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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/09

SPONSOR Lujan, B LAST UPDATED _____ HB 358

SHORT TITLE Public Building Maintenance Plans SB _____

ANALYST Archuleta

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	Unknown	Unknown	Unknown		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

General Services Department (GSD)

Corrections Department (CD)

Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 358 would enact a new section of the Property Control Act requiring all agencies occupying space in buildings owned by GSD to develop and file a preventative maintenance plan. This plan will provide for regularly scheduled repair and maintenance needs as well as phase in an automated system in order to help agencies meet the requirements established in HB358.

FISCAL IMPLICATIONS

According to GSD, the following fiscal implications should be noted:

- The Property Control Division (PCD) and the Building Services Division (BSD) has implemented an automated system that can be readily adapted by agencies. In the system BSD has developed a preventative maintenance plan that can be used by the agencies. The primary costs to implement this system statewide will be licensing fees.

- License fee: \$850,000.00 to purchase a statewide license for FacilityMAX.
- In addition, BSD will have to purchase annual maintenance for the software at 20 percent of the total license fee for the product which will be \$220,000 recurring cost per year to support the software package, revision upgrades and tech support.
- For other agencies, the costs could be substantial, assuming that preventative maintenance programs are not already in place. Staffing and contractual costs will likely increase, however, as the program matures, the state will expend less in capital outlay for repairs and emergencies.

SIGNIFICANT ISSUES

In 2005, the GSD completed a statewide facility condition analysis of building conditions. Final results of the study showed that the statewide facility condition index (FCI) was 34.6% results showed that buildings maintained by the Building Services Divisions the FCI was 12.7%. Statewide, building Facility Condition Indexes show that buildings are in a deteriorating state.

It is generally held in the property management industry, when an FCI is 60-70% or greater, replacement of the asset should be considered instead of renewal.

FCI is a ratio of the cost of assessed deficiencies divided by the replacement value of the facility. It describes the relative state of physical condition of a building (or its components, or a group of buildings) against a cost model of similar buildings as if it were at the beginning of its useful life, fully “renewed” to today’s standards. Thus a higher FCI represents buildings in poorer condition.

The Building Services Division has developed a preventative maintenance program in FacilityMAX that would support this bill.

PERFORMANCE IMPLICATIONS

A preventative maintenance plan is intended to provide regularly scheduled repair and maintenance needs to keep a building component operating at peak efficiency and extend its useful life.

State owned buildings are one of the largest assets of state government, perhaps only behind highways and roads. Preventative maintenance is an important tool to protect and preserve these assets.

ADMINISTRATIVE IMPLICATIONS

House Bill 358 will require GSD to develop and maintain a centralized database of maintenance activities for monitoring, supporting and evaluation purposes. CD indicates the ability to absorb the administrative responsibility of developing these plans without additional staff or cost.

OTHER SUBSTANTIVE ISSUES

Initially, operating costs may increase and personnel changes may need to occur; however, the state should begin to experience lower capital outlay costs for repairs of buildings through the implementation of statewide maintenance plan.

According to GSD, the lack of proper preventative maintenance leads to facilities that do not adequately support the programmatic needs of state agencies occupying state owned buildings.

DA/svb