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FISCAL IMPACT REPORT

ORIGINAL DATE 01/30/13

SPONSOR Martinez, R.S. LAST UPDATED _____ HB 102

SHORT TITLE Demolish Ft. Bayard Medical Center SB _____

ANALYST Daly

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$5,000.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total			(\$500.0)*	(\$500.0)*	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

*See Fiscal Implications

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance & Administration (DFA)

General Services Department (GSD)

Department of Health (DOH)

SUMMARY

Synopsis of Bill

House Bill 102, introduced on behalf of the Military and Veterans' Affairs Committee, appropriates \$5 million from the general fund to Property Control Division of the General Services Department (GSD/PCD) for the purpose of demolishing the Fort Bayard Medical Center owned by the state.

FISCAL IMPLICATIONS

The appropriation of \$5 million contained in this bill is a nonrecurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of FY 14 shall not revert to the General Fund.

The \$500,000 savings in the operating budget table reflects information provided by both the GSD and the DOH that routine maintenance expenditures, natural gas, electricity and unexpected vandalism expenses arising from the “old” Fort Bayard Medical Center create a negative fiscal impact on the operating budget of the “new” Fort Bayard Medical Center in the estimated amount set out in the table. That figure increases periodically based on usage, demand and rate increases not within the control of DOH, the lead tenant of the old facility. The cost savings reflected in the table will not materialize until demolition occurs.

The GSD also comments that the project will stimulate jobs in the depressed construction sector of the state’s economy, including revenue to the general fund through gross receipts taxes collected. That amount cannot be calculated or estimated at this time.

SIGNIFICANT ISSUES

The GSD advises that the “old” Ft. Bayard Medical Center to be demolished is a 145,000 square foot building that is vacant (as opposed to the new facility built in 2009 by Grant County). The DOH vacated the building in September 2010, but continues to maintain a “maintenance presence” on the campus. Estimated costs to rehabilitate the building exceed \$35 million, which do not include asbestos abatement. Originally constructed in 1922, the facility is functionally obsolete for medical purposes. Adaptive re-use studies have been unable to identify a different use for the building that makes economic sense. The state is already failing to maintain the existing building inventory that state agencies use, and the GSD believes that taking money from funds that are necessary to maintain those buildings to renovate this old building would place the state at risk of claims of unsafe working conditions and other related matters.

Further, the building has been illegally entered on several occasions and presents a risk to the surrounding buildings, the immediate area and the community as a whole. Risk of fire, vandalism, unlawful occupation and other dangerous conditions would be averted if the building was demolished.

The GSD also notes that demolition of the building would clear the way for other buildings on the site to be used by local government and non-profit organizations who have expressed a high level of interest in preserving and restoring of the rest of Ft. Bayard if the medical building is razed.

The DFA reports Fort Bayard Medical Center is on the Federal Historic Register. Any renovations/demolitions must be approved by the appropriate federal agency. The GSD/PCD has advised the DFA that this will be a lengthy process. The GSD/ PCD maintains a list of statewide demolition projects. The estimated demolition cost for Fort Bayard is \$4.3 million, however, the GSD/PCD did not request funding for Fort Bayard this year because it is are not ready to proceed. Permission must be obtained first.

The DFA advises that this demolition is considered a capital project, and it should be included in the capital outlay bill.

TECHNICAL ISSUES

1. Language directing the reversion to the general fund of any unexpended or unencumbered balance remaining once the demolition has been completed should be added.
2. The language in the appropriation may not be specific enough to distinguish between the “old” and the “new” FBMC. The DOH advises the building to be demolished is the old abandoned nursing hospital that was originally built by the federal government (as opposed to the current, new nursing facility constructed by Grant County in 2009), and recommends the addition of additional description to more fully identify the building to be demolished.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

The DFA point out that since the demolition is not ready to proceed, not enacting this legislation will allow the GSD/PCD to acquire the necessary permission from the federal government and in the mean time will free up \$5.0 million for other critical capital projects.

MD/bm