

NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.

BONDING CAPACITY FISCAL IMPACT REPORT

SPONSOR: Fidel DATE TYPED: 03/06/01 HB _____
 SHORT TITLE: State Office Building Acquisition Bonding Act SB 214/aSFC
 ANALYST: Williams/Dunbar

CAPACITY

Capacity		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY03	Total		
	\$ 60,000.0			Recurring	State Office Building Bond Fund

(Parenthesis () Indicate Capacity Decreases)

REVENUE

6 Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (6,080.0)	\$ (6,080.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

RECOMMENDED PROJECTS *

Project Authorization		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			

(Parenthesis () Indicate Potential Project Authorization Decreases)

*This bill does not identify authorized projects.

Duplicates/Conflicts with/Companion to/Relates to HB 163, HB 319, SB 182

SOURCES OF INFORMATION

LFC Files
 General Services Department (GSD)

No Response

Taxation and Revenue Department (TRD)
Department of Finance and Administration, State Board of Finance

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amends SB 214 by removing references to “state board of finance” and inserting “New Mexico Finance Authority” in its place.

Synopsis of Original Bill

This bill proposes an earmarked distribution of gross receipts tax for a bonding program to buy and build state office buildings. The State Board of Finance is authorized to sell revenue bonds to acquire state office buildings with legislative authorization. Proceeds would be deposited into the property control reserve fund. Pledged revenue for the bonds is gross receipts taxes, up to \$500,000 per month. Effective date is July 1, 2001.

Significant Issues

According to GSD, recurring payments for leased office space in Santa Fe are about \$9 million a year, mostly from general fund. The average cost of leasing office space in Santa Fe is about \$18 per square foot. State-owned space in Santa Fe costs about one-third of the average per square foot cost of leasing office space from private owners. According to GSD, a study conducted for the Capitol Buildings Planning Commission indicates the breakeven point for leasing versus owning offices is \$13 per square foot.

This legislation is part of a major property management initiative of the General Services Department and the Capitol Buildings Planning Commission.

Companion legislation, SB 182, authorizes expenditures up to \$75 million to acquire state-owned office space in Santa Fe, reducing recurring operating costs to lease privately-owned buildings, consolidate state offices in campus locations to provide better public access to state services and plan for future office space needs of state government in Santa Fe.

FISCAL IMPLICATIONS

The bill would divert gross receipts tax revenue from the General Fund. The FY02 estimated revenue loss to the General Fund is \$6,000.0. An estimated additional 80.0 revenue loss of recurring general fund revenue would occur because interest on these bonds would be exempt from state personal income tax.

GSD notes state-owned space in Santa Fe costs just over \$5 per square foot, which is supported by general fund. The average cost to lease office space in Santa Fe is about \$18 per square foot, also mostly general fund. Acquiring state-owned space is viewed by GSD as reducing recurring lease payments in agency operating budgets; however, this savings is not automatic.

Assuming an interest rate of 5 percent and 20-year bonds, the bill could generate approximately \$60 million per year in bond proceeds.

TECHNICAL ISSUES

There is a high likelihood that incurring debt to be retired by general tax funds is unconstitutional.

OTHER SUBSTANTIVE ISSUES

GSD notes this proposal is the initial outcome of the efforts of the Capitol Buildings Planning Commission.

AW:BD/ar