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SENATE BILL 418

53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017

INTRODUCED BY

George K. Munoz

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AN ACT

RELATING TO HEALTH; ENACTING THE PUBLIC-PRIVATE PARTNERSHIPS ACT; ALLOWING THE STATE AND LOCAL GOVERNMENTS TO ENTER INTO LONG-TERM PARTNERSHIPS WITH PRIVATE SECTOR PARTNERS TO FACILITATE BEHAVIORAL HEALTH PROJECTS; PROVIDING POWERS AND DUTIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. [NEW MATERIAL] SHORT TITLE.--This act may be cited as the "Public-Private Partnerships Act".

- SECTION 2. [NEW MATERIAL] DEFINITIONS.--As used in the Public-Private Partnerships Act:
 - "behavioral health project" means: Α.
- (1) a building or other facility, together with equipment, for providing behavioral health services, including renovations and improvements to an existing building .206961.2

or facility; and

- (2) a program and equipment for providing behavioral health services at an existing building or facility;
- B. "behavioral health services" means a comprehensive array of professional and ancillary services for the treatment, prevention and identification of mental illnesses, behavioral symptoms associated with developmental disabilities, substance abuse disorders and trauma spectrum disorders and includes behavioral health promotion, prevention, behavioral health screening, diagnostic evaluations, early intervention, crisis intervention, rehabilitation and community support;
- C. "department" means the human services
 department;
- D. "force majeure" means an uncontrollable force or natural disaster not within the power of the public or private partner;
- E. "local government" means a municipality; a county; or a regional entity created by a joint powers agreement between one or more public agencies;
- F. "material default" means a failure of a private partner to perform any duties under a public-private partnership, which failure jeopardizes delivery of adequate service to the public and remains unsatisfied after a reasonable time and after the private partner has received

1	written notice from the public partner of the failure;
2	G. "private partner" means one or more persons who
3	have entered into a public-private partnership with a public
4	partner and who are not the federal government or any agency or
5	instrumentality of the federal government; another state or
6	territory of the United States; a sovereign or foreign
7	government; or the state or an agency, branch, institution,

H. "public partner" means a local government, state agency, state institution or instrumentality of the state;

instrumentality or political subdivision of the state;

- I. "public-private partnership" means an agreement between one or more public partners and one or more private partners for the design, development, financing, construction, operation or maintenance of a behavioral health project; and
- J. "user fee" means a rate, fee or other charge imposed by a partner for use of all or part of a behavioral health project.

SECTION 3. [NEW MATERIAL] PROJECT DELIVERY METHODS-PROPOSALS.--A public partner may provide for the development of
a behavioral health project using a variety of project delivery
methods, which methods shall be documented in written
agreements. The methods may include:

- A. predevelopment agreements leading to other implementing agreements;
 - B. design-build agreements;

1	<pre>C. design-bid-build agreements;</pre>
2	D. design-build-finance agreements;
3	E. construction manager at risk;
4	F. agreements that provide for the private partner
5	to design, build, manage, maintain, operate or lease a
6	behavioral health project; or
7	G. other project delivery methods or agreements or
8	combination of methods or agreements that the public partner
9	determines is most advantageous to the public interest.
10	SECTION 4. [NEW MATERIAL] PROJECT DEVELOPMENT
11	PROCUREMENT
12	A. A public partner may:
13	(1) procure a behavioral health project using
14	any of the following:
15	(a) requests for proposals in which the
16	public partner describes a class of behavioral health project
17	or a geographic area in which a person is invited to submit
18	proposals to develop a behavioral health project;
19	(b) solicitations using requests for
20	qualifications, short-listing of qualified proposers, requests
21	for proposals, negotiations or other procurement procedures;
22	(c) procurements seeking development and
23	finance plans that are most advantageous to the public partner
24	and suitable for the behavioral health project;
25	(d) best-value selection procurements
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	<u>.</u>

based or	n price	or	financial	proposals,	or	both,	or	other
factors	and							

- (e) other procedures that the public partner determines may further the implementation of the Public-Private Partnerships Act; and
- (2) consider an unsolicited proposal if the public partner determines that there is sufficient merit to pursue the unsolicited proposal and a reasonable opportunity for other persons to submit competing proposals for consideration to ensure maximum competition among proposals submitted and the best value for the public partner.
- B. For a procurement in which the public partner issues a request for qualifications or similar solicitation document or following a public partner's decision to consider an unsolicited proposal, the public partner shall issue a request that sets forth the factors that will be evaluated and the manner in which responses will be evaluated.
- C. In evaluating proposals, the public partner, and the department if required, shall:
- (1) consider a range of factors they deem appropriate to obtain the best value for the state or local government; and
- (2) require specific justification and support for a proposal that may affect:
 - (a) public employees' employment; or

- (b) the cost of public service delivery.
- D. The public partner may charge and retain a reasonable administrative fee for the evaluation of an unsolicited behavioral health project proposal and for the cost of experts that are consulted pursuant to Subsection E of this section; provided that the administrative fee shall not exceed the reasonable cost of evaluating the proposal.
- E. The public partner shall consult with in-house or contracted financial, legal, architectural or other experts and advisors to assist in the design, evaluation, negotiation, construction administration and development of public-private partnership agreements for a behavioral health project.
- F. If contractor insurance is required for services procured pursuant to this section, the insurance shall be placed with an insurer authorized to transact insurance in New Mexico or with a surplus lines insurer approved by the office of superintendent of insurance or its successor agency.
- G. In addition to making proposals available to the public pursuant to Subsection H of this section and providing the opportunity for written comments from the public, the public partner shall hold at least one public hearing and may hold additional public hearings prior to entering into a public-private partnership, all of which shall be preceded by at least thirty days' notice. The meetings shall be subject to the Open Meetings Act.

H. Each request for proposals issued pursuant to the Public-Private Partnerships Act shall require the proposer to include with its proposal an executive summary covering the major elements of its proposal that do not address the proposer's price, financing plan or other confidential or proprietary information or trade secrets that the proposer intends to be exempt from disclosure. Any unsolicited proposal shall also include a similar executive summary. After the public-private partnership is awarded and the conclusion of any protest or other challenge to the award, the Inspection of Public Records Act applies to any release of any part of the proposals.

- I. A solicited or unsolicited proposer shall identify those portions of a proposal or other submission that the proposer, with the public partner's concurrence, considers to be a trade secret or confidential commercial, financial or proprietary information. For trade secrets and confidential and proprietary information to be exempt from disclosure, the proposer must do all of the following:
- (1) invoke exclusion on submission of the information or other materials for which protection is sought;
- (2) identify with conspicuous labeling the data or other materials for which protection is sought;
- (3) state the reasons why protection is necessary; and

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request to withhold certain information in a proposal from disclosure and shall issue a written determination either accepting or rejecting the proposer's request. Following the public partner's determination, any portions of the proposal not withheld from disclosure shall be made available to the public by request and the public partner shall maximize public access to the disclosed portions of the proposal through reasonable means available to the public partner.

SECTION 5. [NEW MATERIAL] PROCUREMENTS--RESTRICTIONS.--

The resident preferences provided in Sections 13-1-21 and 13-1-22 NMSA 1978 apply to procurements pursuant to the Public-Private Partnerships Act. The construction of a facility for a behavioral health project is a public works for the purposes of the Public Works Minimum Wage Act, the Subcontractors Fair Practices Act, any other provisions of Chapter 13, Article 4 NMSA 1978 and the Public Works Apprentice and Training Act.

Before it may be awarded, every public-private partnership shall include an operating agreement that defines the roles and responsibilities of the partners. The operating agreement shall require that a behavioral health project be

operated and maintained to the operating and maintenance standards and specifications as set out in the agreement.

C. Should a behavioral health project include building maintenance, as to the maintenance activities, the public partner or department shall not approve a project that displaces an existing government employee unless the employee is offered alternate equivalent employment.

SECTION 6. [NEW MATERIAL] DEPARTMENT--POWERS AND DUTIES-ASSISTANCE WITH DUTIES.--

A. The department shall:

agent, the department of finance and administration, the department of health, the veterans' services department and any other person that the department deems necessary, develop a minimum set of guidelines to implement the provisions of the Public-Private Partnerships Act, including the process that the department shall follow with respect to the public-private partnership agreements that the department is required to review and approve and the information that is required to be included in a requested or unsolicited proposal;

(2) before a public-private partnership may be established, review and approve all public-private partnership agreements that include:

(a) a total behavioral health project cost that is greater than one million dollars (\$1,000,000); or .206961.2

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- (b) a public-private partnership term that is longer than five years;
- establish an evaluation process to (3) determine whether projects should be developed as publicprivate partnerships or using traditional procurement and funding methods prior to the initiation of contract negotiations with a private partner;
- manage public communication and education, including public hearings, regarding the scope, cost and impacts of proposed public-private partnerships in order to maximize the opportunity for public input on proposals;
- (5) encourage maximum competition among private entities to pursue the development and operation of public-private projects in the state;
- (6) serve as a resource for the legislature and its staff regarding the policy and financial impacts of proposals and the implications of proposed or pending behavioral health project agreements on the credit or other obligations of the state;
- (7) provide technical assistance to local governments and regional entities on the use of public-private partnerships to meet their needs; and
- on or before December 1 of each year, (8) submit a report to the legislature on any pending, proposed or completed public-private partnership agreements that the

department is required to review and approve. The report shall specifically name the public-private project, its proposed scope, the proposed finance plan, the status of permitting and land acquisition, if necessary, and a summary of any behavioral health project agreements pending at the time of the report.

- B. The department or a local government may:
- (1) in accordance with Subsection D of Section 4 of the Public-Private Partnerships Act, retain, as necessary, financial, legal and other experts to assist it in carrying out its duties pursuant to the Public-Private Partnerships Act, including assistance with the review of public-private partnership agreements;
- (2) solicit the expertise of state agencies, state institutions, state instrumentalities and local governments to assist the department or local government in carrying out its duties pursuant to the Public-Private Partnerships Act, including reviewing public-private partnership proposals; and
- (3) receive appropriations and money from any other source, including other state agencies or local governments, regional organizations or the federal government, to carry out its duties pursuant to the Public-Private Partnerships Act.
- C. All state agencies, state institutions, state instrumentalities and local governments, as appropriate, shall .206961.2

cooperate with the department or a local government and assist it in carrying out its duties by providing technical assistance, analysis and other services as requested by the department or a local government.

SECTION 7. [NEW MATERIAL] DEPARTMENT--ADVICE AND ASSISTANCE--REVIEW AND APPROVAL OF AGREEMENTS.--With respect to public-private partnership agreements that the department is required to review and approve, and before approving a public-private partnership, the department shall:

- A. assist the public partner in negotiating agreements;
- B. assist the public partner in preparing any documents related to a specific agreement;
- C. identify, and advise the public partner regarding, any relevant federal securities or other laws and related disclosure requirements; and
- D. identify, and advise the public partner regarding, accounting, investment and tax requirements applicable to specific behavioral health projects.
- SECTION 8. [NEW MATERIAL] EVALUATION CRITERIA.--Before entering into a public-private partnership, the public partner, and the department if required, shall consider:
- A. the ability of the behavioral health project to meet the needs of the community in which it is to be located, including improving and streamlining services to the public;

1	providing or enhancing behavioral health services; or otherwise
2	serving a public purpose;
3	B. the proposed cost and financial plan for the
4	behavioral health project;
5	C. the performance benchmarks contained in the
6	proposal;
7	D. the estimated operating costs of the behavioral
8	health project;
9	E. the financial commitment of the private partner;
10	F. the risk of the proposed financing;
11	G. the general reputation, qualifications, industry
12	experience and financial capacity of the proposer;
13	H. the compatibility of the behavioral health
14	project with local and regional plans or other infrastructure
15	plans;
16	I. the feasibility and proposed design and
17	management of the behavioral health project;
18	J. the degree of innovation; efficiency; and
19	technical, scientific, technological and socioeconomic merit of
20	the proposal;
21	K. comments from potential users, local citizens,
22	affected jurisdictions and other interested persons;
23	L. benefits to the public, including improvements
24	in behavioral health, public safety and quality of life;
25	M. the safety record of the proposer;
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N. efforts to be made through the public-private
partnership to retain and train New Mexico residents in
occupations and professions related to planning, design,
construction, project management, general management,
administration, legal, accounting and other areas of the
behavioral health project over the life of the public-private
partnership;
O. the commitment to use New Mexico building
materials and manufactured goods and local services to the

- materials and manufactured goods and local services to the extent possible;
- P. green building design and construction certification by a nationally recognized organization;
- Q. innovations in energy efficiency or generation; and
- R. other criteria that the public partner and the department deem appropriate for consideration.

SECTION 9. [NEW MATERIAL] PUBLIC-PRIVATE PARTNERSHIP AGREEMENTS--REQUIREMENTS.--

- A. In a public-private partnership, the public partner, and the department with respect to public-private partnership proposals that it reviews, shall require an agreement to include provisions, as applicable, that:
- (1) authorize the public partner or the private partner to establish and collect user fees, rents, advertising and sponsorship charges, service charges or other .206961.2

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charges	allowed	in	the	agreement,	including	provisions	that:
				(a) specify	- 1	11 h.a	

collected, accounted for and audited;

establish circumstances under which (b) the public partner may receive all or a share of revenue from such charges; and

(c) govern enforcement of user fees, including provisions for mechanisms to ensure that users are identified and notified of fees owed and provisions that allow the private partner access to information from relevant public databases for enforcement purposes. Negligent use of the data contained in the databases, including unauthorized disclosure of the data, shall result in a civil penalty of ten thousand dollars (\$10,000) for each violation;

- (2) provide for a maximum negotiated rate of return on the private partner's investment, including:
- fees and charges that may be (a) collected directly by the private partner or a third party engaged by the private partner for that purpose;
- (b) a formula for the adjustment of user fees and other charges during the term of the public-private partnership;
- (c) for an agreement that does not include a formula described in Subparagraph (b) of this paragraph, provisions regulating the private partner's return .206961.2

1	on investment; or
2	(d) other strategies that the public
3	partner or the department deems appropriate;
4	(3) allow for payments to be made by the
5	public partner to the private partner, including availability
6	payments or performance-based payments;
7	(4) allow the public partner to accept
8	payments and share revenue with the private partner;
9	(5) address how the public and private
10	partners will share management of the risks of the behavioral
11	health project;
12	(6) specify how the public and private
13	partners will share the costs of development of the behavioral
14	health project;
15	(7) allocate financial responsibility for cost
16	overruns to the partner or partners that were responsible for
17	the cost overruns;
18	(8) establish the damages to be assessed for
19	nonperformance;
20	(9) establish performance criteria or
21	incentives, or both;
22	(10) address the acquisition of property
23	interests that may be required, including provisions that allow
24	the public or private partner to acquire real property,
25	including acquisition by exchange of other real property that
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is owned by the state, a local government or the federal government;

- establish recordkeeping, accounting and (11)auditing standards to be used for the behavioral health project;
- for a behavioral health project with a term that is longer than twenty-five years, address responsibility for reconstruction or renovations that are required so that the behavioral health project meets all applicable government standards before the behavioral health project reverts to the public partner;
- (13) provide for responsibilities for law enforcement on behavioral health projects;
- identify public partner specifications that must be satisfied, including provisions allowing the private partner to request and receive authorization to deviate from the specifications on a showing satisfactory to the public partner that the deviation is necessary;
- (15) require a private partner to provide, either directly or through the principal contractor who is in charge of the project, performance and payment bonds as required by Section 13-4-18 NMSA 1978 for those components of a behavioral health project that involve construction. For components that do not involve construction, require parent company guarantees, letters of credit or other acceptable forms

of security or a combination of any of these, the penal sum or amount of which may be less than one hundred percent of the value of the contract involved based on the public partner's or the department's determination of what is required to adequately protect the public partner, made on a project-by-project basis;

- (16) provide clawback or recapture provisions that protect the public investment; and
- (17) specify remedies available to the parties and dispute resolution procedures to be followed.
- B. The public-private partnership agreement shall include a clear statement of which partner will own any real property pertaining to the behavioral health project when the project reverts to the public partner based on the terms of the agreement.
- C. The term of initial agreements entered into pursuant to the Public-Private Partnerships Act may be for a term not to exceed fifty years, and such agreements may be extended for additional terms; provided that an extension shall be subject to the same review and negotiation process as the original agreement.
- D. The public-private partnership agreement shall contain a provision by which the private partner expressly agrees that it is prohibited from seeking injunctive or other equitable relief to delay, prevent or otherwise hinder the

public partner or any other jurisdiction from developing, constructing or maintaining a behavioral health project that was planned and that would or might affect the revenue that the private partner would or might derive from the behavioral health project developed pursuant to the Public-Private Partnerships Act, except that the agreement may provide for reasonable compensation to the private partner for the adverse effect resulting from development, construction and maintenance of an unplanned facility that affects the behavioral health project's revenue.

E. The state board of finance shall approve the assignment, transfer or sale of assets or investment in a behavioral health project that creates debt obligation of the public partner.

SECTION 10. [NEW MATERIAL] FUNDING AND FINANCING. --

- A. Any lawful source of funding may be used for the development or management of a behavioral health project pursuant to the Public-Private Partnerships Act, including:
- (1) proceeds of grant anticipation revenue bonds, private activity bonds, revenue bonds or other bonds allowed by federal or state law;
- (2) grants, loans, loan guarantees, lines of credit, revolving lines of credit or other arrangements as allowed by federal or state law;
- (3) other federal, state or local revenues; .206961.2

- (4) user fees, lease payments, availability payments, gross or net receipts from sales, proceeds from the sale of development rights, franchise charges, permit charges, advertising and sponsorship charges, service charges or any other lawful form of consideration; and
- (5) other forms of public and private capital that are available.
- B. As security for the payment of financing described in this section, the revenues from the behavioral health project may be pledged, but no pledge of revenues or property constitutes in any manner or to any extent a general obligation of the state or local government, unless explicitly agreed to by the state or local government. Financing may be structured on a senior, parity or subordinate basis to any other financing.
- C. The public partner may accept money from the United States or any of its agencies to carry out the provisions of the Public-Private Partnerships Act, whether the money is made available by grant, loan or other financing arrangement. The public partner assents to any federal requirements, conditions or terms of any federal funding accepted by the public partner pursuant to this subsection. The public partner may enter into agreements or other arrangements with the United States or any of its agencies as may be necessary to carry out the provisions of that act.

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- D. The public partner may accept from any source any grant, donation, gift, conveyance of land, other real or personal property or other thing of value made to the public partner for the purposes of a behavioral health project.
- A behavioral health project may be funded in whole or in part by contributions of money or property made by a private person, a private entity or the state or any agency, institution, instrumentality or political subdivision of the state.
- Federal, state and local money may be combined with private sector money for behavioral health project purposes as allowed by law or by the grant, gift or donation provisions.
- Any revenue bonds issued as a result of the Public-Private Partnerships Act are not general obligations of this state or any local government and are not secured by or payable from any money or assets of the state or any local government other than the money and revenues specifically pledged to the repayment of the revenue bonds.
- SECTION 11. [NEW MATERIAL] USER FEES AT END OF AGREEMENT PERIOD. -- The public partner may continue or cease collection of user fees after the end of the term of the public-private partnership agreement, based on a determination of the behavioral health project's future operations.
- [NEW MATERIAL] REVERSION OF BEHAVIORAL HEALTH SECTION 12. .206961.2

PROJECT TO PUBLIC PARTNER. -- If the public-private partnership is terminated, the powers and duties of the private partner cease, except for any duties and obligations that extend beyond the termination as provided in the public-private partnership agreement, and the behavioral health project reverts to the public partner and shall be dedicated for public use.

SECTION 13. [NEW MATERIAL] MATERIAL DEFAULT--REMEDIES.--

- A. Upon the occurrence and during the continuation of material default by the private partner, not related to an event of force majeure, the public partner may:
- (1) elect to take over the behavioral health project, including the succession of all right, title and interest in the behavioral health project, subject to any liens on revenue previously granted by the private partner; and
- (2) terminate the public-private partnership and exercise any other rights and remedies that may be available.
- B. If the public partner elects to take over a behavioral health project pursuant to Subsection A of this section, the public partner:
- (1) shall collect and pay any revenue that is subject to lien to satisfy an obligation;
- (2) may develop and operate the behavioral health project, impose user fees for the use of the behavioral health project and comply with any service contracts; and

(3) may solicit proposals for the maintenance and operation of the behavioral health project as provided in the Public-Private Partnerships Act for original proposals.

SECTION 14. [NEW MATERIAL] POLICE POWERS--VIOLATIONS OF LAW.--All law enforcement officers of the state or local government have the same powers and jurisdiction within the limits of the behavioral health project as they have in their respective areas of jurisdiction and access to the behavioral health project at any time to exercise such powers and jurisdictions.

SECTION 15. [NEW MATERIAL] UTILITY CROSSINGS.--Subject to the requirements of federal and state laws, contractual agreements and land conveyance documents, a public or private partner and any utility whose facility is to be crossed or relocated shall cooperate fully in planning and arranging the manner of the crossing or relocation of the utility facility.

SECTION 16. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2017.

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