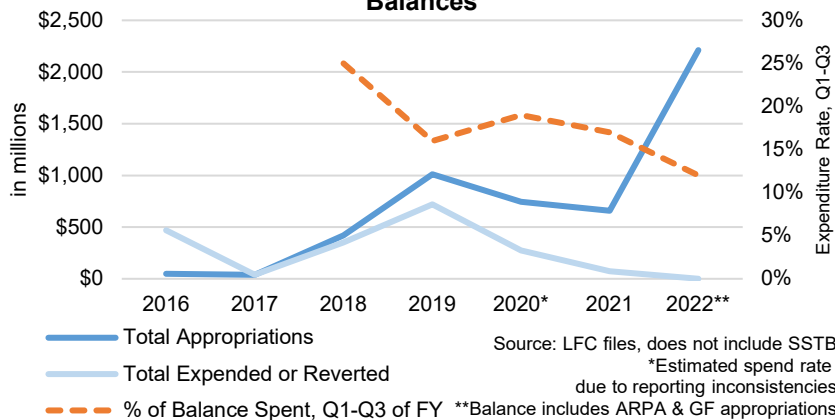




Outstanding Capital Funds Near \$4 Billion

Strong state revenues and an influx of federal funds contributed to historically large investments in capital projects during the December 2021 special session and 2022 regular session. Those appropriations are becoming available at a time when supply chain, construction cost, and labor issues are slowing progress on projects. These factors contributed to outstanding balances of \$3.8 billion across about 4,600 active projects at the start of FY23.

Chart 1. Strong Revenues, Construction Bottlenecks, and Decreased Expenditure Rates Contribute to High Balances



LFC QUARTERLY REPORTS provide analysis on the progress of capital appropriations.

Data is derived from the Department of Finance and Administration, state and local entities, and the Capital Project Monitoring System. Outstanding balances reflect expenditures as of mid- to late-June 2022 and do not include encumbered but unspent funds.

Key Points

- At the start of FY23, outstanding capital outlay funds totaled approximately \$3.8 billion, including projects authorized by the Legislature through 2022 (\$2.1 billion), earmark projects (\$295.6 million), supplemental severance tax bonds for public schools (\$539.2 million), and special appropriations to capital projects (\$905.9 million). The last figure represents uncommitted and unspent funds from \$977.4 million in special GAA appropriations during the 2021 special and 2022 regular sessions.
- The Board of Finance split the severance tax bond sale for new projects into two issuances due to market conditions. Roughly \$322.5 million was sold in June, with a second sale planned for September. Projects sold in June are now tracked in Attachment A. Those eligible for the September sale are listed as authorized but unissued (Attachment E).
- Roughly 4,600 active projects are underway.
- Funds for state-owned projects have been spent more quickly than local project funds, with 56 percent of statewide appropriations through 2021 expended compared with 39 percent for local projects.
- Severance tax bonds are the primary source of outstanding balances, accounting for 65 percent of unexpended funds (\$1.5 billion). Other major sources include general fund (\$360.5 million) and general obligation bonds (\$239.6 million).

\$1.3 million in severance tax bonds authorized to projects that never certified readiness—and for which bonds were not sold—reverted at the end of FY22.

Table 1. 2016 – 2022, Capital Outlay and Earmarks

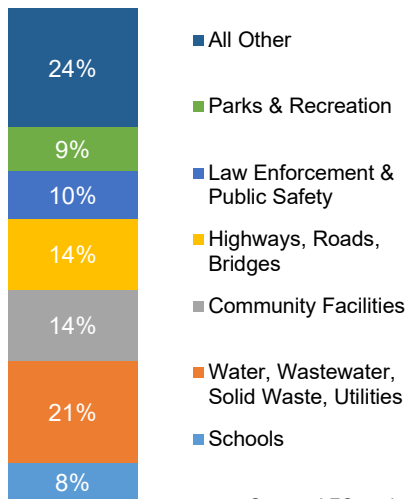
Year	Number of Appropriations	Amount of Appropriations (in millions)	Outstanding Projects			
			Number of Active Projects	Amount Appropriated to Active Projects (in millions)	Outstanding Balances (in millions)	Percent of Total Expended
2016	963	\$472.5	6	\$9.1	\$1.9	100%
2017	155	\$38.5	0	\$0	\$0	100%
2018	1,016	\$420.3	164	\$172.5	\$69.2	84%
2019	1,758	\$1,012.3	690	\$639.4	\$292.3	71%
2020	1,335	\$745.2	963	\$615.5	\$470.6	37%
2021	1,354	\$650.0	1,255	\$633.3	\$576.7	11%
2022	1,527	\$1,009.1	1,524	\$1,003.0	\$1,002.7	1%
Total	8,108	\$4,348.0	4,602	\$3,072.8	\$2,413.4	44%

Sources: Capital Project Monitoring System, New Mexico Finance Authority, Indian Affairs Department
 Note: Table does not include PSCOF or 2021/2022 special appropriations.

\$823 Million in the 2022 Capital Bill was Roughly Evenly Split Between Local and Statewide Projects

In Senate Bill 212, the 2022 Legislature appropriated \$396.2 million to 79 statewide projects and \$394.2 million to 1,147 local projects, with the local project funds distributed at the discretion of individual senators, representatives, and the governor.

Chart 1. Local Capital Outlay by Category, 2018-2022



Source: LFC analysis

Major statewide appropriations in the bill include

- \$20 million for a Department of Public Safety administration building in Albuquerque,
- \$20 million for new small homes at the New Mexico Veterans’ Home,
- \$20 million for a film academy,
- \$26 million for public safety radio communications infrastructure, and
- \$75 million for maintenance and repair of public schools.

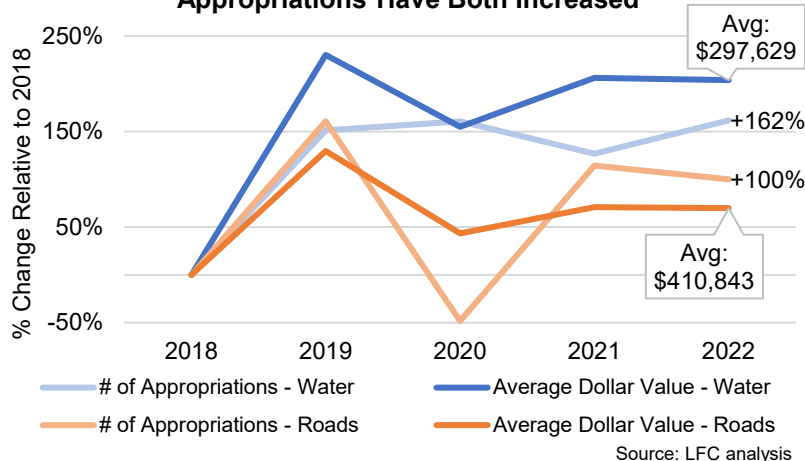
Appropriations to local projects in 2022 fell into several major categories

- \$87.2 million for water, wastewater, solid waste, and utilities projects;
- \$48.5 million for law enforcement and public safety projects;
- \$46 million for highways, roads, and bridges;
- \$35.2 million for parks and recreation projects; and
- \$33.1 million for public school projects.

Both the number and average dollar value of appropriations to local projects have increased since 2018, but it remains difficult to fully fund critical infrastructure with capital outlay. The \$394.2 million appropriated to local projects in 2022 represented a 563 percent increase over the \$59.5 million that went to local projects in 2018. The increase in revenue has allowed lawmakers to fund more projects at higher amounts. For instance, 222 water, wastewater, dam and acequia projects received capital outlay in 2022 compared with 86 in 2018, and the average value of those appropriations was 204 percent higher in 2022.

Nevertheless, most of those appropriations were likely insufficient to fully fund the projects. The average capital outlay appropriation to water projects was roughly \$298 thousand in 2022. In comparison, the average project award from the Water Trust Board was \$2.1 million.

Chart 3. The Number and Value of Local Appropriations Have Both Increased



The Capacity of State Agencies to Support Local Projects is Strained by High Workloads

Different types of projects and grantees necessitate varying degrees of support from state agencies to use appropriations effectively. At a minimum, state agencies function as pass-throughs for the appropriations and ensure spending is consistent with state law and legislative intent, while some agencies provide higher levels of technical support.

For example, professional engineers at the New Mexico Environment Department are the primary project managers. They conduct technical reviews of planning and design documents and do site visits during construction to ensure water and wastewater systems are built with integrity and to meet the needs and capacity of communities. The Local Government Division at the Department of Finance and Administration (DFA) currently acts mainly as a pass-through, but the division’s leadership is working on restructuring to provide a higher level of project management support to entities and projects that require it. The General Services Department’s Facilities Management Division, meanwhile, provides cradle-to-grave project management for state agency capital projects.

Table 2. Most Agencies' Capital Project Workloads Exceed Their Capacity

Agency	Active Projects	Project Manager / Administrator FTEs	Vacancies	Percent By Which Actual Workload Exceeds Ideal Workload
Department of Finance and Administration	1,423	8	3	20-40%
Environment Department	624	4	2	123%
Public Education Department	538	1	1	TBD
Indian Affairs Department	519	2	0	TBD
Aging and Long-Term Services	250	3	0	-17%
State Engineer	190	1	1	660%
Higher Education Department	89	1	1	93%
General Services Department	90	13	2	n/a
TOTAL	3,629	34	10	

Source: LFC analysis of CPMS data; ideal workload numbers self-reported by agencies. Note: NMED active projects include projects funded by sources other than capital outlay. IAD projects include Tribal Infrastructure Fund and one new capital position is being created for the department. The General Services Department’s projects reflect active appropriations, some of which cover multiple projects.

According to many agencies, increased workloads are compromising their ability to effectively provide the level of service they had in the past. The Environment Department’s engineers, for instance, currently make few site visits and recently stopped providing technical review support to DFA for water and wastewater projects funded through the Community Development Block Grant.

Construction Costs Continue to Rise

The Bureau of Labor Statistics reported the cost of nonresidential construction rose 19.2 percent from June 2021 to June 2022, more than the 16.7 percent increase reported in March. The cost of constructing new school buildings was up 15.7 percent in June over the previous year and the cost of new office buildings was up 20.5 percent. Increases and decreases in material costs from June 2021 to June 2022 include:

- Plywood, -25.2 percent
- Lumber, -27.4 percent
- Asphalt, 77.5 percent
- Steel mill products, 22.4 percent
- Hardware, -9.6 percent
- Cement, 6.8 percent
- Flat glass, 8.3 percent

Higher costs and supply chain disruptions are causing project managers to increase budget contingencies, reduce project scope, or both. For example, Central New Mexico Community College (CNMCC), reduced the planned square footage of a new instructional building for trades and applied technologies by 65 thousand square feet to stay within its current \$52.8 million budget. While such “shrinkflation” could mean projects meet fewer of their original goals, it is also forcing entities to find ways to make efficient use of new and existing space to meet the needs projects are intended to address.

The Facilities Management Division (FMD) is requiring contractors to order equipment with long lead times as soon as projects begin to mitigate delays. FMD is including in requests for proposals direction to contractors that they must be prepared to order equipment with long lead times when the state issues a purchase order for a contract to keep projects on track despite delivery delays.

Bidders on the new Veterans’ Home project were evaluated partly on how their proposed construction schedules dealt with delivery times for generators, transformers, and similar equipment, and Bradbury Stamm ordered such equipment immediately after the contract was issued. Similarly, the contractor remodeling kitchens in the Veterans’ Home Annex ordered kitchen equipment and hoods for all phases of that project when the purchase order was issued. The timeline for the first phase is, therefore, the only one expected to be impacted by lead times on that equipment.

\$1 Million and Greater Report (Attachment A)

As of June 2022, LFC staff tracked 494 active capital appropriations and 29 recently closed appropriations of \$1 million or more. A total of \$2.1 billion was appropriated to these projects, with unexpended balances of approximately \$1.5 billion.

- **Blue Projects, Table 3, page 6:** In the last quarter, 29 appropriations totaling \$83.2 million were expended or reverted. Key appropriations in this category include \$11 million in general fund to Department of Transportation for drainage improvements to Carbon Coal Road in McKinley County; \$8.8 million in severance tax bonds to the tribal infrastructure fund, with projects completed in Jemez Pueblo, Tesuque Pueblo, Isleta Pueblo, and other communities; and \$6 million in general obligation bonds for school bus acquisitions statewide.
- **Red Projects, Table 4, page 7:** Red-rated projects indicate no progress, no reporting, bonds not issued due to non-readiness, or significant obstacles for completion. Challenges for red-rated projects may include lack of planning, inadequate funds to fulfill a functional phase, and limited technical, financial or administrative resources at the local level to move projects forward. In addition, the pandemic continues to present challenges and delays for both grantees and contractors.
 - 81 projects totaling \$217.4 million with \$193.8 million in unexpended balances were rated red this quarter. Projects in this category include two general fund appropriations totaling \$26 million to the Spaceport Authority and one \$100 thousand STB appropriation to the Spaceport; and \$7 million in severance tax bonds for Department of Information Technology towards statewide broadband improvements.
- **Earmarks:** Balances for projects funded through severance tax bond earmarks are provided in Attachments C (Water Trust Board), D (Colonias Infrastructure Fund), and E (Tribal Infrastructure Fund).

Authorized But Unissued Projects (Attachment E)

Attachment E provides a list of projects authorized by the Legislature for which severance tax bonds have not yet been sold. The Board of Finance split the bond sale for new 2022 projects into two issuances due to market conditions. Roughly \$322.5 million was sold in June, with a second sale planned for September. The 2022 projects eligible for the September sale are listed as authorized but unissued.

Department of Transportation Special Appropriations (Attachment F)

Attachment F provides an update on expenditures of special appropriations to the Department of Transportation from 2019 to 2022 and status updates on select major investment project

**Table 3. Blue-Rated Projects, FY22 Fourth Quarter
Major Appropriations Fully Expended or Reverted**

	Agency	Project Description	Appropriation Year	Fund	Appropriation Amount
1	DCA	Tribal Libraries Acquisitions	2018	GOB	\$ 750,000
2	DCA	DCA Public Library Resource Acquisitions	2018	GOB	\$ 4,000,000
3	DCA	Museum of Indian Arts & Culture Exhibit Santa Fe	2019	GF	\$ 1,211,000
4	DFA	Santa Fe Airport Parking Facility Expansion	2018	STB	\$ 1,500,000
5	DFA	Albuquerque Route 66 Visitors Center Construction	2019	GF	\$ 2,000,000
6	DFA	North Central RTD Maintenance Facility Construction	2019	GF	\$ 1,102,000
7	DFA	Hobbs Fire Truck and Aerial Platform Apparatus	2020	STB	\$ 1,500,000
8	DFA	San Juan County Radio Infrastructure and Equipment Improvements	2020	STB	\$ 1,100,000
9	DFA	Farmington Fire Department Ladder Truck Purchase and Equipment	2020	STB	\$ 1,500,000
10	DFA	Espanola Pathways Shelter Facility Acquisition	2021	STB	\$ 1,860,000
11	DOIT	DOIT Hidalgo Co Communications Infrastructure Improvements	2019	GF	\$ 3,160,000
12	DOIT	DOIT Radio Communications Infrastructure Stabilization Statewide	2019	GF	\$ 3,000,000
13	DOIT	DOIT Public Safety Communications Infrastructure	2020	STB	\$ 2,000,000
14	DOT	Carbon Coal Rd Drainage Improvements	2019	GF	\$ 11,000,000
15	ED	Eastern NM WUA Rural Water System Interim Pipeline	2020	STB	\$ 1,000,000
16	GFD	Dam Safety Compliance	2018	GPF	\$ 1,000,000
17	GFD	Hatchery Improvements	2018	GPF	\$ 3,000,000
18	GFD	Wildlife Habitat Restoration	2022	GPF	\$ 1,000,000
19	GFD	Land Acquisition	2022	HMF	\$ 5,000,000
20	GSD	DPS Infrastructure Improvements Statewide	2016	STBR	\$ 1,500,000
21	GSD	DOH Facilities Health & Safety Upgrades Statewide	2018	STB	\$ 1,500,000
22	GSD	NMCD HVAC & Infrastructure Upgrades Statewide	2018	STB	\$ 4,645,000
23	GSD	WSD Administrative Building Infrastructure Improvements	2020	STB	\$ 6,000,000
24	GSD	WSD Administrative Building Infrastructure Phase III	2021	STB	\$ 1,461,115
25	IAD	2018 Tribal Infrastructure Fund	2018	STB	\$ 8,831,925
26	NMHU	NMHU Infrastructure Upgrades	2018	GOB	\$ 4,000,000
27	PED	PED School Buses Statewide	2018	GOB	\$ 6,000,000
28	UNM	UNM Football Facility Improvements	2020	STB	\$ 1,600,000
29	WNMU	WNMU Deming Learning Center	2019	GF	\$ 1,000,000

**Table 4. Red-Rated Projects, FY22 Fourth Quarter
No Activity, No Bonds Sold, Reauthorization, or Significant Obstacles to Completion**

	Agency	Project Description	Appropriation Year	Fund	Appropriation Amount	Current Balance
1	BA	Border Authority Columbus LPOE Flood Control	2019	GF	\$ 3,500,000	\$ 3,487,572
2	BA	Border Authority Columbus POE Infrastructure	2020	STB	\$ 1,500,000	\$ 1,500,000
3	DFA	Albuquerque Westside Sports Complex Construction	2019	STB	\$ 6,000,000	\$ 5,476,576
4	DFA	Santa Fe Midtown Infrastructure Construction	2019	STB	\$ 5,400,000	\$ 4,953,780
5	DFA	Santa Fe County Recovery Program Building Improvements	2019	GFR	\$ 5,000,000	\$ 4,756,693
6	DFA	Las Cruces Arts & Cultural District Improvements	2019	GF	\$ 6,000,000	\$ 4,160,225
7	DFA	Bernalillo County West Central Fire Station Construction	2019	GF	\$ 3,713,114	\$ 3,679,127
8	DFA	Statewide Local Emergency Infrastructure Projects	2019	STB	\$ 4,094,500	\$ 3,556,055
9	DFA	Santa Fe County Recovery Program Facility Expansion	2019	STB	\$ 4,000,000	\$ 3,426,664
10	DFA	Taos Regional Airport Parking Lot Improvements	2019	STB	\$ 2,750,000	\$ 2,722,500
11	DFA	Santa Fe County Recovery Center Expansion	2019	STBR	\$ 2,500,000	\$ 2,247,117
12	DFA	Albuquerque West Side Sports Complex	2020	GF	\$ 2,090,600	\$ 2,069,694
13	DFA	Taos Regional Airport Renovation	2020	STB	\$ 1,900,000	\$ 1,738,114
14	DFA	Grants Regional Indoor Multipurpose Arena Construction	2020	STB	\$ 1,805,933	\$ 1,732,928
15	DFA	Anthony Community Parks And Recreation Facility Construction	2020	STB	\$ 1,500,000	\$ 1,485,000
16	DFA	Sunland Park Municipal Complexes	2020	STB	\$ 1,500,000	\$ 1,485,000
17	DFA	Albuquerque Dispatch and Record Management System	2020	STB	\$ 1,533,500	\$ 1,427,371
18	DFA	Las Cruces Parking Garage Construction	2020	GF	\$ 1,375,000	\$ 1,375,000
19	DFA	Lea County Courthouse Renovation	2020	GF	\$ 1,305,000	\$ 1,291,950
20	DFA	San Felipe Pueblo Community Center & Council Chambers	2020	GF	\$ 1,072,000	\$ 1,061,280
21	DFA	San Juan Regional Medical Center Pediatric Unit Improvements	2020	GF	\$ 1,185,000	\$ 1,034,486
22	DFA	Lea County Courthouse Renovation	2020	STB	\$ 1,000,000	\$ 1,000,000
23	DFA	Santa Fe Parks Upgrades	2021	STB	\$ 1,000,000	\$ 1,000,000
24	DFA	Albuquerque Sports & Cultural Center Phase 1	2021	STB	\$ 1,000,000	\$ 990,000
25	DFA	Gallup Police Department Building Construction	2021	GF	\$ 1,000,000	\$ 990,000
26	DFA	Statewide Local Emergency Infrastructure Projects	2021	GF	\$ 1,167,110	\$ 839,073
27	DFA	Chaves County Industrial Site Utility & Infrastructure Improvements	2021	STB	\$ 1,000,000	\$ 796,715
28	DOIT	DOIT Albuquerque Radio Communication Bureau Building Renovation	2019	STB	\$ 7,048,000	\$ 7,048,000
29	DOIT	DOIT Statewide Broadband Improvements	2020	STB	\$ 4,798,715	\$ 3,634,603
30	DOIT	DOIT Central Telephone System Upgrade	2021	ERRF	\$ 1,000,000	\$ 990,000
31	DOT	Paseo Del Norte NW Improvements Albuquerque	2014	STB	\$ 3,911,500	\$ 3,790,922

32	DOT	Paseo Del Volcan Construction Bernalillo County & Sandoval County	2015	GF	\$ 3,525,703	\$ 3,525,703
33	DOT	Dona Ana International Jetport Runway	2018	GFR	\$ 3,158,000	\$ 3,158,000
34	DOT	Reauth - East Aztec Arterial Route Construction	2019	STBR	\$ 3,125,000	\$ 2,938,044
35	DOT	Paseo del Volcan Construction	2019	STBR	\$ 2,000,000	\$ 2,000,000
36	DOT	Reauth - Interstate 40 And Paseo Del Volcan Intersection	2019	STBR	\$ 1,918,000	\$ 1,918,000
37	DOT	East Aztec Arterial Route Construction	2019	STBR	\$ 1,869,500	\$ 1,869,500
38	DOT	East Aztec Arterial Route Construct San Juan County	2019	GF	\$ 4,000,000	\$ 1,819,812
39	DOT	Norris St Construct Clovis	2019	STB	\$ 1,735,000	\$ 1,504,187
40	DOT	Valencia County Railroad Quiet Zones Construction	2019	STBR	\$ 1,500,000	\$ 1,500,000
41	DOT	Tesuque Pueblo Storm Drain Construction	2020	GF	\$ 1,467,600	\$ 1,467,600
42	DOT	Dona Ana Co Drainage Construct	2020	STB	\$ 1,500,000	\$ 1,335,001
43	DOT	Belen Retention Pond Construction	2021	GF	\$ 1,200,000	\$ 1,200,000
44	DOT	Chama to Tierra Amarilla Gas Pipeline Construction	2021	GF	\$ 1,190,413	\$ 1,190,413
45	ED	Tierra Amarilla Natural Gas Line	2020	STB	\$ 5,000,000	\$ 5,000,000
46	ED	Lordsburg Water System Improvements	2021	GF	\$ 5,000,000	\$ 4,941,800
47	ED	Albuquerque-Bernalillo County WUA Winrock Wastewater Plant Construction	2022	GF	\$ 1,309,000	\$ 235,853
48	ENM	EXPO NM African American Performing Arts Center Kitchen Addition	2019	GF	\$ 2,141,000	\$ 1,634,844
49	ERB	Educational Retirement Board Headquarters Replacement - ERF	2019	ERF	\$ 4,500,000	\$ 3,831,619
50	ERB	Educational Retirement Board Headquarters Replacement - ERF	2020	ERF	\$ 1,500,000	\$ 1,486,928
51	ERB	Educational Retirement Board Headquarters Replacement - ERF	2019	ERF	\$ 1,000,000	\$ 590,140
52	GSD	DPS Firing Range Improvements - Santa Fe	2020	STB	\$ 3,700,000	\$ 3,376,850
53	GSD	DOH Fort Bayard Water Infrastructure	2018	GF	\$ 1,000,000	\$ 970,000
54	HED	SFCC Roof Upgrades	2019	GF	\$ 3,342,795	\$ 3,335,475
55	HED	Dine College Shiprock Agriculture Multipurpose Center	2020	STB	\$ 1,750,000	\$ 1,750,000
56	HED	SIPI Infrastructure Improvements	2021	GOB	\$ 1,100,000	\$ 1,089,000
57	HED	NMJC Security & Safety Improvement	2021	STB	\$ 1,000,000	\$ 1,000,000
58	HED	Navajo Tech Academic Building Improvements	2019	GOB	\$ 1,000,000	\$ 199,497
59	IAD	San Ildefonso Pueblo Wastewater System Phase 2 Construction	2019	GF	\$ 3,000,000	\$ 2,970,000
60	IAD	Zuni Pueblo Wastewater Infrastructure Construction	2019	GF	\$ 2,000,000	\$ 2,000,000
61	IAD	Acoma Pueblo Natural Gas Distribution System	2019	GF	\$ 2,000,000	\$ 1,948,995
62	IAD	Shiprock Chapter Emergency Response Command Center	2020	GF	\$ 1,040,985	\$ 834,572
63	IAD	Navajo Nation Renewable Energy System	2016	GF	\$ 1,000,000	\$ 107,993
64	MCMC	MCMC Long-Term Care Facility Electrical/Mechanical Systems	2020	MTFR	\$ 1,295,000	\$ 1,269,104
65	MCMC	MCMC Medical Equipment - MTF	2019	MTF	\$ 1,000,000	\$ 539,829
66	NMBVI	NMBVI Resident Cottages and Infrastructure	2019	PSCOFR	\$ 2,056,600	\$ 1,754,447
67	NMIMT	NM Tech Electrical Door Lock System Upgrades Campus wide	2019	GF	\$ 2,500,000	\$ 2,500,000
68	NMIMT	NM Tech Roofs Campuswide	2020	GFR	\$ 1,700,000	\$ 1,700,000

69	NNMC	NNMSS HVAC System & Control Improvements	2021	STB	\$ 2,000,000	\$ 1,400,000
70	NNMC	NNMSS Parking Drain & Infrastructure Improvements	2016	GOB	\$ 1,000,000	\$ 1,000,000
71	OSE	Dona Ana County Spring Canyon Arroyo Dam Construction	2019	STB	\$ 3,321,000	\$ 3,321,000
72	OSE	Dona Ana County Spring Canyon Arroyo Dam Construction	2019	GF	\$ 2,500,000	\$ 2,475,137
73	OSE	Dona Ana County Brahman Diversion Channel Construction	2019	STB	\$ 1,100,000	\$ 1,047,331
74	OSE	Farmers Mutual Ditch Improvements San Juan County	2020	GF	\$ 4,000,000	\$ 1,031,596
75	OSE	Dona Ana County Brahman Diversion Channel Construction	2020	GF	\$ 1,000,000	\$ 978,490
76	OSE	Bloomfield Irrigation District Spill Gate Construction	2020	STB	\$ 1,000,000	\$ 740,268
77	OSE	San Acacia Reach Levee	2018	WPFR	\$ 1,450,000	\$ 702,814
78	PED	PED Public School Library Resource Acquisitions	2022	GOB	\$ 2,294,411	\$ 2,172,811
79	SA	Spaceport America Improvements	2019	GF	\$ 16,000,000	\$ 12,806,842
80	SA	Master Planning And Construction of a Payload Processing Center	2019	GFR	\$ 10,000,000	\$ 10,000,000
81	SA	Spaceport America Payload Center & IT Building	2020	STB	\$ 10,000,000	\$ 9,900,000