F I S C A L I M P A C T R E P O R T

SPONSOR SFC **ORIGINAL DATE** 02/08/09 **LAST UPDATED** 02/2/09 **HB**

SHORT TITLE Executive Office Building Bonds **SB** 221/SFCS

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
NFI	NFI	N/A	See Fiscal Impact Narrative

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	($1,800.0)	($1,800.0)	Recurring	General Fund (See Fiscal Impact Narrative)
	$1,800.0	$1,800.0	Recurring	State Office Building Tax Revenue Bond Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of SFCS

Senate Finance Committee Substitute for Senate Bill 221 amends the State Building Bonding Act (Chapter 6, Article 21 C NMSA 1978) to raise the limit for State Office Building Tax Revenue Bonds from $100 million to $115 million. The bill authorizes the New Mexico Finance Authority (NMFA) to issue and sell State Office Building Tax Revenue Bonds, payable from the state building bonding fund, to plan, design, construct, equip and furnish an executive office building.

The substitute further authorizes NMFA, to appropriate funds from the state building bonding fund to the Property Control Division for maintenance and repairs of the proposed new building "only after" all debt service, redemption premiums, cost of issuance, and other administrative expenses have been met.

Finally, the bill extends the expenditure period for master planning and extends the expenditure period for expenditures from the property control reserve fund and the public buildings repair fund.

The substitute contains an emergency clause.

FISCAL IMPLICATIONS

SFC Substitute for Senate Bill 221 authorizes the current cap for outstanding state office building tax revenue bonds of $100 million to increase to $115 million. The intercept of gross receipts tax revenue from the general fund would increase from the current $530,000 per month to $680,000 per month, or $1.8 million annually. The effective date of the increased intercept is whichever is the latter—July 1, 2011 or the first day of the month following the certification of the need to pay debt service payments for the issued bonds.

According to PCD, the proposed building will cost approximately $26 million. NMFA reports the current outstanding office building tax revenue bonds total approximately $95.8 million. NMFA further reports "the additional revenue of $150,000 per month should be sufficient to support the additional bonds needed to support the proposed executive office building."

While Committee Substitute for Senate Bill 221 will reduce general fund revenues by $1.8 million annually, it is anticipated the amount will be offset by a reduction in the amounts currently being used to pay leases for non-state-owned facilities. According to testimony before the Capitol Building Planning Commission (CBPC), vacating 65,000 square feet of private leased space will save recurring lease costs of approximately $1.8 million annually. The staff estimate that over the next 40 years, the state will pay out about $39 million less in general fund to purchase, renovate, maintain and operate this building than it would have paid in escalating lease payments. In addition, the state will <u>own</u> a well-maintained building worth about $20 million in today's dollars.

The bill extends the expenditure period from 2009 to 2011 for appropriations authorized in 2007 for acquisition of property owned by the United States General Services Administration from the property control reserve fund and the public buildings repair fund. Any unexpended or unencumbered balances remaining at the end of fiscal year 2011 revert proportionately to the originating fund.

The bill expands the purpose of funds authorized in 2008 from legislative balances for renovating the capitol, capitol north, and space plans to include additional master planning statewide and completion of the new parking structure if needed. Expenditures are authorized thru 2012.

SIGNIFICANT ISSUES

The proposed executive office building will be occupied by the Department of Finance and Administration (DFA). Following necessary renovations of the Bataan Memorial building in

Santa Fe, the vacant space creates an opportunity for elected officials such as the state treasurer, state auditor, and secretary of state to move into state-owned facilities. Relocating agencies from scattered locations to centralized state-owned space provides for greater cost-effectiveness.

According to Legislative Council Service staff analysis, this bill will provide much-needed direction to the multiple agencies affected by the proposed executive office building. In the past, a lack of planning and coordination has delayed completion of and reduced savings on similar projects. The method of financing the building enhances the credibility of the Request for Proposal process and encourages competitive bidding. The analyst further states, “given the current weakness in the construction and financial markets, the state should move as soon as possible to exercise its financial strength and to lock in the lowest costs.”

OTHER SUBSTANTIVE ISSUES

According to the NMFA, outstanding state office building tax revenue bonds total approximately $95.8 million.

LMK/svb:mc