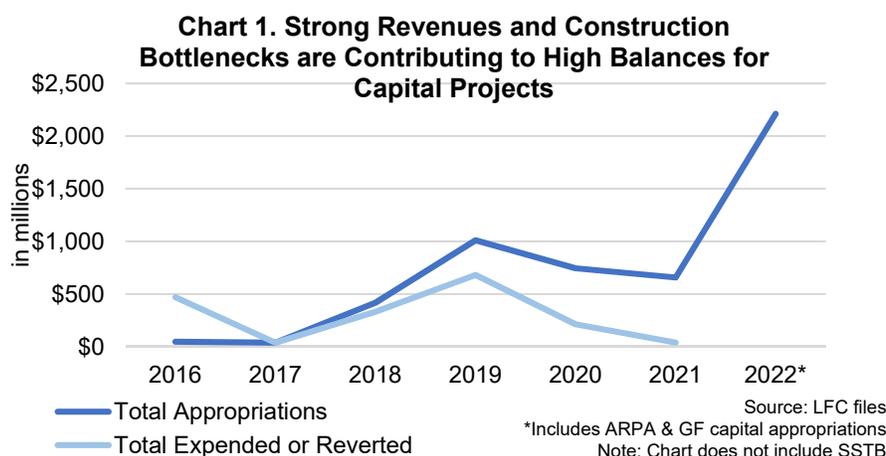




Outstanding capital funds exceed \$2 billion for the fourth consecutive quarter

Strong state revenues and an influx of federal funds combined with supply chain, construction cost and labor issues associated with the pandemic are contributing to large outstanding balances across thousands of active projects. In the coming year, balances are likely to grow and bottlenecks further tighten when \$2.2 billion in new appropriations to over 1,400 additional state and local projects come online. This report does not include these projects, but LFC will begin tracking them next fiscal year. General fund appropriations are already available; severance tax bond appropriations will become available after the June bond sale.



Key Points

- As of mid-March 2022, outstanding capital outlay funds totaled approximately \$2.1 billion, including projects authorized by the Legislature through 2021 (\$1.4 billion), earmark projects (\$162.3 million) and supplemental severance tax bonds for public schools (\$599.4 million).
- Roughly 3,300 active projects are underway. Approximately 2,000 have not yet progressed to construction.
- Funds for state-owned projects have been spent more quickly than local project funds, with 52 percent of statewide appropriations expended compared with 35 percent for local projects.
- Severance tax bonds are the primary source of outstanding balances, accounting for 55 percent of unexpended funds (\$863 million). Other major sources include general fund (\$364.7 million) and general obligation bonds (\$252.3 million).
- Expenditures are an important indicator of progress but an imperfect proxy for success. The state does not have a reliable method of tracking whether projects ultimately meet their intended purpose or produce public benefits.

Table 1. 2016 – 2021 Capital Outlay, All Fund Sources

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	7	\$10.3	\$2.2	100%
2017	155	\$38.5	0	\$0	\$0	100%
2018	1016	\$420.3	239	\$212	\$86.7	79%
2019	1758	\$1012.3	742	\$663.3	\$329.7	67%
2020	1335	\$745.2	1085	\$666.9	\$531.4	29%
2021	1368	\$657.9	1326	\$646.3	\$616.7	6%
Total	6,595	\$3,346.8	3,577	\$2,307.5	\$1,566.8	53%

Sources: Capital Project Monitoring System, New Mexico Finance Authority, Indian Affairs Department

Rising construction costs and long lead times for materials are contributing to project delays

Economic conditions that may or may not be temporary and systemic issues unique to New Mexico’s approach to financing public infrastructure both present barriers to timely completion of capital projects.

The Bureau of Labor Statistics reported the cost of nonresidential construction rose 16.7 percent from March 2021 to March 2022. The cost of constructing new school buildings was up 12.6 percent and the cost for new office buildings was up 17.2 percent. Increases in material costs over the same time period include:

- Plywood, 17.2 percent
- Lumber, 18 – 23 percent
- Asphalt, 36.9 percent
- Steel mill products, 42.9 percent
- Hardware, 17.6 percent
- Cement, 8.2 percent
- Flat glass, 9.5 percent

According to the Local Government Division of the Department of Finance and Administration, construction costs have been a major issue since the start of the pandemic, with some entities having to scale back the scope of projects due to bids coming in over budget.

Delivery times for materials remain highly uncertain. Supply chain issues that arose during the Covid-19 pandemic continue and long lead times for materials are a significant source of uncertainty for construction timelines. Lead times for delivery of materials as long as 22 weeks were reported by project managers at the General Services Department-Facilities Management Division’s April meeting.

Lack of planning and inconsistent vetting prior to funding inhibits the efficient expenditure of capital funds

Some state financing programs require projects to complete planning before they can receive construction funding. This ensures analysis of cost-effective alternatives has been completed, provides funders with realistic cost estimates that can be used to fully fund projects, and supports the efficient expenditure of public funds. Many outstanding projects funded with capital outlay have still not progressed through planning and design, however.

- As of March 2022, projects that had not yet started construction accounted for roughly 70 percent of unexpended capital outlay funds.

Table 2. Most Outstanding Projects Are Not Shovel-Ready

Project Phase	Number of Projects	Amount Appropriated (in millions)	Outstanding Balance (in millions)	Percent Expended
Not Budgeted or No Executed Grant Agreement	475	\$351.5	\$301.1	14%
Plan & Design	1,504	\$767.0	\$687.4	10%
Construction or Purchase	1,222	\$889.1	\$415.4	53%
Total	3,201	\$2,007.5	\$1,403.9	30%

Source: CPMS

Note: Table excludes earmark projects

The number of funded projects that are not shovel-ready reflects, in part, inconsistent vetting prior to funding. LFC analysis consistently shows the value of project vetting to the efficient expenditure of funds. Most statewide capital projects undergo formal vetting. LFC staff receive and analyze agency capital requests during the interim and agencies appear before legislators to discuss requests in fall budget hearings. Similarly, entities must apply for capital funding earmarked for specific uses through the Water Trust Board, Colonias Infrastructure Board, and Tribal Infrastructure Fund Board. These funding boards generally require planning to be complete before construction funding is awarded and aim to fully fund projects or functional phases. Local projects do not undergo formal vetting.

- As of March 2022, Table 3 demonstrates statewide capital projects had the most efficient overall expenditure rate, followed by the earmarked funds and local projects.
- LFC staff will work during the interim to update recommended voluntary vetting criteria and discuss options for applying those criteria to project requests.

Table 3. Projects Subjected to Formal Vetting Have Spent Down Appropriations More Quickly

Year	Statewide Projects	Water Trust Board, Colonias Infrastructure Fund and Tribal Infrastructure Fund Projects	Local Projects
2018	82%	100%	75%
2019	72%	76%	55%
2020	39%	40%	30%
2021	10%	0%	4%
Total	52%	39%	35%

Sources: CPMS, NMFA, IAD

FUNDS AT RISK OF REVERSION

Entities that receive funding for planning, design, or construction typically have four years to complete projects before funds revert. Appropriations for equipment purchases revert after two years.

As of March, 296 appropriations with reversion dates of June 30, 2022 had outstanding balances of \$59.2 million.

Approximately \$32.1 million appropriated to these projects had yet to be reported as encumbered.

Uncommitted balances are an emerging issue

New Mexico is currently flush with funding for capital projects from a variety of state and federal sources, including federal funds that have gone directly to local and tribal governments and school districts. This rapid accumulation of new money presents the state with a historic opportunity to make major improvements to public infrastructure as well as unusual challenges – including finding enough applicants for funding available from some sources.

Public Schools Capital Outlay Council

- For the first time, the Public Schools Capital Outlay Council does not plan to pursue a bond sale to raise funds for school projects in June 2022 due to low demand after two application cycles did not result in substantial commitments to new projects.

- The balance in the Public Schools Capital Outlay Fund at the start of FY23 is projected to exceed \$500 million.

- Changes to the funding formula and an increase in legislative offsets are contributing to suppressed demand from school districts. The offsets and funding formula changes increased local cost-sharing requirements for many districts. The council has also seen reduced demand from Impact Aid districts due to the elimination of state credits for Impact Aid.

- Reduced demand also reflects the success of the council to date. School facilities in some districts are almost entirely new.

Chart 2. Demand for PSCOC Awards Dropped as Available Funding Spiked



Water Infrastructure

- The New Mexico Finance Authority (NMFA) anticipates a significant increase in revenues to its water infrastructure grant and loan programs in FY23, including a 300 percent increase to the federally-funded Drinking Water State Revolving Loan Fund and a 30 percent increase to the state Water Project Fund and Colonias Infrastructure Project Fund.
- NMFA expects available FY23 funds to exceed requests from applicants meeting all Water Trust Board funding requirements, including those related to planning and design. Demand for planning grants through the Local Government Planning Fund is already low because the private engineers who drive demand on behalf of local governments are otherwise engaged in design and construction work. This reduces the pipeline of projects ready for Water Trust Board funding.

Federal Funds

- New Mexico's remaining unauthorized balance from the American Rescue Plan Act fiscal recovery fund is \$140 million.

\$1 Million and Greater Report (Attachment A)

As of March 2022, LFC staff tracked 478 active capital appropriations of \$1 million or more. A total of \$1.8 billion was appropriated to these projects, which have unexpended balances of approximately \$1.1 billion.

- **Blue Projects, Table 4, page 6:** In the last two quarters, 31 appropriations totaling \$139 million were fully expended or reverted. Key appropriations in this category include \$30 million in general fund to the University of New Mexico for the new UNM Hospital tower; \$16 million in general obligation bonds for renovations to UNM's Clark Hall chemistry building; and a 2008 appropriation for infrastructure improvements at the Spaceport that was reauthorized six times.
- **Red Projects, Table 5, page 7:** Red-rated projects indicate no progress, 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 has presented ongoing challenges and delays for both grantees and contractors. Any \$1 million and greater projects that were reauthorized during the 2022 session were rated red in this quarterly report. The ratings will be revisited after the reauthorizations are formalized and projects have the opportunity to progress again.
 - 89 projects totaling \$230.7 million with \$197.6 million in unexpended balances were rated red this quarter. Projects in this category include three general fund appropriations totaling \$29 million to the Spaceport Authority and one \$5 million STB appropriation to the Spaceport; a \$4.5 million Department of Health project for water infrastructure at Fort Bayard Medical Center; two appropriations totaling \$6.8 million for improvements to the Taos Regional Airport; and a \$4.9 million appropriation for an Albuquerque sports stadium that has been flagged by the Board of Finance for an anti-donation issue that has yet to be resolved.
- **Earmarks:** Balances for projects funded through severance tax bond earmarks are provided in Attachments B (Water Trust Board), C (Colonias Infrastructure Fund), and D (Tribal Infrastructure Fund).

**Table 4. Blue-Rated Projects, FY22 Third Quarter
Major Appropriations Fully Expended or Reverted**

	Agency	Project Description	Year	Fund	Appropriation Amount
1	AOC	AOC Courts and Facility Security	2019	GF	\$1,500,000
2	DFA	DFA MFA NM Housing Trust Fund/Affordable Housing	2019	GF	\$2,000,000
3	DFA	MFA Affordable Housing Act Projects Statewide	2020	STB	\$1,200,000
4	DFA	Albuquerque Fire Rescuer SCBA Purchase	2020	GF	\$2,070,000
5	DHSEM	DHSEM Hidalgo County Emergency Broadcast System	2019	GF	\$1,840,000
6	DOT	San Juan County Road 5500 Bridge Replacement	2018	STB	\$2,472,400
7	DOT	1st Street Improvements Grants	2019	GF	\$1,600,000
8	DOT	Farmington Villa View Flood Control Facility	2019	GF	\$1,084,000
9	EMNRD	Carlsbad Brine Well Remediation – OGRF	2020	OGRF	\$2,000,000
10	ENMU	ENMU-Roswell Automotive Welding Building Renovations	2018	GOB	\$3,000,000
11	GFD	Hatchery Improvements	2018	BIRF	\$1,000,000
12	GSD	GSD Facilities Renovations and Upgrades Statewide	2018	STB	\$1,500,000
13	GSD	Santa Fe Electric Vehicle Charging Stations	2019	STB	\$1,500,000
14	IAD	Sandia Pueblo Mission Hills Construct	2019	GF	\$1,311,795
15	IAD	SFIS Access Road Phase 1	2019	GF	\$1,095,000
16	NMFA	2018 Water Project Fund	2018	STB/WTF	\$17,305,000
17	NMFA	2017 Colonias Infrastructure Project Fund	2017	STB	\$5,222,483
18	NMFA	2018 Colonias Infrastructure Project Fund	2018	STB	\$8,831,925
19	NMSU	NMSU – Dona Ana Branch CC Infrastructure Improvements	2018	GOB	\$1,700,000
20	NMSU	NMSU – Carlsbad Infrastructure & Site Improvements	2018	GOB	\$1,000,000
21	OSE	Indian Water Rights Settlement	2019	GF	\$2,000,000
22	PED	PED School Bus Replacement Statewide	2018	VSF	\$8,000,000
23	PED	School Bus Replacements – Emt (Vsf)	2021	VSF	\$3,492,000
24	SA	Reauth - Spaceport Transportation Infrastructure Improvements	2008	STBR	\$7,500,000
25	UNM	UNM Clark Hall Chemistry Building Renovations Phase 2	2018	GOB	\$16,000,000
26	UNM	UNM Popejoy Hall Improvements	2019	GF	\$1,000,000
27	UNM	UNM ROTC Facility Phase 2 Improvements	2019	UIF	\$2,000,000
28	UNM	UNM-Taos Klauer Campus Career Center	2018	GOB	\$4,300,000
29	UNM	UNM Health Sciences Center Movement Disorders Center	2019	GF	\$3,500,000
30	UNM	UNM Hospital Tower Medical Facility & Inpatient Beds	2019	GF	\$30,000,000
31	UNM	UNM-Taos Klauer Campus Site Improvements	2020	GOB	\$2,000,000

**Table 5. Red-Rated Projects, FY22 Third Quarter
No Activity, No Bonds Sold, Reauthorization, Significant Obstacles to Completion**

	Agency	Project Description	Year	Fund	Appropriation Amount	Unspent Balance
1	AOC	AOC Magistrate & District Courts Security Equipment	2018	STB	\$1,400,000	\$86,083
2	ALTSD	Taos Pueblo Senior Day Care Facility Construction	2019	GF	\$1,260,000	\$1,161,657
3	BA	Border Authority Santa Teresa to Sunland Park Rd Extension	2019	GF	\$3,000,000	\$2,877,913
4	BA	Border Authority Columbus LPOE Flood Control	2019	GG	\$3,500,000	\$3,500,000
5	BA	Border Authority Columbus POE Infrastructure	2020	STB	\$1,500,000	\$1,500,000
6	DCA	Tribal Libraries Acquisitions	2018	GOB	\$750,000	\$698,987
7	DFA	Santa Fe Airport Parking Facility Expansion	2018	STB	\$1,500,000	\$1,046,599
8	DFA	Las Cruces Arts & Cultural District Improvements	2019	GF	\$1,000,000	\$815,127
9	DFA	Las Cruces Parking Garage Construction	2019	GF	\$2,000,000	\$1,671,963
10	DFA	Lea County Courthouse Renovation	2019	GF	\$1,000,000	\$990,000
11	DFA	San Juan Regional Medical Center Pediatric Unit Improvements	2019	GF	\$1,900,000	\$1,738,114
12	DFA	Santa Fe County Recovery Program Building & Improvements	2019	GF	\$1,500,000	\$1,485,000
13	DFA	Bernalillo County Transitional Living & Recovery Center	2020	STB	\$1,000,000	\$695,593
14	DFA	Albuquerque Affordable Housing Construction	2020	STB	\$2,500,000	\$2,361,569
15	DFA	San Juan County Regional Hospital Rehabilitation Facility Farmington Renovation	2020	STB	\$2,215,000	\$809,910
16	DFA	Santa Fe County Recovery Center Program Facility Expansion	2020	STB	\$2,090,600	\$2,069,694
17	DFA	Taos Regional Airport Renovation	2020	STB	\$5,400,000	\$5,091,519
18	DFA	Albuquerque Westside Sports Complex Construction	2020	STB	\$1,072,000	\$1,061,280
19	DFA	Albuquerque Fire Rescue Communication and Dispatch Equipment Purchase	2020	STB	\$2,118,000	\$765,021
20	DFA	Albuquerque Dispatch and Record Management System	2020	STB	\$6,000,000	\$4,160,225
21	DFA	Albuquerque Police Department Crime Scene Vehicle	2020	GF	\$2,500,000	\$1,941,235
22	DFA	Albuquerque Sports Stadium & Multiuse Center Construction	2021	STB	\$4,954,750	\$4,905,202
23	DFA	Lea County Courthouse Renovation	2021	STB	\$1,000,000	\$990,000
24	DFA	Santa Fe County Recovery Center Facility Expansion	2021	STB	\$1,305,000	\$1,291,950
25	DFA	Santa Fe Parks Upgrades	2021	STB	\$1,000,000	\$1,000,000
26	DFA	Santa Fe Midtown Infrastructure Construction	2021	STB	\$1,000,000	\$1,000,000

27	DFA	Taos Regional Airport Parking Lot Improvements	2021	STB	\$1,375,000	\$1,375,000
28	DOIT	Reauth - Public Safety Radio Equipment Upgrade	2021	ERRF	\$1,500,000	\$1,500,000
29	DOIT	DOIT Broadband Rural Infrastructure Development Statewide	2019	GF	\$10,000,000	\$5,232,616
30	DOIT	DOIT Albuquerque Radio Communication Bureau Building Renovation	2020	STB	\$1,000,000	\$990,000
31	DOIT	DOIT Statewide Broadband Improvements	2021	STB	\$7,048,000	\$7,048,000
32	DOT	Paseo Del Volcan Construction Bernalillo and Sandoval Counties	2018	STB	\$1,869,500	\$1,869,500
33	DOT	Paseo Del Volcan Construction Bernalillo County & Sandoval County	2019	GF	\$3,911,500	\$3,911,500
34	DOT	Reauth - Interstate 40 And Paseo Del Volcan Intersection	2019	STBR	\$1,467,600	\$1,467,600
35	DOT	Albuquerque Westside Arterial Improvements	2019	GF	\$1,250,000	\$855,512
36	DOT	Paseo Del Norte Improvement Albuquerque	2019	GF	\$2,110,864	\$1,617,690
37	DOT	Paseo Del Norte NW Improvements Albuquerque	2020	STB	\$1,918,000	\$1,918,000
38	DOT	Moonlight Drive Extend Isleta Pueblo	2019	GF	\$1,129,000	\$1,022,278
39	DOT	Dona Ana County International Jetport Runway	2019	GF	\$4,000,000	\$1,819,812
40	DOT	Allison Rd Improvements McKinley County	2019	GF	\$1,500,000	\$1,479,221
41	DOT	Chama to Tierra Amarilla Gas Pipeline Construction	2019	GF	\$2,000,000	\$2,000,000
42	DOT	NN Hwy 371/Navajo Rte 36 Traffic Signal	2019	GF	\$1,300,000	\$1,300,000
43	DOT	East Aztec Arterial Route Construct San Juan County	2019	GF	\$3,158,000	\$3,158,000
44	DOT	Reauth - East Aztec Arterial Route Construction	2015	STBR	\$1,190,413	\$1,190,413
45	DOT	Reauth - East Aztec Arterial Route Construction	2014	STBR	\$3,525,703	\$3,525,703
46	DOT	Tesuque Pueblo Storm Drain Construction	2019	GF	\$1,500,000	\$1,335,001
47	DOT	Belen Retention Pond Construction	2019	GF	\$1,735,000	\$1,504,187
48	DOT	Isleta Boulevard Improve	2020	STB	\$1,050,000	\$1,050,000
49	DOT	Los Lentos Rd & Luscombe Ln Quiet Railroad Zone	2020	STB	\$1,200,000	\$1,200,000
50	DOT	Southeast Loop Bypass Rd Ph 2 Construct Eddy Co	2021	STB	\$1,529,000	\$1,529,000
51	DOT	Riata Rd/Pecos Rd Bridge Construct	2021	STB	\$3,534,481	\$3,520,809
52	DOT	DOT Vehicle Charging Station Purchase and Installation	2021	STB	\$1,230,000	\$1,230,000
53	ENMU	ENMU Roosevelt Science Hall Phase 1	2018	GOB	\$8,000,000	\$7,173,870
54	ENMU	ENMU Roosevelt Science Hall Phase 2	2020	GOB	\$7,000,000	\$6,930,000
55	ED	Vado Wastewater System Extension	2019	GF	\$3,400,000	\$3,092,230

56	ED	Lordsburg Water System Improvements	2019	GF	\$1,000,000	\$643,656
57	ED	Tierra Amarilla Natural Gas Line	2020	STB	\$1,500,000	\$1,486,928
58	ED	Curry & Otero Counties Water System Decontamination	2020	STB	\$3,000,000	\$3,000,000
59	ED	Agua Pura DCA Water System Improvements	2021	STB	\$1,770,000	\$1,770,000
60	GFD	Dam Safety Compliance	2018	GPF	\$1,000,000	\$1,000,000
61	GSD	DPS Infrastructure Improvements Statewide	2016	STBR	\$1,500,000	\$114,378
62	GSD	DPS Firing Range Improvements - Santa Fe	2020	STB	\$1,000,000	\$970,000
63	GSD	DOH Fort Bayard Water Infrastructure	2019	GF	\$4,500,000	\$3,831,619
64	GSD	Oil Conservation District Office - Artesia	2016	STBR	\$1,000,000	\$857,986
65	HED	Dine College Shiprock Agriculture Multipurpose Center	2020	GOB	\$1,300,000	\$1,287,000
66	HED	Dine College Shiprock Agriculture Multipurpose Center	2021	STB	\$1,100,000	\$1,089,000
67	HED	Navajo Tech Academic Building Improvements	2018	GOB	\$3,700,000	\$3,700,000
68	IAD	Navajo Code Talkers Museum & Veterans Center	2019	GF	\$1,054,473	\$864,633
69	IAD	Tse Bonito Judicial Complex Master Plan	2019	GF	\$1,200,000	\$1,021,943
70	IAD	Zuni Pueblo Wastewater Infrastructure Construction	2019	GF	\$2,000,000	\$2,000,000
71	IAD	Navajo Nation Renewable Energy System	2019	GF	\$2,000,000	\$2,000,000
72	IAD	Shiprock Police Department Judicial/Public Safety Complex	2019	GF	\$3,150,000	\$1,229,332
73	IAD	Nambe Pueblo Administration Building Construction	2019	GF	\$1,880,000	\$1,654,444
74	IAD	San Ildefonso Museum & Cultural Center Construction	2019	GF	\$1,266,000	\$1,210,707
75	NMIMT	NM Tech Electrical Door Lock System Upgrades Campus wide	2019	GF	\$1,295,000	\$1,269,104
76	NMIMT	NM Tech Kelly & Gold Buildings & Workman Center Roofs	2019	GF	\$2,056,600	\$1,754,447
77	SF	EXPO NM African American Performing Arts Center Kitchen Addition	2019	GF	\$1,700,000	\$1,700,000
78	NMMC	NNMSS Parking Drain & Infrastructure Improvements	2020	GOB	\$2,500,000	\$2,500,000
79	NMMC	NNMSS HVAC System & Control Improvements	2021	STB	\$1,000,000	\$1,000,000
80	OSE	San Acacia Reach Levee	2016	WPFR	\$2,000,000	\$1,400,000
81	OSE	Farmers Mutual Ditch Improvements San Juan County	2019	GF	\$3,321,000	\$3,321,000
82	PED	Las Vegas City PSD Youth Center	2020	STB	\$1,400,000	\$1,386,000
83	SBVI	NMBVI Residential Cottages & Infrastructure	2016	PSCOF	\$2,294,411	\$2,172,811
84	SA	Spaceport Fuel Farm Installation	2018	STB	\$5,000,000	\$575,847

85	SA	Spaceport America Improvements	2018	GF	\$16,000,000	\$13,466,834
86	SA	Spaceport America Improvements	2019	GF	\$3,000,000	\$1,810,695
87	SA	Master Planning And Construction of a Payload Processing Center	2018	GFR	\$10,000,000	\$10,000,000
88	UNM	UNM ROTC Complex Remodel	2018	GOB	\$6,800,000	\$6,429,362
89	UNM	UNM-Taos Site & Infrastructure Repairs and Improvements	2019	GF	\$1,500,000	\$1,500,000

Outlook for 2022 Interim

- The LFC capital outlay subcommittee will meet three times during the interim, beginning in June. Staff will provide the subcommittee with information on capital trends and major issues, and review agency requests and development of the statewide framework.
- LFC staff will complete site visits to state and local projects during the interim and work to identify key bottlenecks to progress and potential remedies.
- LFC staff will develop a project vetting checklist and discuss options for assisting members and local entities with vetting and prioritizing local projects. The checklist would be informational, not mandatory.