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## FISCAL IMPACT REPORT

ORIGINAL DATE 3/17/07

SPONSOR HTRC LAST UPDATED \_\_\_\_\_ HB CS/936

SHORT TITLE Capital Outlay Projects SB \_\_\_\_\_

ANALYST Kehoe

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
NFI	NFI	N/A	(See Fiscal Impact Implications)

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

### SUMMARY

#### Synopsis of HTRC Committee Substitute

The House Taxation and Revenue Committee Substitute for House Bill 936 reauthorizes projects funded in Laws 2007, Chapter 2 (Senate Bill 710, as amended) and Laws 2007, Chapter 42 (Senate Bill 827, as amended). The bill contains 32 reauthorizations for projects originally requested by members of the House, Senate and the executive. The bill changes the purpose or expands the purpose of the original appropriations authorized during the 2007 Session.

### SIGNIFICANT ISSUES

The purpose of reauthorization of projects may vary from project to project. A reauthorization of a previously funded capital outlay project may change the administering agency, change the purpose of the project, extend the period of expiration of the project, or expand the purpose of the original project.

### FISCAL IMPLICATIONS

The Department of Finance and Administration (DFA), Local Government Division (LGD), is responsible for the administration, distribution and monitoring of special and capital outlay funds appropriated by the legislature. The reports generated by LGD are made available to the Legislature on a quarterly basis, therefore, the exact uncommitted balance for projects or the

reversion dates being reauthorized in this bill is not always known at the time of developing the reauthorization bill. However, if the funding for projects contained in this bill have been obligated or reverted, the reauthorizations contained within this bill become null and void.

### **SIGNIFICANT ISSUES**

The LGD supervises capital projects for all state agencies, public schools and higher education on an electronic capital projects monitoring system. The system provides reports dependent upon data provided by the state and local government entities. This data is not audited, and is only reviewed by LGD for “reasonableness”. Reports generated by the system provide a control number, project description, funding source, appropriation amount, expenditures, encumbrances, uncommitted balances and the percent of the project completed.

The State Board of Finance (BOF) maintains a report by agency reflecting sold, expended and balances for each project authorized for funding from general obligation and severance tax bonds. A separate report provides the amount, in aggregate, of unexpended bond proceeds for each series of bonds. A direct correlation between the LGD and BOF reports is not practical due to a number of factors. Bond sales are issued in multiple series and may contain partial amounts sold in separate issues. The Budget Division monitoring system relies on agency reported data that is not audited. Also, bond expenditures are made on a reimbursement basis of actual expenditures, but expenditures reported in the monitoring system may include payments from other funds that have not been submitted for reimbursement.

The necessity for reauthorizations may include the following:

- Inadequate funding levels: scope of project exceeds available funding
- Grantees unable to meet match contingencies
- Expenditure period is not sufficient for property acquisition such as a right of way purchase or condemnation proceedings
- Projects funded for nonprofit or private entities do not meet the state’s anti-donation requirements
- Project may not be a priority for the receiving governmental entity or operational funds or staffing may not be available for the project
- Lack of planning, communication and oversight among between sponsor of project and administering agency and receiving entity
- Grantees lack proper documentation to draw reimbursement for completed projects or do not draw down reimbursements on a timely basis.

LMK/mt