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FISCAL IMPACT REPORT

SPONSOR <u>Muñoz</u>	LAST UPDATED <u>02/17/2023</u>
SHORT TITLE <u>Santa Fe State Office Building</u>	ORIGINAL DATE <u>02/03/2023</u>
	BILL NUMBER <u>Senate Bill 144/aSFC</u>
	ANALYST <u>Simon</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Facilities Management Operating Costs	\$0	\$0	\$0	\$165	\$165	Recurring	General Fund or other FMD Operating Funds
PRC Rent Savings			\$0	(\$317)	(\$317)	Recurring	PRC Operating Budget
Recurring Total			\$0	(\$152)	(\$152)	Recurring	
PRC Moving Costs				\$31		Nonrecurring	PRC Operating Budget
Remodel Costs			\$0 - \$7,200			Nonrecurring	Not specified, but possibly the capital building repair fund or the general fund
Nonrecurring Total			\$0 - \$7,200	\$31	\$31 - \$7,231	Nonrecurring	

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent version of this legislation.

Sources of Information

LFC Files

Responses Received From

Educational Retirement Board (ERB)

General Services Department (GSD)

Public Regulation Commission (PRC)

SUMMARY

Synopsis of SFC Amendment to Senate Bill 144

The Senate Finance Committee Amendment to Senate Bill 144 strikes the appropriation.

Synopsis of Original Bill

Senate Bill 144 appropriates \$2.5 million to the General Services Department (GSD) to acquire and renovate 701 Camino De Los Marquez in Santa Fe, currently the administrative offices of the Educational Retirement Board (ERB). Once acquired, the office space would be used by the Public Regulation Commission (PRC).

This bill does not contain an effective date, and as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed.

FISCAL IMPLICATIONS

ERB's administrative staff currently occupy a 14,445 square foot office building in Santa Fe; however, the agency is in the process of building a new facility in Santa Fe. When the agency completes construction of the new facility, expected in FY25, the agency will sell their current facility, with proceeds benefiting the educational retirement fund. ERB's office building is owned by the agency, effectively held in trust for the fund's beneficiaries, and not by the state generally. ERB has a fiduciary duty to the beneficiaries of the fund to receive a fair price for the property. The property was recently valued at \$2.2 million.

The Facilities Management Division of GSD (FMD) notes SB144 could lead to additional operating costs for the division; however, the estimate provided by FMD would be less than current leasing costs incurred by the PRC. FMD reports additional annual operating costs of \$165 thousand, but PRC estimates a savings of \$317 thousand, for a net reduction of \$152 thousand. Although FMD typically receives operating costs from a general fund appropriation, a recent LFC program evaluation recommended FMD consider charging agencies a building use fee to recoup those costs. Building use fees have the potential to encourage agencies to use space more efficiently. Because the PRC base operating budget already includes funding for rent payments, charging the agency for building use could serve as a pilot program test if a small building use fee could more effectively fund FMD operations than a general fund appropriation.

In addition to the cost to acquire the building, FMD notes the facility may need to be renovated. FMD does not have a current facility condition report, making additional remodeling costs speculative, but FMD notes if expensive repairs are needed to major systems the cost could be as high as \$500 per square foot, including furniture and equipment, or \$7.2 million for a 14 thousand square foot facility. However, FMD has completed routine remodeling projects in state facilities at significantly lower costs. In addition to general fund appropriations, FMD can use the capitol building repair fund to repair, remodel and equip buildings located in Santa Fe.

SIGNIFICANT ISSUES

SB144/aSFC would authorize GSD to acquire state-owned office space for PRC, which is currently in leased office space in downtown Santa Fe. State agencies lease 471 thousand square feet of office space from private landowners in Santa Fe County, with a total annual cost of \$11.2 million, an average cost of \$23.76 per square foot. The Capitol Buildings Planning Commission, an intergovernmental commission with representatives from the legislative, judicial, and executive branches, studies the space needs of state agencies and approves a long range strategic plan for state facilities in Santa Fe. One of the commission's key objectives in the

current long-range plan is to move state agencies from leased space to state-owned space. As part of this goal, FMD has requested funds to build a 192 thousand square foot executive office building and additional underground parking structure in Santa Fe at a total cost of \$221.6 million.

A recent LFC program evaluation noted the state is underutilizing building space, in part due to prevalent teleworking, a practice recently ended by the executive. That evaluation notes many states are considering reducing their office space and considering models allowing for a more efficient use of space, combining telework policies with reductions in individual office space and more shared spaces. Federal agencies have used similar policies to reduce office space and realize savings from lease costs.

JWS/al/ne/rl