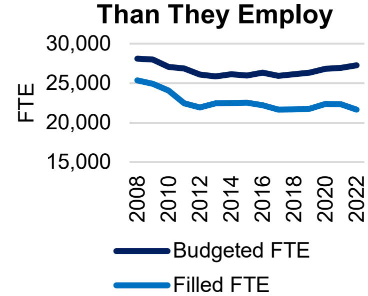
Note: Some of the increase from 2008 to 2012 is attributable to more complete data collection.

Source: LFC analysis of state building inventory data and state personnel office data.

Given a smaller workforce and consistently high vacancies, the state is overbudgeting building space.

In the 14 years since the Great Recession, the number of people working for state government decreased by 15 percent (or 3,702 FTE) while the state's reported facilities footprint increased by 15 percent (or 3 million square feet). The state has not significantly reduced its facilities footprint to a smaller employee workforce since 2008.

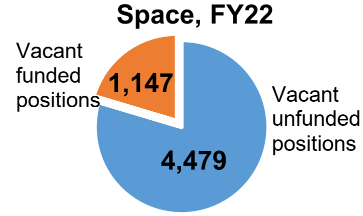
Chart 7. State Agencies Budget for Thousands More FTE Than They Employ



Source: July SPO Organizational Listing Reports

FMD space plans for agencies consistently reflect thousands of unfunded positions. Efficient space planning begins with understanding and anticipating agency staffing needs, but agencies and FMD do not use realistic staffing projections to determine space needs. Agencies maintain over 4,000 positions on the books for which they consistently do not request, nor receive, funding. Yet, FMD determines space needs based on these inflated personnel numbers. The result is a 15 to 20 percent overestimation of space needs each year.

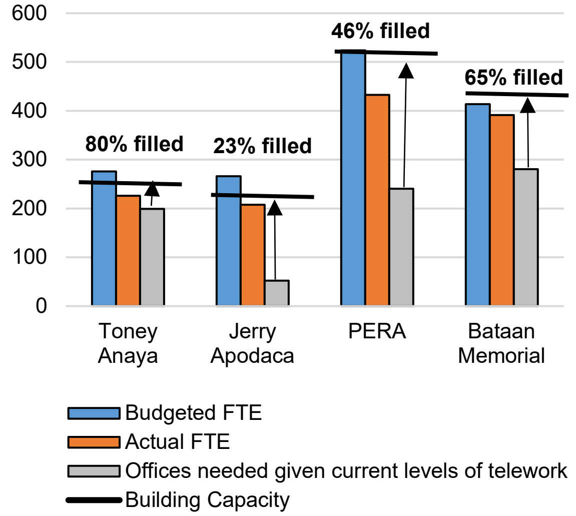
Chart 8. Most State Vacancies are Unfunded and Do Not Require Building Space, FY22



Source: LFC analysis of SPO data

FMD should instead plan building space needs on the number of employees the agency is actually funded to employ. Agencies typically run 4 percent

Chart 9. State Buildings Have Unused Capacity With Vacancies and Telework



Note: Telework rates include the percentage of agency employees in a building who reported teleworking 50 percent or more of August 2022. Actual FTE equals filled FTE plus a 4 percent funded vacancy rate.

Source: LFC analysis of 2021 Santa Fe space master plan and SPO data

vacancy rates for their funded positions and, therefore, would still have room for staffing growth.[4]

LFC staff found four buildings were at 54 percent capacity after taking vacancies and telework into account.

LFC staff analyzed the blueprints of four state office buildings in Santa Fe to assess space utilization and building capacity. The four buildings were selected for the clarity and detail of the blueprints available in the 2021 Santa Fe space master plan. LFC staff estimated 46 percent of office space in the four buildings (or 659 offices) was unused when taking vacancies and telework practices into account. In the Toney Anaya, Jerry Apodaca, and PERA[5] buildings, more budgeted FTE were assigned than offices available. However, when excluding unfunded vacant positions, 10-20 percent of each of these buildings was unused. When also considering present levels of telework, the amount of unused space in each of the four buildings ranged from 20 to 77 percent (applying Washington State's baseline telework space standards of three teleworkers per workspace).

Case Study: The Public Education Department could exit a leased office in Santa Fe costing $315 thousand annually by more efficiently planning its space.

More efficiently assigning state office space would yield opportunities to reduce the state's lease costs and building square footage. For example, the Public Education Department leases an office space in Santa Fe for 62 budgeted FTE, of which an average of nine have been unfilled since 2018. The lease for the 13.4 thousand square foot space costs the state over $315 thousand annually. With 227 workspaces available to the department in the Jerry Apodaca building and 208 funded FTE assigned to the building, 19 workspaces are currently available that could be utilized by staff presently housed in the leased space. From 2018 to 2022, between 45 and 69 positions assigned to the Jerry Apodaca building have been vacant. If some of the nearly 80 percent of staff in the Jerry Apodaca building currently teleworking also continue to telework, department staff in the leased space could be relocated to the Jerry Apodaca building.

LFC staff estimate the state is paying up to $18 million annually for unoccupied workspaces due to vacancies and telework. The practice of allocating space for budgeted positions rather than filled and funded positions, costs the state an estimated $5.7 million annually in utilities and maintenance costs ($2.7 million) and lease costs ($3 million) for unoccupied workspaces. Since March 2020 ongoing telework has also resulted in unoccupied workspace. Based on August 2022 telework data, 13 to 38 percent of government employees telework on any given day. Based on these telework percentages, LFC staff estimate the state pays between $4.4 million to $12.7

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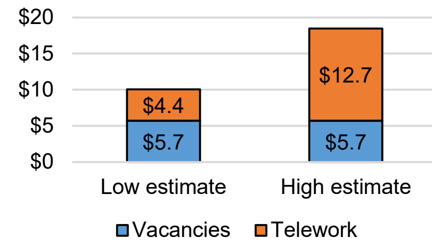
[4] Data on funded vacancies comes from analyses annually reported in volume III of LFC budget recommendations.

[5] The Public Employees Retirement Association (PERA) used to have offices at this building which is why it is known as the "PERA" building. However, PERA moved its offices to another location and no longer occupies the PERA building.

million for workspace unoccupied due to telework (See Appendix D). In total, the state pays between $10 million to $18 million in unoccupied workspace from vacancies and telework.

Chart 10. The State Pays up to $18 Million Annually for Unoccupied Workspace
(in millions)

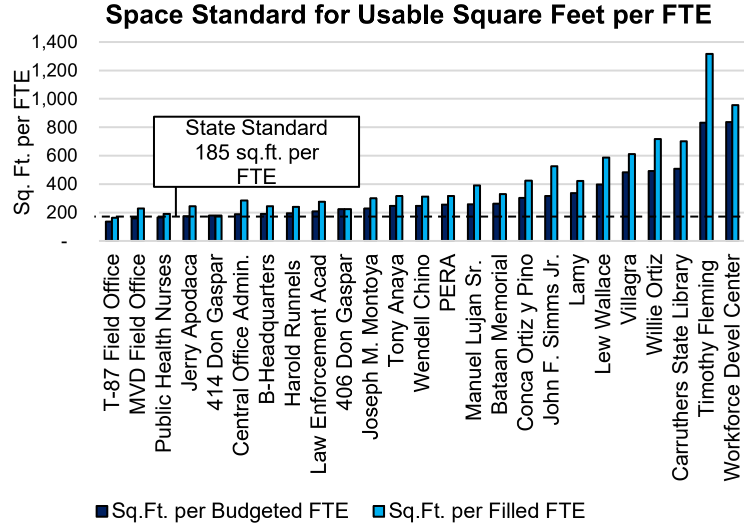


Source: LFC analysis of data from the state facilities inventory and SPO.

At the same time the state is paying for empty building space, the state is also planning to construct multiple new facilities with capital outlay funds. For example, the state has appropriated $59 million in state capital outlay funds for the construction of new facilities since 2018. Specifically, state capital outlay funds have been appropriated for a new executive office building ($15 million),[6] a new facility for the Educational Retirement Board ($10 million), a new administrative complex for the Department of Public Safety ($20 million), a new Children, Youth and Families Department field services building ($8.5 million), and a new building for the Department of Health's Vital Records and Health Statistics Bureau ($5.5 million). Reducing lease costs by moving staff into owned space is a cost-effective practice. However, future construction projects may need to be revised or reconsidered given existing space that is unutilized due to vacancies and telework.

State building square footage per FTE generally exceeds the state space standard target. LFC staff analyzed the square feet of the 25 state-owned buildings in Santa Fe under FMD purview with budgeted FTE. Of these 25 buildings, 20 buildings (or 80 percent) had more usable square feet per FTE than the New Mexico space standard recommendation of 185 usable square feet per FTE. These buildings had an average of 247 usable square feet per budgeted FTE and 324 usable square feet per filled FTE, indicating unfilled positions in agencies affect space utilization. Space per FTE generally exceeded the recommended New Mexico space standard in terms of budgeted FTE and filled FTE. The building that had usable square feet per budgeted FTE and per filled FTE below the state space standard was the building which houses FMD (T-87 field office). Of the 25 reviewed buildings, all were constructed prior to the adoption of the current space standard target in 2015. A similar review of state buildings from a 2012 LFC program evaluation found average square footage was almost twice the state standard target.

Chart 11. State Buildings Often Exceed the State Space Standard for Usable Square Feet per FTE



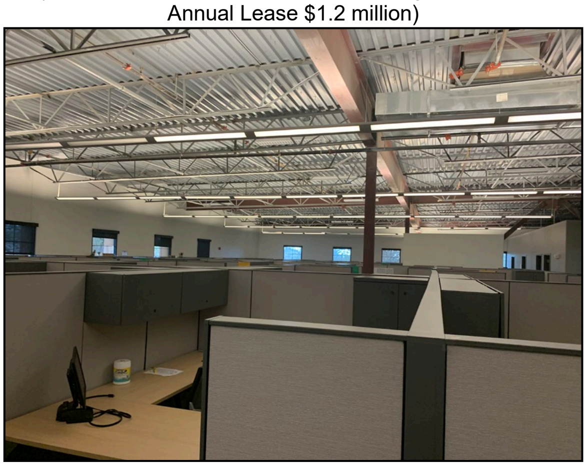
Source: LFC analysis of 2021 Santa Fe space master plan data

[6] In 2022, the Legislature also appropriated $70 million from the general fund for a new executive office building in Santa Fe.

Figure 4. Empty Building Leased by the State
(Santa Fe, 1 Plaza La Prensa; Annual Lease $1.2 million)

Source: Google Maps (Accessed 10/03/2022)

Figure 5. Empty Cubicles in Leased Building
(Santa Fe, 1 Plaza La Prensa, Wed. Aug. 17; 4:27pm; Annual Lease $1.2 million)



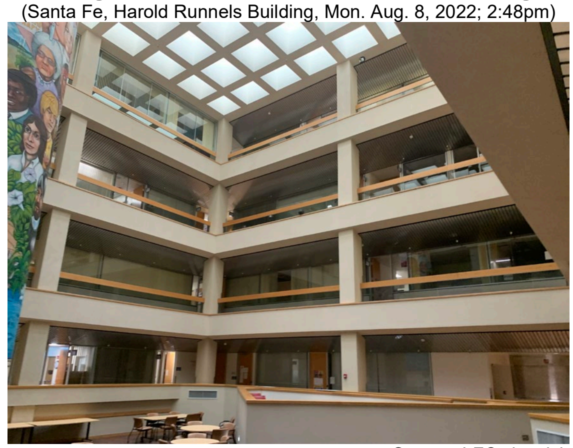
Source: LFC site visit

LFC staff found buildings and floors of unused office space during its 15 site visits.

To directly observe how space is being used in state buildings, LFC staff requested from FMD tours of a selection of state-owned and leased buildings in Santa Fe and Albuquerque in the summer of 2022.[7] LFC staff documented their direct observations with photographs in accordance with U.S. Government Auditing Standards (GAO-21-368G, 8.104). During these site visits, LFC staff found multiple instances of unused office space.

LFC staff visited an empty building with an annual lease of $1.2 million, or $102.5 thousand monthly. During an August 17, 2022, visit to a roughly 47 thousand square foot building leased by the Human Services Department (HSD), HSD staff needed to be called to unlock the building for the LFC and FMD staff visitors. The building intended for the Medical Assistance Division, the direct administrator of the New Mexico Medicaid program, was empty. Floor plan information posted on the wall indicated the building contains space for 161 cubicles and offices. According to June 2022 data from the inventory of state facilities and properties, the lease for this building is $1.2 million per year, $102.5 thousand per month, $3,400 per day, and $26 per square foot.

Figure 6. Several Empty Floors at the Largest Santa Fe State Office Building
(Santa Fe, Harold Runnels Building, Mon. Aug. 8, 2022; 2:48pm)



Source: LFC site visit

[7] LFC staff visited a sample of 15 buildings from the state's 2,977 owned buildings and 543 leases (as of August 2022). LFC staff visited buildings in Santa Fe and Albuquerque because the two areas have the highest proportions of state-owned and leased square feet. Santa Fe County has 31 percent of state-owned square feet and 19 percent of state-leased square feet. Bernalillo County has 22 percent of state-owned square feet and 26 percent of state-leased square feet. Buildings were selected based on various LFC staff considerations, such as building size, telework data, location, and annual lease costs.

LFC staff found several floors of unoccupied offices at the largest state-owned office building in Santa Fe. During an August 8 visit to the Harold L. Runnels building, the largest state-owned office building in Santa Fe at 179.9 thousand gross square feet, staff found several floors of offices were unoccupied and sign-out boards indicated agency staff were teleworking. Staff visited the building for the Environment Department and the Department of Health staff during normal business hours. Based on an estimated average maintenance and utilities cost of $5 per square foot of state-owned space, the recurring maintenance and utilities cost for the Runnels building equates to $899.5 thousand per year

LFC staff found multiple offices empty in the Jerry Apodaca building. LFC staff who visited PED offices at the state-owned Jerry Apodaca building in Santa Fe during regular business hours found the offices for multiple sampled PED divisions were empty, including the Student Services and Transportation Division, the Language and Culture Division, the School Budget and Finance Analysis Bureau, the Indian Education Division, the Audit and Accounting Division, and the Instructional Materials Division. LFC staff estimates the cost of maintenance in the Jerry Apodaca building to be $308.1 thousand per year.

Figure 7. Empty Offices in the Jerry Apodaca Building
(Santa Fe, Jerry Apodaca Building – Thu. Jul. 21, 2022; 3:26pm)

Source: LFC site visit.

LFC staff found empty office space where staff have been teleworking since March 2020 with an annual lease of $217 thousand. On August 17, 2022, during an LFC and FMD staff visit to building space leased by the Office of the State Auditor (OSA), LFC staff observed a sign on the door reporting OSA was closed to the public but working remotely. The OSA's website has an archived announcement from March 2020 closing its offices and requiring telework until further notice. OSA officials report that some office space has been used on an appointment basis. Data from the state inventory of facilities reports the OSA's lease is $217 thousand per year. This information indicates OSA has spent $524 thousand on mostly empty office space.

Figure 8. Closed Office and Empty Parking Lot
(Santa Fe, 2540 Camino Edward Ortiz, Wed. August 17, 2022, 3:25pm – Annual Lease $217 thousand)

Source: LFC site visit

The Federal General Services Administration Reduced its Space Needs and Saved $24 Million Annually

The agency reduced its costs by

1. Allowing full-time telework;
2. Requiring teleworkers to give up assigned workstations; and
3. Implementing hoteling, or desk sharing.

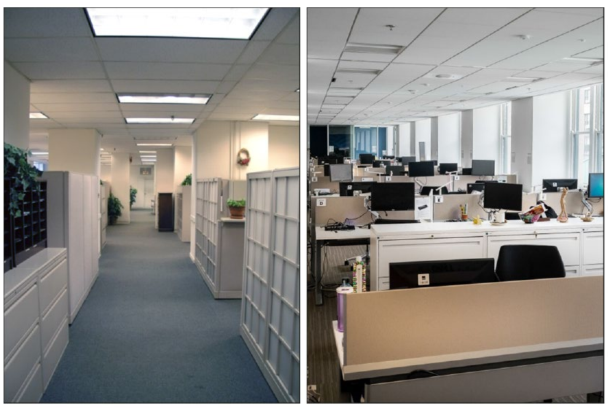
Source: U.S. GAO (Report 2018-319)

Some state agencies, federal agencies, and other states are reducing their costs and building space in response to telework.

New Mexico agencies are significantly teleworking without reducing their building space or lease costs, an inefficient use of building space and financial resources. If state agencies continue to telework going forward, they could follow the examples in New Mexico, the federal government, and other states where agencies have reduced their lease costs and building space.

The state Law Offices of the Public Defender (LOPD) are using telework, office hoteling, and smaller workstations to reduce future lease costs. LOPD has plans to reduce leased space in Aztec and Santa Fe through employee telework, redesigning more efficient workspaces, and having employees share workspaces on different days of the week (a practice called "hoteling" office space). LOPD expects these changes to reduce future office space needs and save around a cumulative total of $1.7 million in rent costs over the next 10 years, or roughly $167 thousand annually.[8]

Figure 9. Federal GSA Headquarters Before (Left) and After (Right) New Space Standards With Telework



Source: U.S. GAO. (Report 2018-319). Agencies Make Some Use of Telework in Space Planning but Need Additional Guidance. p.13.

Other state agencies could implement office hoteling with telework. For example, the Department of Information Technology has cubicles and conference rooms that can be checked out, which allow for more workspace sharing and increased space utilization.

Federal agencies have incorporated telework into space standards, reduced space use, and reduced rent costs. The U.S. Government Accountability Office (GAO) highlighted case studies where telework policies were successfully incorporated into governmental space planning and standards. For example, the federal General Services Administration (GSA) reduced its space needs by (1) allowing employees to telework full-time, (2) requiring teleworkers to give up assigned workstations, and (3) implementing desk-sharing. After implementing a hoteling system and planning for less than one workstation per employee, the federal GSA moved 1,000 additional employees into its headquarters and realized an annual rent-cost savings of $24 million.

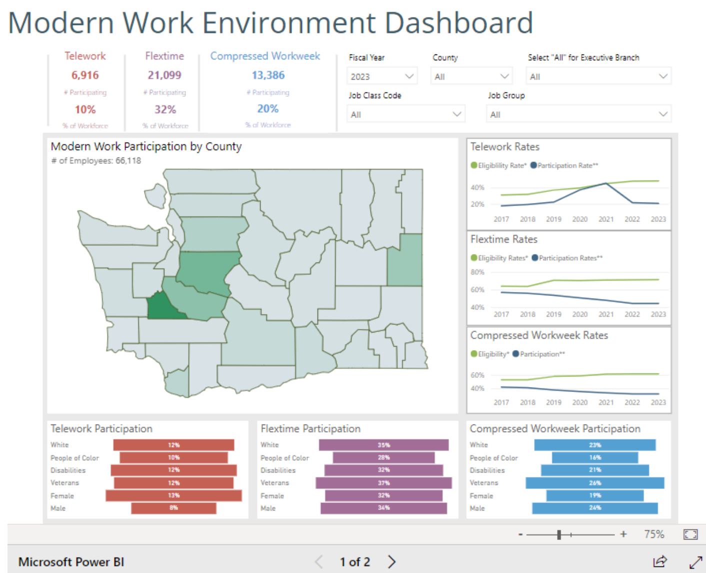
Utah scaled up telework, adapted its state space standards, and estimates $430 million in future avoided costs. Utah's 2019 program, *A New Workplace*, sets a target of at least 50 percent of eligible agency employees participating in scheduled remote work more than 50 percent of the time. The Utah Governor's Office, Department of Facilities and Construction Management, Department of Human Resources Management, and Department of Technology Services collaborated to create a state telework policy, space standards for telework, and a new statewide space master plan. The plan allows for exiting 67 leases and reducing the state's footprint by 850 thousand square feet. Utah estimates annual savings of $13.6 million through implementation of its new space master plan adjusted for telework. When considering

[8] These cost estimates do not include the impact of increases in construction costs or expenses related to telework.

reductions in future construction needs, Utah estimated $430 million in future avoided costs over the next 10 years.

Tennessee, Washington State, and California are reducing their facilities footprints in response to increased telework. By 2019, Tennessee reduced its office space by 375 thousand square feet—saving $5 million annually—through its *Alternative Workplace Solutions* program's promotion of telework. Tennessee plans to vacate an additional 337 thousand square feet by 2023. Similarly, Washington State's 2016 *Modern Work Environment* program requires agencies to promote telework, allowing for facilities reductions of 77.5 thousand square feet by 2027. In 2022, Washington updated its space standards in response to increases in hybrid work, including a standard of three teleworkers per workspace. Agencies must adjust their footprint to meet a target of 80 percent daily occupancy of individual workspaces and will be required to report workstation occupancy data in 2023. Following the pandemic, California began tracking state employee telework in concert with a statewide telework policy. The resulting metrics have facilitated a reduction of 767 thousand square feet of leased office space.

Figure 10. Washington Displays Hybrid Work Eligibility, Participation, Location and Demographics.



Source: ofm.wa.gov

Recommendations

FMD should

- Change its space planning standards within the next fiscal year to plan building space needs based on funded FTE.

The State Needs to Proactively Plan and Manage Agency Space use, Including Consideration of Telework Practices

State government is not systematically planning, monitoring, and managing how agencies use building space. The State Personnel Office lacks a telework plan for the future, which makes it difficult for FMD to anticipate future building space needs. FMD also does not regularly monitor or collect data on how agencies use space within buildings. Additionally, FMD is not fully exercising its statutory authority to oversee agency use of state building space, including the setting of building use fees for state-owned buildings.

New Mexico lacks a statewide telework policy with long-term goals and updated space standards, making it difficult to plan for future building needs.

A systemwide telework policy would promote consistent eligibility criteria across agencies and enable long-term facilities planning.

State government cannot easily anticipate its future building space needs without a systemwide policy, future goals, or updated space standards regarding telework. New Mexico currently lacks these recommended best practices for planning future building space needs based on a plan for telework.

New Mexico lacks a mandatory, systemwide policy for telework, which makes planning future space needs difficult. In June 2021, SPO set a nonmandatory telework policy that gave agencies and supervisors broad latitude to approve employee telework schedules. A 2022 LFC evaluation on state personnel recommended SPO consider setting a mandatory systemwide telework policy to promote fairness across agencies and market it to potential employees as a benefit. A systemwide telework policy would also promote consistent telework eligibility criteria across agencies and allow for long-term facilities needs planning. SPO should set a systemwide telework policy, with consistent eligibility criteria for telework, by January 2023.

New Mexico's space standards do not provide state agencies with guidance on adapting space needs to different telework schedules.

State agencies are not required to set goals or plans for telework even though it is a recommended best practice. In 2021, the U.S. GAO highlighted key practices for successful telework programs. Among these practices, the U.S. GAO recommended agencies set measurable goals and implementation plans for future telework.[9] In New Mexico, state agencies are not required to set goals or plans for their future telework practices. The Department of Finance and Administration (DFA) and the State Personnel Office (SPO) should require agencies to include measurable goals and plans for telework practices in annual appropriation requests, beginning in the FY25 appropriation request cycle.

FMD's building space standards do not include guidance on planning building space for different telework models. In 2018, the U.S. GAO recommended as a best practice that the federal General Services Agency

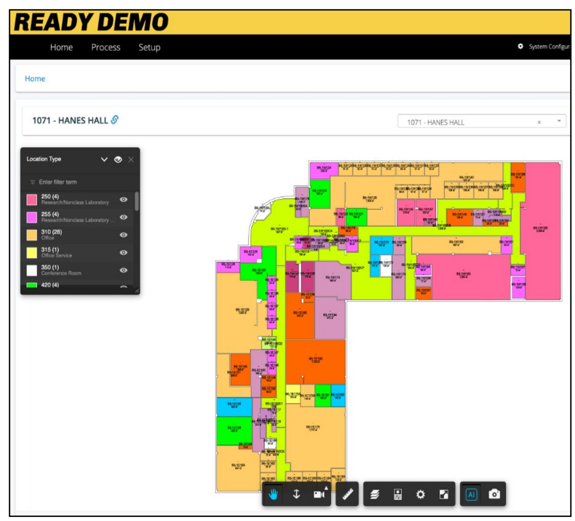
[9] Under the federal Telework Enhancement Act of 2010, every federal executive agency must (1) develop formal telework goals and policies, (2) consult with the federal Office of Personnel Management about these policies, and (3) require teleworkers to enter into written telework agreements with their supervisor. The act also requires the federal OPM to provide Congress with annual reports on the status of telework in the federal government, including telework participation and progress on agency-set telework goals.

develop guidance on how agencies can use telework as a strategic space-planning tool. New Mexico's space standards for state-owned facilities provide guidance on the workspaces appropriate for different types of state employees (supervisory, technical, clerical, etc.). However, New Mexico's space standards do not provide agencies with guidance on adapting space needs to different telework models. FMD should update its space standards by July 2023, with input from SPO and the Department of Information Technology (DoIT), to include guidance on the space needs associated with different telework schedules and office hoteling scenarios.

FMD lacks data to actively monitor and manage how agencies use space within buildings.

A 2012 LFC program evaluation of space utilization found the state "lacks tools to effectively manage the use of office space, including basic data such as where individual employees work" (p.12). FMD's data system does not include available software for tracking space use and where employees work within buildings. Although the state now has an online inventory of facilities, the inventory does not have detailed facilities space data and is only periodically updated. State master plans and space utilization studies are only occasionally conducted. FMD does not require state agencies to prepare facilities master plans even though it is a recommended best practice.

Figure 11. Example Digital Floor Plan Generated by AiM Space Management Modules



Source: AssetWorks website (Accessed August 26, 2022).

FMD's data system does not include available modules for tracking space use or where employees work within buildings, which limits space planning capabilities. Since 2014, the state has updated the Statewide Human Resources Accounting and Reporting (SHARE) system to track how many state employees are assigned to each building location. However, neither the state's SHARE system nor FMD's building data system, called Asset intelligence Management (AiM), collect data on where employees work *within* state buildings. State data can track how many employees are assigned to a building but cannot report on where employees are located within buildings.

AiM offers space management modules that can create digital floor plans, track the use of space within buildings, and link to other facilities data. In August 2022, FMD reported it does not subscribe to any space management modules, which hinders the division's ability to track and plan how space is used. FMD estimates the space management modules would carry an initial nonrecurring cost of $124.5 thousand and a recurring subscription cost of $25 thousand per year. FMD had a total of $38.5 thousand in recurring funds for its data system in its budget request for FY24 but did not request funds for space management modules. FMD should acquire and use space management modules to enhance its space planning and utilization assessment capabilities.

The New Mexico inventory of state facilities does not have detailed facilities space data and is only periodically updated. Since 2012, the Capitol Buildings Planning Commission has retained Architectural Research Consultants Incorporated (ARC) to develop and update an online inventory of state facilities and properties. The online inventory displays high-level data on building square footage, lease costs, location, and number of budgeted and filled agency FTE. The online inventory compiles facilities data from FMD's AiM database, facilities data from agencies outside of FMD's purview, and agency FTE data from the SHARE system. Although the online inventory is currently the most comprehensive dataset available on state facilities statewide, it does not provide more granular information. Additionally, the online inventory's data is only periodically updated. As of September 2022, the online inventory website reported its facilities data for agencies outside of FMD's purview was last updated in 2015 and its agency FTE data was last updated in 2016.

While New Mexico has created two regional space master plans since 2000, other states create statewide master plans on a biannual basis. Since 2000, FMD contracted with ARC to create regional facilities long-term space master plans for Santa Fe (2021) and Albuquerque (2017). During that timeframe, the Capitol Building Planning Commission also contracted with ARC to produce smaller-scale analyses and plans for various state sites or campuses. Other states update statewide space master plans on a recurring basis, sometimes requiring state agencies to complete their own space plans.

Other states update statewide space master plans on a recurring basis, sometimes requiring state agencies to complete their own space plans.

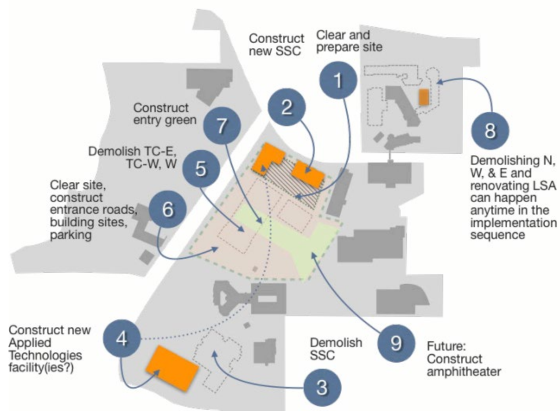
Both Nebraska and Washington State complete six-year state facilities master plans biannually. Connecticut develops five-year state facility plans biannually, for which agencies are required to submit information on their facility needs, uses, and potential efficiencies. Washington State's Office of Financial Management requires agencies to submit proposed six-year facilities plans that include a summary of requests for space acquisition, expansion, or modification; growth projections for programs; and new agency program goals. This systematic process of data collection, analysis, and collaboration allows states to plan strategically at a statewide level.

FMD spent $432 thousand in 2019 for an updated Santa Fe space master plan, but it was not posted online until requested by LFC staff in June 2022. FMD issued a purchase order for $431.5 thousand to ARC in 2019 for a long-term strategic space plan for state-owned buildings in Santa Fe. FMD paid ARC with funds from the capital buildings repair fund, which itself receives distributions from the land grant permanent fund. FMD and ARC presented the completed Santa Fe space master plan to the Capitol Buildings Planning Commission in June 2021. Although a PowerPoint presentation about the Santa Fe space plan was available on Legislative Council Service's (LCS's) website, a copy of the full plan was not available online on FMD's, LCS's or ARC's websites until June 2022. Meanwhile, other states, such as Washington and Oregon, promote transparency through public facing dashboards and applications. FMD and the Capitol Buildings Planning Commission should improve transparency in their space planning by promptly making space plans available to the public online.

The last FMD space utilization studies were conducted for seven state buildings in 2014. FMD contracted with four architectural firms (ARC, Fanning Bard Tatum Architects, Greer Stafford/SJCF Architecture, and Spears Architects) for $269 thousand to conduct space utilization assessments in 2013 and 2014. The contractors assessed the room-by-room space utilization of seven state-owned buildings in Santa Fe: the Bataan Memorial, Harold Runnels, PERA, Tony Anaya, Jerry Apodaca, Montoya, and Wendell Chino buildings. The study found the state's office buildings "are not achieving optimum space use." The study reported 68 percent building efficiency across the seven buildings. The study recommended renovating facilities to meet the state's space standards, colocating agencies in buildings when possible, and the interagency sharing of common spaces (conference rooms, break rooms, and general storage). FMD should conduct space utilization studies within the next two fiscal years to improve agency space utilization.

FMD does not require state agencies to prepare facilitity master plans even though it is a recommended best practice. The Government Financial Officers Association, a nonprofit professional association, recommends that "governments should make capital project investment decisions that are aligned to their long-range Master Plans."[10] Although state agencies develop infrastructure capital improvement plans to prioritize capital projects, state agencies are not required to develop five-year facilities master plans. In New Mexico, state law requires school districts to develop five-year facilities master plans with assistance from the Public School Facilities Authority (Section 22-24-9.B.3 NMSA 1978). Additionally, the Higher Education Department requires each state higher education institution to have a current five-year facilities plan on file with the department (Section 5.3.9.9 NMAC). In 2011 and 2012, the Legislature passed legislation (endorsed by the Capitol Building Planning Commission) requiring state agencies to develop or update five-year facilities plans each year with assistance from FMD, but the legislation was vetoed both years though gubernatorial inaction. Executive Order 2012-023 required agencies to prepare or update five-year facilities master plans each year, but the initiative has since stalled. FMD should publish regulations in the New Mexico Administrative Code by FY24 requiring state agencies to provide five-year facilities master plans. [11]

Figure 12. Central New Mexico's Facilities Master Plan 2020-27 – Main Campus Implementation Roadmap



Source: CNM Facilities Master Plan developed by Architectural Research Consultants, Approved in 2019, p.A.2-16.

FMD is not fully exercising its statutory authority to oversee agency use of state building space.

State law requires FMD to ensure agencies are making the "highest beneficial use" of state building space.

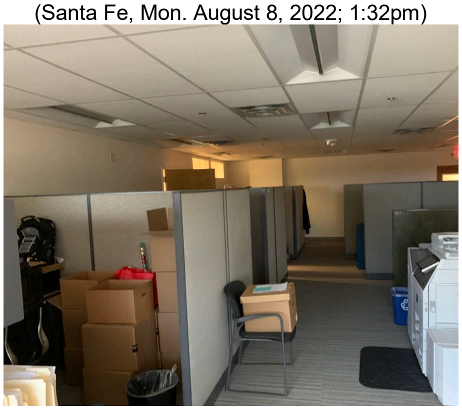
State law requires FMD to assign and regulate the use of state buildings to agencies so they "may make the highest beneficial use of the property" (Section 15-3B-4.A.1 NMSA 1978). However, FMD is not fully exercising its statutory authority to systematically assign, plan, and evaluate how agencies are using building space.

FMD does not have rules for evaluating how agencies use their assigned building space or for reassigning underutilized space. Although FMD has internal operating procedures and space needs questionnaires for responding to agency requests for additional space, FMD does not have rules for evaluating how agencies are using space, vetting the need for additional space, or reassigning unused space. In the absence of such rules, FMD lacks formal procedures for addressing space underutilization. FMD should establish rules

[10] Government Financial Officers Association. (2008). *Best Practice – Master Plans and Capital Improvement Planning.* Retrieved from https://www.gfoa.org/materials/master-plans-and-capital-improvement-planning
[11] This requirement would likely not necessitate an additional appropriation. For example, state agencies provide the Department of Information Technology with annual information technology plans as required by statute (Section 9-27-6.D NMSA 1978) without additional appropriations.

for determining whether agencies are utilizing their assigned space, whether requests for additional space are necessary, and for reassigning space that is unused by agencies.

Figure 13. Unoccupied Space in the State Wendell Chino Building
(Santa Fe, Mon. August 8, 2022; 1:32pm)



Source: LFC site visit.

TRD left office space vacated for months, but FMD did not reassign the space to another agency. LFC and FMD staff visited the state-owned Wendell Chino building in Santa Fe on August 8, 2022, during normal business hours. LFC staff observed floors of office space TRD had left vacant even though building renovations had been completed months earlier in May 2022. Although this office space had been vacated for months, FMD did not reassign the vacated office space to another agency. To help prevent such underutilization of state office space, FMD should develop rules in the New Mexico Administrative Code by FY24 for reassigning unused building space from one state agency to another.

FMD issued a request for proposals to buy a building for 91 FTE, but no more than 78 FTE of those positions have been filled over the past three years. FMD released a request for proposals (RFP) to purchase a building in Santa Fe for use by the Children, Youth and Families Department (CYFD) and Early Childhood Education and Care Department (ECECD). The departments are currently leasing a 32 thousand square foot facility for $741 thousand per year, or $23.41 per square foot. The proposal prioritizes properties of between 25 thousand and 40 thousand square feet, with space for 91 employees in 76 private offices and 15 open office areas for cubicles. Information from the State Personnel Office indicates the current facility at 1920 5th St. houses 70 employees, 19 ECECD employees and 51 CYFD employees, with an additional five ECECD vacancies and 23 CYFD vacancies. An analysis of the positions currently assigned to that location indicates no more than 78 of those positions have been filled at the same time in the last three years, suggesting the department may be purchasing excess space, particularly if the successful proposal nears the 40 thousand square foot maximum.

FMD is seeking to lease a new Motor Vehicle Division field office in Albuquerque despite decreased in-person MVD visits and 17 existing field offices. According to an RFP released in June 2021, FMD and TRD are seeking a lease agreement for an additional 4,600 leasable square feet within Albuquerque city limits for a new MVD field office capable of housing 50 customers and 16 MVD employees. MVD currently leases four field offices in Albuquerque with an average space of 5,600 square feet and annual lease cost of around $139.7 thousand each. MVD recently expanded its online service capabilities and set up three self-service kiosk stations in Albuquerque. The expansion of online and kiosk capabilities appears to be reducing MVD calls and visits. According to TRD Executive Dashboard reports, MVD received 144 thousand in-person visits and 34 thousand calls in April 2019 but received 62 thousand in-person visits and 26 thousand calls in April 2022. Several privately owned offices under contract with MVD also operate in the Albuquerque area, including six MVD Express offices and seven MVD Now offices. FMD should publish regulations by FY24 requiring state agencies to demonstrate the need

Figure 14. Public and Private MVD Offices in Albuquerque

Source: Google Maps (Accessed 07/08/22)

for additional space based on programmatic and client data before providing, or issuing an RFP for, additional space.

Agencies have been moved before other state-owned space was available, inefficiently leading to additional lease costs. For example, the Public Regulation Commission (PRC) used to occupy the PERA building but was moved out in 2021 to consolidate CYFD and ECECD offices. PRC was moved out before other state-owned space was available. The PERA building houses office space for the Children, Youth and Families Department (CYFD), the Early Childhood Education and Care Department (ECECD), the Office of the Superintendent of Insurance (OSI), and the State Fire Marshal. PRC now occupies leased space for $286 thousand annually. CYFD and ECECD received a combined $3 million from severance tax bonds proceeds appropriated in 2021 for future renovations to the PERA building. During a site visit, LFC staff found former PRC space unoccupied. It is unclear when CYFD and ECECD will fully occupy the renovated space.

Figure 15. Empty CYFD (Former PRC) Offices
(Santa Fe, PERA Building – Thu. Jul. 21, 2022; 1:35-1:36pm)

Source: LFC site visit.

Challenges exist both inside and outside of FMD purview, as evidenced by the move of the Administrative Office of the Courts (AOC) out of its offices before other state-owned space was made available. The Administrative Office of the Courts (AOC) used to be located in the Capitol North building but was moved out in 2021 before other state-owned space was assigned to it. In FY21, the Legislature made a $1.5 million special appropriation ($564 thousand from the general fund and $934 thousand from the consumer settlement fund) to address AOC's moving and related costs. AOC will occupy leased office space in Santa Fe (annually costing $700 thousand) until alternative state-owned space is assigned to it.

The state has not enacted building use fees to incentivize agencies to manage space efficiently even though it has the authority to do so. A 2012 LFC program evaluation on space utilization recommended FMD implement building use fees as an financial incentive for state agencies to more efficiently use state-owned building space. State law authorizes FMD to set building use fees for state agencies occupying space in state-owned buildings under its jurisdiction. (Section 15-3B-19 NMSA 1978). Under state law, building use fees would fund FMD operations and the maintenance of state-owned buildings. The original legislation was endorsed by LFC, enacted in 1996, and last amended in 2001. Although this legislation was enacted in 1996, state agencies do not have to pay fees for the use of state-owned building space. Additionally, the Legislature included $822.2 thousand in the FY13 state budget to pilot building use fees but this funding was line-item vetoed.

FMD directly manages and maintains 29 state-owned buildings in Santa Fe with a total of 1.6 million gross square feet. If FMD were to charge a building use fee of $13 per square foot to agencies occupying these buildings, FMD

State Law Guarantees the Film Industry Free use of State Facilities in Films

Legislation enacted in 2001 guarantees the film industry free access to state facilities (Section 15-3B-8 NMSA 1978). According to the New Mexico Film Office, the film industry spent $855.4 million in New Mexico in FY22. Film productions can send requests to the New Mexico Film Office and the FMD to use state buildings. LFC staff requested but have not yet received data on how often film productions use state facilities.

would generate $21 million, enough to fund its operations and some building renovations. FMD's operating budget for FY23 is $17.4 million. FMD should pilot a building use fees schedule in FY25 for state agencies under its jurisdiction occuping state-owned buildings in Santa Fe. The Legislature should consider funding FMD operations and the maintenance of state-owned buildings through building use fees in other agencies' budgets in FY25. The Legislature should also consider removing the $10 million limit on building use fees currently in statute. Additionally, FMD should set regulations by FY24 making the purchase of future state buildings contingent on the implementation of building use fees for occupants of those buildings.

Recommendations

The Legislature should consider

- Funding FMD operations and the maintenance of state-owned buildings through building use fees in other agencies' budgets in FY25; and
- Removing the $10 million limit on building use fees currently in statute

The State Personnel Office should

- Set a systemwide telework policy with consistent eligibility criteria for telework, and report it to the Legislature, by January 2023.

The Department of Finance and Administration and the State Personnel Office should

- Require agencies to include measurable goals and plans for telework practices in annual appropriation requests, beginning in the FY25 appropriation request cycle.

The General Service Department's Facilities Management Division should

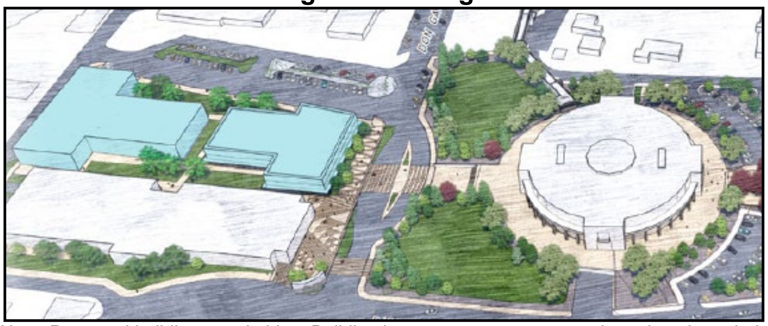
- Acquire and use space management modules to enhance its space planning and utilization assessment capabilities;
- Conduct space utilization studies within the next two fiscal years to improve agency space utilization;
- Establish rules for determining whether agencies are utilizing their assigned space, whether requests for additional space are necessary, and reassigning space that is unused by agencies;
- Update its space standards by July 2023, with input from SPO and the Department of Information Technology (DoIT), to include guidance on the space needs associated with different telework schedules and office hoteling scenarios;
- Publish regulations by FY24 requiring state agencies to demonstrate the need for additional space based on programmatic and client data before providing, or issuing an RFP for, additional space;
- Publish regulations in the New Mexico Administrative Code by FY24 requiring state agencies to provide 5-year facilities master plans;
- Pilot a building use fees schedule in FY25 for state agencies under its jurisdiction occupying state-owned buildings in Santa Fe; and
- Set regulations by FY24 making the purchase of future state buildings contingent upon the implementation of building use fees for occupants of those buildings.

The General Service Department's Facilities Management Division and the Capitol Buildings Planning Commission should

- Improve transparency in their space planning by promptly making space plans available to the public online.

Plans for a new $221.6 Million Executive Office Building Should be Revised for Cost Increases and Telework

Figure 16. Conceptual Site Plan for a New Executive Office Building for State Agencies



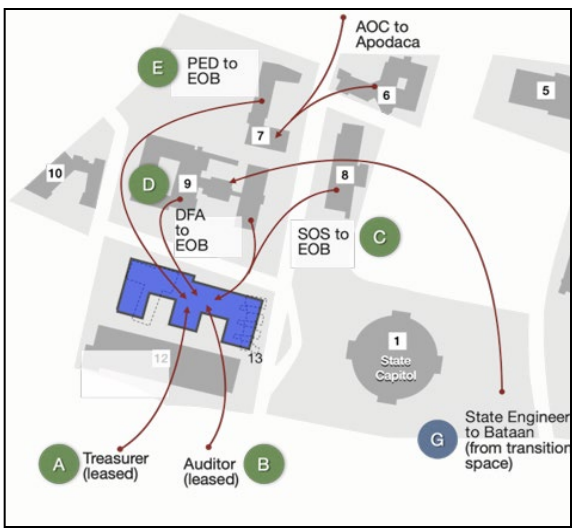
Note: Proposed buildings are in blue. Building images are to express scale and not intended to reflect an architectural style, which is planned to be compatible with Santa Fe Style.

Source: 2021 Santa Fe Space Master Plan, Exhibit A-04C, p.A-10.

The state has been planning to build a new executive office building (EOB) in Santa Fe for over a decade and has dedicated millions toward the project. In 2009, the Legislature authorized the New Mexico Finance Authority to eventually issue up to $115 million in bonds for the new EOB. During the 2022 regular session, the Legislature appropriated $70 million from the general fund and $15 million in severance tax bonds toward the EOB project.

The EOB is the main feature of the state's future facilities plans for Santa Fe. According to the 2021 Santa Fe Space Master Plan, the purpose of the EOB project is to (1) relocate several state agencies into a building with a more efficient office space design, (2) move state agencies currently leasing office space into state-owned office space, and (3) move state elected officials closer to the State Capitol. Seven agencies are currently identified as potential occupants for the new EOB in different scenarios: the Office of the State Auditor, the Office of the State Treasurer, the Secretary of State, the Department of Finance and Administration, the Public Education Department, the Public Regulation Commission, and the Administrative Office of the Courts.

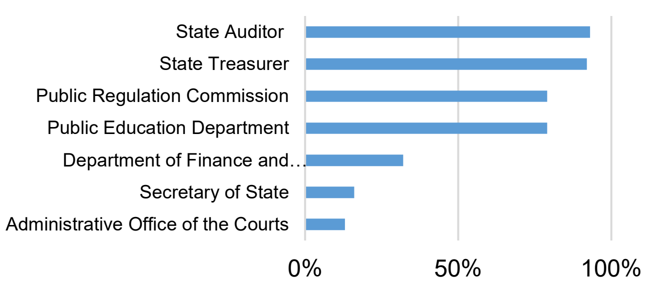
Figure 17. The State Plans to Move Several Agencies into the New Executive Office Building



Source: 2021 Santa Fe Space Master Plan, Exhibit A-11 p.A-19.

Four of the seven state agencies expected to move into the EOB have high rates of telework. The 2021 Santa Fe Space Master Plan highlights seven agencies as potential occupants for the new EOB. Four of the seven agencies had high rates of employees who teleworked for at least half of August 2022, specifically, the State Auditor (93 percent of staff), the State Treasurer (92 percent), the Public Education Department (79 percent), the Public Regulation Commission (79 percent), and the Department of Finance and Administration (32 percent). The Secretary of State's Office had a low proportion of staff who telework (16 percent) and 13 percent of Administrative Office of the Courts staff are teleworking. Given the high projected costs of constructing the EOB and its underground parking lot, FMD should revise current plans for the EOB project to expected occupant telework practices.

Chart 12. EOB Occupants' Percent of Staff who Teleworked at least Half of August 2022



Source: LFC analysis of SPO data

State plans for a new executive office building have been delayed since 2010, awaiting city approval to demolish four state-owned casitas. The state paid $842 thousand between 2010 and 2011 for the development of plans for the EOB project. The EOB plans required the demolition of a smaller state building (the Concha Ortiz y Pino building) and four state-owned casitas near the Capitol. The EOB project has stalled since 2010 because the state is awaiting approval from the Santa Fe Historic Districts Review Board to demolish the casitas, originally constructed in 1930. The 2021 Santa Fe space master plan indicates, "The state initiated meetings with the city regarding demolition of the casitas, but planning stalled due to administration and agency personnel changes."

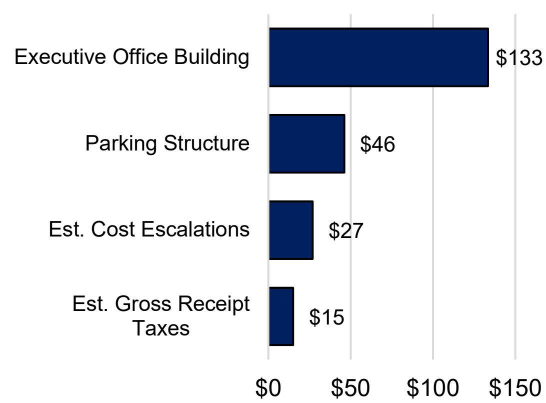
Figure 18. State-Owned Casita Currently Used by GSD for Storage Awaiting City Approval for Demolition
(402 Don Gaspar, Santa Fe, NM)

Source: 2021 Santa Fe Strategic Space Master Plan, Facilities Condition Assessment Appendices, p.130,135.

The four casitas are each an average of 1,636 gross square feet, including 950 usable square feet. Two casitas are currently vacant and used for storage while the other two currently house nine staff from state agencies. Each casita received a "poor" rating in recent facility condition assessments. FMD is scheduled to present its position to the Santa Fe Historic Preservation Board in November 2022 and potentially receive a decision in April 2023.

The EOB project was estimated to cost a total of $221.6 million last year, but construction costs have escalated. Current plans indicate the EOB building will have three stories of office space (192 thousand gross square feet) and three-levels of underground parking space (249 thousand gross square feet). The current plans anticipate the site could house approximately 700 state employees, assuming 215 gross square feet of building space and a parking space for each employee. A 2021 site capacity study estimated total project cost of around $221.6 million, which included construction and nonconstruction costs. Anticipated cost escalcations, calculated at a rate of 3.5 percent each year through the midpoint of construction, were estimated at $27 million. These cost estimates will likely need to be revised, given the April 2022 *LFC Capital Outlay Quarterly Report* noted a 19.2 percent increase in the cost of nonresidential construction from June 2021 to June 2022. FMD should revise current cost estimates for the EOB project given construction cost escalations.

Chart 13. Estimated Total Costs of the Executive Office Building Project, 2021
(in millions, Total = $221.6 million)



Note: Cost estimates include contruction and non-construction costs.

Source: 2021 EOB Site Capacity Study, Appendix B, p.58

As the state prepares for a new $46 million parking garage for the EOB, LFC staff observed 59 percent of state parking spaces around the PERA building unused during normal business hours. On September 23, 2022, LFC staff walked through parking lots around the PERA building to observe space utilization. LFC staff observed a total of 669 parking spaces, excluding visitor center parking, parking designated for state-owned vehicles, and handicap parking spaces. Of these spaces, 392 were unoccupied for a utilization rate of 41 percent. Given the underutilization of available parking space in the State Capitol campus area, FMD should revise current plans for the construction of a three-level underground parking garage with 723 parking spaces at the EOB.

Figure 19. Unused State Parking Spaces at the PERA Building
(142 W Palace Ave, Santa Fe, September 23, 2022; 11:05am and August 23, 2022; 9:47am)

Source: LFC site visits

Recommendations

FMD should

- Revise plans and cost estimates for the executive office building with recent construction cost escalations and expected occupant telework practices.

MICHELLE LUJAN GRISHAM
GOVERNOR

JOHN GARCIA
CABINET SECRETARY

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November 10, 2022

David Abbey, Director
Legislative Finance Committee
325 Don Gaspar, Suite 100
Santa Fe, New Mexico 87501

First, I want to thank the Legislative Finance Committee staff for allowing the General Services Department to be a partner in preparing its State Facilities and Space Utilization Report. I also want to recognize the staff's professionalism, courtesy, thorough analysis and thoughtful recommendations.

GSD and its Facilities Management Division (FMD) are exploring and examining the report's many recommendations, working collaboratively with the Capitol Buildings Planning Commission, space planning professionals and state agency stakeholders, such as the State Personnel Office and the state agencies we serve.

The COVID-19 public health crisis has presented many challenges for all of state government. One of those challenges was the government-wide implementation of telework. GSD stands ready to partner with key stakeholders and state agencies tasked with developing a telework policy that incorporates updated space utilization plans based on industry standards and best practices.

Since the LFC's program evaluation of space utilization in 2012, FMD has taken steps to improve its management of building space. Those steps have included implementation of the Asset intelligence Management (AiM) system. Also, FMD, based on a recommendation from Architectural Research Consultants (ARC) and with the support of the Capitol Buildings Planning Commission, in 2015 established a targeted space standard of 185 usable square feet per full-time employee. The Capitol Buildings Planning Commission also approved an ARC recommendation that FMD allocations of space for state agencies take into account potential growth in personnel levels.

GSD and FMD are willing to revisit the ARC recommendations and methodologies, with an eye toward updating and examining other options available (including the filled and funded metric) in coordination with the Capitol Buildings Planning Commission, space planning professionals and state agencies.

I need to note that of the 25 Santa Fe buildings reviewed and outlined in the LFC's State Facilities and Space Utilization Report, all were designed and constructed prior to adoption of the targeted space standard. Additionally, the state building portfolio reviewed by the LFC consists of buildings both

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contemporary and historical in nature, and many of the buildings have large common area spaces, such as atriums, halls, lobbies, foyers and vestibules that are included in the square footage calculations. Retrofitting the reviewed space to meet the targeted space standard would require major renovations and significant capital outlay. Historical preservation considerations would also have to be addressed.

As mentioned in the LFC State Facilities and Space Utilization Report, the state has been planning to build a new executive office building (EOB) in Santa Fe in order to relocate several state agencies, improve the functioning of government and reduce leased space costs. Because the planning process of the EOB predates the pandemic, it seems reasonable that the project and its scope be revisited.

The LFC State Facilities and Space Utilization Report notes that building use fees have not been implemented despite recommendations in the LFC program evaluation on space utilization in 2012. However, GSD in 2000 and 2014 sought legislation to establish such fees, only to have the fees vetoed by the then-governor. I also want to note that state law caps the total fees that GSD can collect at $10 million a year. Therefore, the scenario whereby FMD could generate up to $21 million by charging a $13 dollar a square foot could not currently be realized.

Finally, I want to assure the LFC staff and its members that we all share a common goal: to make the best use of state space and to reduce costs to New Mexico's taxpayers through better planning, reassignment of unused space and the relocation of personnel from costly leased space to state-owned buildings when possible.

Sincerely,

John A. Garcia, Cabinet Secretary
General Services Department

cc: Clayton Lobaugh, LFC
cc: Annie Armatage, LFC
cc: Joseph Simon, LFC
cc: Cecilia Mavromattis, DFA
cc: Simon Miller, DFA
cc: Anna Silva, GSD Facilities Management Division

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APPENDICES

Appendix A: Evaluation Scope and Methodology

Evaluation Objectives.

- Review how state government plans for and manages its facility needs; and
- Assess the space utilization, cost effectiveness, and management of state facilities.

Scope and Methodology.

- Reviewed:
  - Applicable laws, administrative rules, and policies;
  - Facility master plans, meeting minutes, and other documentation from the General Services Department Facilities Management Division and the Capital Buildings Planning Commission;[12]
  - Data from the New Mexico online inventory of state facilities and properties;
  - Research and practices from other state governments and the federal government.
- Toured multiple state-owned and leased buildings with Facilities Management Division staff;[13]
- Analyzed financial data from agency operating budgets, capital outlay data, financial audits, and the Statewide Human Resources Accounting and Reporting (SHARE) system.
- Interviewed officials from the General Services Department Facilities Management Division and other agencies.

Evaluation Team.

Clayton Lobaugh, Project Lead, Program Evaluator
Annie Armatage, Program Evaluator

Authority for Evaluation. LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions; the effects of laws on the proper functioning of these governmental units; and the policies and costs. LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

Exit Conferences. The contents of this report were discussed with General Services Department Cabinet Secretary John Garcia, General Services Department Deputy Secretary Dorothy Rodriguez, and Facilities Management Division Director Anna Silva on October 7, 2022.

Report Distribution. This report is intended for the information of the Office of the Governor, Department of Finance and Administration, Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Jon Courtney, Ph.D.
Deputy Director for Program Evaluation

[12] For this program evaluation, LFC staff engaged with FMD as the primary contact for and representative of executive agencies occupying building space under FMD oversight. LFC staff separately communicated with agencies not directly under FMD oversight, such as the Law Offices of the Public Defender and the Office of the State Auditor.

[13] LFC staff visited a sample of 15 buildings in Santa Fe and Albuquerque. Buildings were selected based on various LFC staff considerations, such as building size, telework data, location, and annual lease costs.

Appendix B: LFC Estimate of Annual Facility Maintenance and Utilities Cost

To estimate state government's annual building maintenance and utilities spending on state-owned buildings, LFC staff used the following methodology. First, LFC staff took FY22 operating budget data (included in agencies' submitted operating budget S-9 forms for FY23) for expense codes related to facilities maintenance and utilities. Statewide operating budgets for maintenance and utilities totaled $63.2 million, including $36 million for maintenance, $17.3 million for electricity, and $9.9 million for other utilities (water, natural gas, garbage, etc.). Second, LFC then added the total FY22 operating budget of the General Services Department's Facilities Management Division ($15.5 million) to the total maintenance and utilities cost since the FMD provides maintenance and utilities management to state-owned Santa Fe buildings under its jurisdiction. Third, LFC staff then added $7.9 million which is the five-year average spending from the capitol building repair fund, which helps fund the maintenance of state-owned facilities in Santa Fe. The total recurring cost of $86.6 million was then divided by the total number of state-owned square feet (16.6 million square feet) reported on the Capitol Buildings Planning Commission's inventory of state facilities and properties as of June 2022. These data indicate that it costs $5 per square foot on an annual basis to maintain state-owned space.

Some building maintenance and repair costs are covered through nonrecurring capital outlay appropriations. In FY22, the Legislature made $62 million in severance tax bond funding available for the repair, remediation, and improvement of state facilities. LFC staff estimates of recurring building costs do not include capital outlay appropriations, which makes the cost estimate of $5 per square foot conservative. LFC staff reviewed capital outlay data appropriated during the 2021 regular legislative session and counted projects for repairing, improving, or renovating state facilities. Based on this review and estimate, the Legislature made $61.8 million in severance tax bond funding available in FY22 for the repair, remediation, and improvement of state facilities. If nonrecurring funds are also taken into account, LFC staff estimate state-owned buildings cost $13 per square foot.

Appendix C: LFC Methodology for Analyzing the Space Utilization of Four State Owned Building

LFC staff analyzed space utilization of a sample of four state office buildings in Santa Fe. The buildings were selected based on the clarity and detail of blue prints available in the 2021 Santa Fe Space Master Plan. LFC staff compared the number of offices and clearly marked workspaces to the number of budgeted FTE assigned to the building. The number of office spaces is approximate as some blue prints did not clearly mark the purpose of each room. Thus, it is possible that some rooms counted as offices could be used for other purposes. Similarly, large rooms may house multiple cubicle workspaces, which would not be reflected in this analysis. Offices needed for budgeted FTE reflect all staff assigned to a building in SPO's organizational listing by location in July 2022. The offices needed for actual FTE includes all those positions that were actually filled in July 2022 plus a four percent funded vacancy rate (based on the state average funded vacancy rate from FY18 to FY22). The office need given current levels of telework was calculated by multiplying actual FTE by the percentage of agency staff in the building who reported teleworking 50 percent of the time or more in August 2022. Washington state's telework space baseline of three teleworkers per office space was applied to these teleworking individuals to determine how many fewer offices would be needed in the building if these employees continued to telework.

Analysis of space utilization in four state office buildings

	Agencies	Offices in building	Budgeted FTE	Filled FTE + 4% funded vacancy rate	Percent of staff teleworking 50% or more	Telework space standard	Actual office need for filled FTE with current telework
Toney Anaya	Regulation & licensing department	166	164	145	0.15	0.33	132
	RLD-Professional engineers & land surveyors	0	8	7	0	0.33	7
	Aging and long-term services	84	104	73	0.27	0.33	61
	Total	**250**	**276**	**226**			**199**
Jerry Apodaca	Public education department	**227**	**266**	**208**	**0.79**	**0.33**	**52**
PERA	Public Regulation Commission	31	122	107	0.78	0.33	54
	Office of Superintendent of Insurance	69	71	62	0.55	0.33	40
	Children, Youth and Families Department	285	213	167	0.82	0.33	80
	Early Childhood Education & Care Department	102	118	98	0.51	0.33	66
	Unassigned	33			N/A	0.33	
	Total	**520**	**524**	**433**			**240**
Bataan Memorial	Department of Finance and Administration	194	226	202	0.59	0.33	126
	Secretary of State	22	13	14	0.45	0.33	10
	Department of Cultural Affairs	99	72	62	0.18	0.33	55
	Office of the State Engineer	104	76	67	0.47	0.33	47
	Department of Veteran Services	15	23	18	0.36	0.33	14
	Ethics Commission (410)	0	4	4	N/A	0.33	
	Total	**434**	**414**	**391**			**280**

Appendix D: Methodological Notes for Estimating Annual Costs of Unoccupied Workspace

Estimated cost from vacancies: LFC staff compiled data from the state inventory of facilities to get the total numbers of budgeted FTE and filled FTE for state-owned buildings, buildings provided by counties, and leased buildings. LFC staff then calculated the number of unfunded vacancies by subtracting filled FTE (plus an assumed 4 percent funded vacancy rate) from budgeted FTE. The number of vacancies was multiplied by the FMD state space standard of 215 gross square feet per FTE and then multiplied by the estimated annual utilities and maintenance cost per square foot for state owned buildings ($5 per square foot) or the estimated average lease cost per square foot ($19 per square foot).

Estimated cost from teleworking: Based on August 2022 data from the State Personnel Office, a range of 13 percent to 38 percent of state employees telework on any given day. LFC staff used this range to calculate a low estimate and a high estimate for the cost of unoccupied space from teleworking. LFC staff multiplied these teleworking percentages to the number of filled FTE data for state-owned buildings, buildings provided by counties, and leased buildings from the state inventory of facilities. LFC staff then multiplied the estimated number of teleworking FTE by the estimated annual utilities and maintenance cost per square foot for state owned buildings ($5 per square foot) or the estimated average lease cost per square foot ($19 per square foot).

Note: The LFC estimates are likely conservative as the analysis used the state space standard of 215 square feet per FTE (185 USF/FTE plus a 15 percent contingency), while LFC analysis of the 2021 Santa Fe Space Master Plan found considerably higher average space usage per FTE (247 USF per budgeted FTE and 324 USF per filled FTE). Furthermore, FTE data from the state inventory of facilities, last updated in October 2015, was used for the analysis. State budgeted FTE have since increased, while filled FTE have decreased, making the current gap between budgeted and filled FTE even greater.

Appendix E: Funds within the state Property Control Act

FMD administers the capital buildings repair fund, which receives around $8 million each year from the state permanent funds for maintaining state facilities in Santa Fe. The Legislature created the capital buildings repair fund in 1972 for repairing, remodeling, and equipping capitol buildings (Laws 1972, Chapter 74). State law specifies that the fund will receive distributions from the permanent funds (land grant permanent fund and severance tax permanent fund) for legislative, executive, and judicial public buildings in Santa Fe (Section 15-3B-17 NMSA 1978). From FY17 through FY21, the capital buildings repair fund received an average of $8 million each year from distributions the state's permanent funds. Over the same timeframe, the capital buildings repair fund maintained an average end-of-year fund balance of $10 million. FMD administers the capital buildings repair fund, but must receive approval from the state Board of Finance for all expenses from the fund (Section 15-3B-17 NMSA 1978; Section 2.70.5 NMAC). GSD spent an average of $7.9 million from the capital buildings repair fund from FY17 through FY21.

Under state law, building use fees were intended to go into the public buildings repair fund for maintaining state facilities. In 1996, the Legislature created the public buildings repair fund to support the operating expenses of FMD as well as emergency repairs, renovations, and physical plant equipment in state facilities. State law specifies that building use fees from state agencies should be transferred to the public buildings repair fund to maintain state facilities (Sections 15-3B-18 and 15-3B-19 NMSA 1978).

The property control reserve fund is specifically for constructing and renovating state buildings to increase space use capacity and reduce lease costs. In 1998, the Legislature created the property control reserve fund in state law. The property control reserve fund is a non-reverting reserve account in the state treasury that can receive money from appropriations, money from the sale of state buildings, or income from investment of the fund. The Legislature can appropriate money from the property control reserve fund to FMD for the planning, purchasing, renovation, or construction of state office buildings "to alleviate the state's reliance on leased office space" (Section 15-3B-20 NMSA 1978). According to General Services Department financial audit data, the property control reserve fund had $195 thousand in assets and earned $280 in interest income in FY21.

Appendix F: Site Visits for 2022 LFC Space Utilization Evaluation

Site Visits for 2022 LFC Space Utilization Program Evaluation

	City	Building Name	Address	Owned or Leased	Site Visit Date	Agencies	
1	Santa Fe	Bataan Building	300 Galisteo Street	Owned	7-Jul-22	DFA, CAD	1
2	Santa Fe	Jerry Apodaca Building	424 Galisteo Street	Owned	7-Jul-22	PED	2
3	Santa Fe	Lamy Building	413 Old Santa Fe Trail	Owned	7-Jul-22	TD	3
4	Santa Fe	PERA Building	1120 Paseo De Peralta	Owned	7-Jul-22	CYFD, ECECD, OSI	4
5	Santa Fe	Lujan Building	1200 S. St. Francis	Owned	8-Aug-22	TRD	5
6	Santa Fe	Runnels Building	1190 S. St. Francis	Owned	8-Aug-22	DOH, ED	6
7	Santa Fe	Wendell Chino Building	1220 S. St. Francis Drive	Owned	8-Aug-22	EMNRD, IAD, TRD, AHO,	7
8	Santa Fe	-	1 Plaza La Prensa	Leased	17-Aug-22	HSD	8
9	Santa Fe	-	37 Plaza La Prensa	Leased	17-Aug-22	HSD	9
10	Santa Fe	-	39 Plaza La Prensa	Leased	17-Aug-22	HSD	10
11	Santa Fe	-	1474 Rodeo Road	Leased	17-Aug-22	HSD	11
12	Santa Fe	-	2540 Camino Edward Ortiz	Leased	17-Aug-22	OSA, ED, DOH	12
13	Santa Fe	Willie Ortiz	2550 Cerrillos Rd	Owned	17-Aug-22	SPO	13
14	Albuquerque	Child Wellness Center	4501 Indian School Rd NE,	Owned	2-Sep-22	CYFD, ECECD	14
15	Albuquerque	-	1711 Randolph Road SE	Leased	2-Sep-22	HSD	15

Appendix G: Other Examples of Underutilized Space

LFC staff found underutilized space in the Manuel Lujan Sr. building. The state-owned Manuel Lujan Sr. building in Santa Fe is assigned to the Taxation and Revenue Department (TRD) and totals 76.3 thousand gross square feet. LFC and FMD staff visited the Lujan Sr. building on August 8 during normal business hours. The Lujan building was open during the site visit, some TRD staff were working on-site, and members of the public were being assisted in the customer service area. However, LFC staff also found multiple TRD cubicles, offices, and tax consultation rooms empty. LFC staff estimates the cost of maintenance and utilities in the Lujan building to be $381 thousand per year.

Unoccupied Cubicles in the State Manuel Lujan Sr. Building
(Santa Fe, Lujan Building, Mon. August 8, 2022, 2:15-2:17pm)

Source: LFC site visit

Rented agency field offices hold limited open hours. LFC staff visited two HSD Income Support Division field offices. The HSD Income Support Division (ISD) is responsible for directly assisting eligible low-income individuals. LFC Accountability in Government Act (AGA) report cards indicate HSD ISD caseloads have increased in recent years. HSD ISD field offices are open to the public on Mondays, Tuesdays, and the mornings of Wednesdays, Thursdays, and Fridays. HSD ISD staff perform online application processing and case management when field offices are closed or when teleworking. An announcement from HSD reported that 80 percent of HSD customers apply for and manage their benefits online. LFC and FMD staff visited one field office during its open hours and another field office after its open hours (yet still during regular business hours). LFC staff observed direct in-person client services occurring during open hours. However, LFC staff observed underutilized space from telework during both field office visits. One field office has an annual lease of $858.9 thousand while the other has an annual lease of $690.9 thousand.

Unoccupied Space in Income Support Division Field Offices

(Santa Fe, 39 Plaza de Prensa; Wed. Aug.17; 3:39pm; Annual Lease $858.9 thousand)

(Albuquerque 1711 Randolph Rd SE; Sep.2; 9:25am; Annual Lease $690.9 thousand)

Source: LFC site visits

Paper records retention impacts space use at agencies. In 2022, LFC staff observed instances of office space being used for records storage during site visits. In 2014, space utilization assessments commissioned by FMD also observed state agencies using office space for storage. The State Commission of Public Records operates two records centers which are nearing full capacity. The Commission of Public Records only accepts new records when stored records reach their required retention periods and can be destroyed, which leads other state agencies to store records in basements, hallways, warehouses, and offices. The Commission of Public Records reports that it has collections which could be converted into electronic records, creating a potential 10 thousand linear feet of additional space.

TRD Tax Protest Records 2022

(Santa fe Wendell Chino, Mon. August 8, 1:39pm)

Department of Health Records 2014

(Santa Fe, Harold Runnels, 2014 Space Utilization Study)

Source: 2022 LFC site visit and 2014 Space Utilization Assessment Study

Appendix H: State Space for Child Care Centers

The General Services Department renovated two state owned offices to open childcare centers for state employees. A collaborative effort by the State Personnel Office (SPO), the General Services Department (GSD), and the Early Childhood Education and Care Department (ECECD), the centers will be housed in the Lamy and Montoya buildings and have capacity for eight infants and 40 children ages two- to five-years-old, respectively. A private childcare center will operate the centers and SPO will manage the agreement. SPO indicated the application for the provider did not need to go through the procurement process or need lease approval from the Board of Finance because it will be pursuant to an "operating agreement," not a contract. GSD will not charge the provider for use of state space. Lotteries for child care spots will be held in September 2022.

GSD staff has noted the Montoya building needs an on-site playground, which will be built on the corner of St. Francis and Cordova roads in Santa Fe. Due to the location of the playground, a wall will need to be constructed around the area for safety and security. GSD estimated the construction of the wall might range between $350 thousand to $450 thousand. GSD has already spent close to $270 thousand renovating the rooms at both buildings. At the time of publication, LFC staff have not received requested planning and budget documentation for the centers.

Infant Childcare Center for State Employees

(Lamy Building, Thursday July 21, 2022)

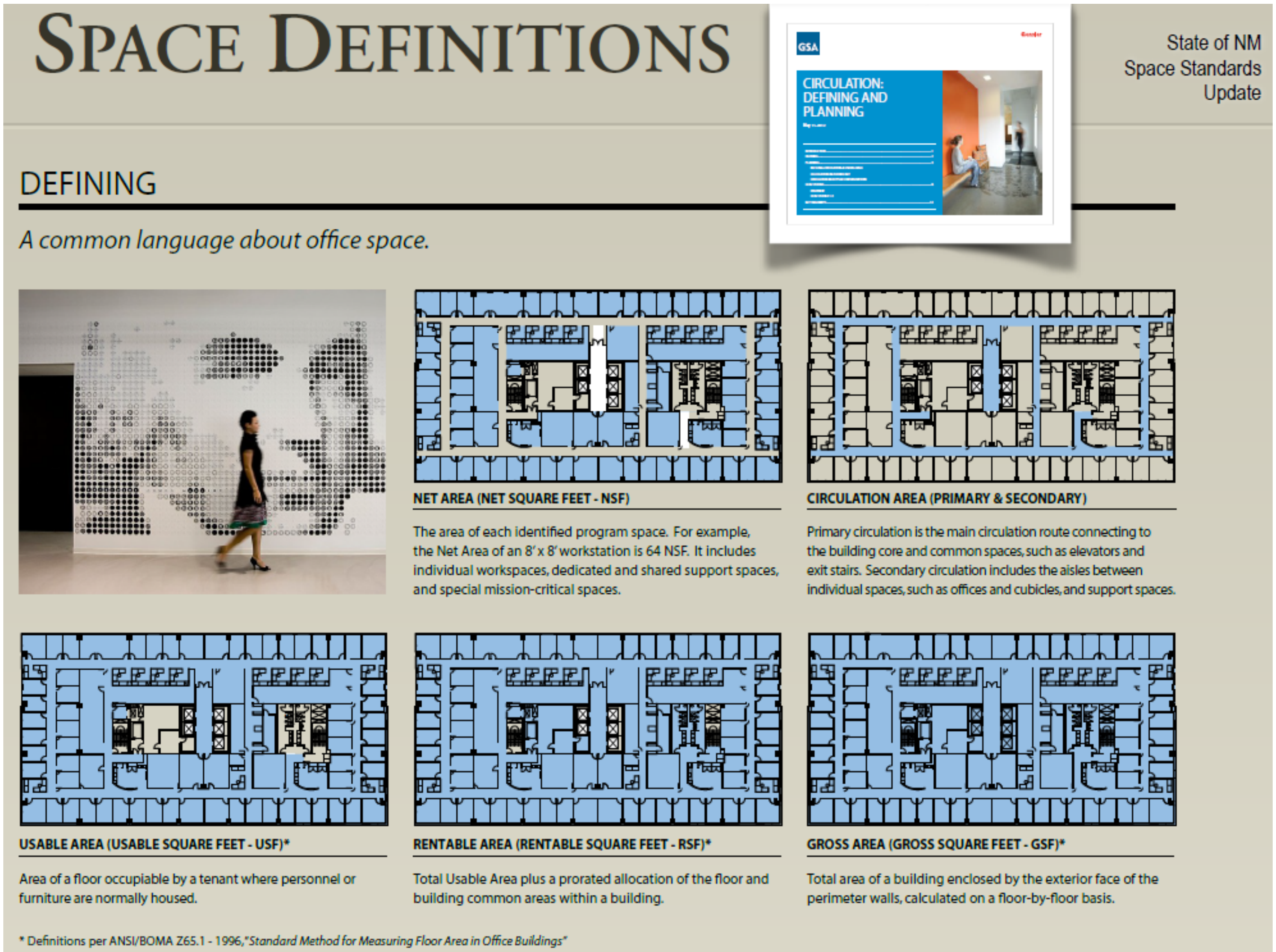
Source: LFC site visit

Infant Childcare Center for State Employees

(Lamy Building, Thursday July 21, 2022)

Source: LFC site visit

Appendix I: Building Space Definitions



November 21, 2014 Presentation to Capital Building Planning Commission.