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FISCAL IMPACT REPORT

SPONSOR Dodge/Lundstrom ORIGINAL DATE 1/17/17
 LAST UPDATED 1/26/17 HB 5/aHAFC/aSFC

SHORT TITLE Capital Outlay Project Changes SB _____

ANALYST Kehoe/Pacheco

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
(\$19,756.0)		Nonrecurring	Severance Tax Bond
\$1,004.5		Nonrecurring	Severance Tax Bond
(\$6,000.0)		Nonrecurring	Capital Buildings Repair Fund
(\$1,000.0)		Nonrecurring	Fire Protection Fund
(\$1,000.0)		Nonrecurring	Fire Protection Grant Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY17	FY18	FY19		
\$19,756.0			Nonrecurring	Severance Tax Bond
\$6,000.0			Nonrecurring	General Fund
\$1,000.0			Nonrecurring	General Fund
\$1,000.0			Nonrecurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

House Bill 5, as amended by the House Appropriations & Finance Committee, and further amended by the Senate Finance Committee duplicates Senate Bill 112, as amended.

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendments to House Bill 5, as amended by the House Appropriation & Finance Committee, restores the suspension for one year of the senior severance tax bond allocations to the water, colonias, and tribal infrastructure funds. The amendment further preserves funding to the Office of the State Engineer and the Administrative Office of the Courts for water rights adjudication, and directs the State Board of Finance to re-estimate severance tax bond capacity available for authorization by the Legislature after the bill is enacted. The amendment would provide a non-recurring \$19.8 million to general fund reserves.

Synopsis of HAFC Amendment

The House Appropriations & Finance Committee amendment to House Bill 5 provides as follows:

Item 1, provides for technical language changes to the title.

Item 2, strikes all of section 1 voiding \$12.3 million of taxable proceeds intended to restore general fund capital expenditures made in 2016 and prior years, and strikes section 2 voiding severance tax bond capital projects authorized but unissued totaling \$7.2 million.

Item 3, strikes sections 4 through 7 in their entirety, which relate to the one year suspension of \$20.8 million of earmarked funds for water, tribal and colonias.

Item 4, provides for a technical language change.

Item 5, strikes sections 10 and 11 in their entirety, due to the action taken in items 2 and 3 above, these sections are no longer needed.

Item 6, provides for technical changes to renumber the sections accordingly.

The amendments increase general fund reserves by a non-recurring \$8 million in fiscal year 2017 rather than \$40.1 million proposed in the original bill.

Synopsis of Bill

House Bill 5 reauthorizes taxable bond proceeds and other state funds to restore general fund capital expenditures made on or before June 30, 2016. The bill suspends for one year the severance tax bond capacity earmarked for water, tribal, and colonias infrastructure funds, and provides for non-recurring use of severance tax bonding capacity to assist in addressing solvency issues.

Section 1, subsections A through D deauthorizes the unexpended and unencumbered balances of certain taxable severance tax bond projects appropriated in 2013, 2014, 2015, and 2016 and reauthorizes the proceeds to restore general fund capital expenditures made on or before June 30, 2016.

Section 2, deauthorizes certain severance tax bond projects authorized in 2015 and 2016 for which bonds have not been issued.

Section 3, voids the authorization of funding from the fire protection fund and the fire protection grant fund for the fire fighter burn building in Socorro.

Sections 4 and 5 amend existing law to suspend for one year the senior severance tax bond capacity earmarked to the water project fund, the tribal infrastructure fund, and the colonias infrastructure fund in fiscal year 2017.

Section 6, preserves water rights adjudication funding to the Office of the State Engineer and the Administrative Office of the Courts in the amount they would have otherwise received as a result of the 9 percent allocation to the water project fund.

Section 7, provides for the earmarked severance tax bond proceeds suspended in fiscal year 2017 for the water, tribal, and colonias funds to be appropriated to restore general fund capital expenditures made on or before June 30, 2016.

Section 8, provides a onetime exception requiring approval from the State Board of Finance for use of capitol buildings repair fund (CBRF) for the projects listed in section nine.

Section 9, allows for balances from the CBRF to be used to restore allotments from the general fund for appropriations whose expenditure periods end on or before June 30, 2016, for purposes allowable for use of the CBRF.

Section 10, provides that the BOF shall revise the 2017 bonding capacity available for severance tax bonds authorized by the Legislature promptly after the effective date of this Act.

Section 11, provides for a severability clause in the event any of the projects listed within the bill are held invalid or otherwise cannot be effectuated.

Section 12, provides for an emergency clause.

FISCAL IMPLICATIONS

House Bill 5 proposes to increase general fund reserves by a non-recurring \$40.1 million in fiscal year 2017.

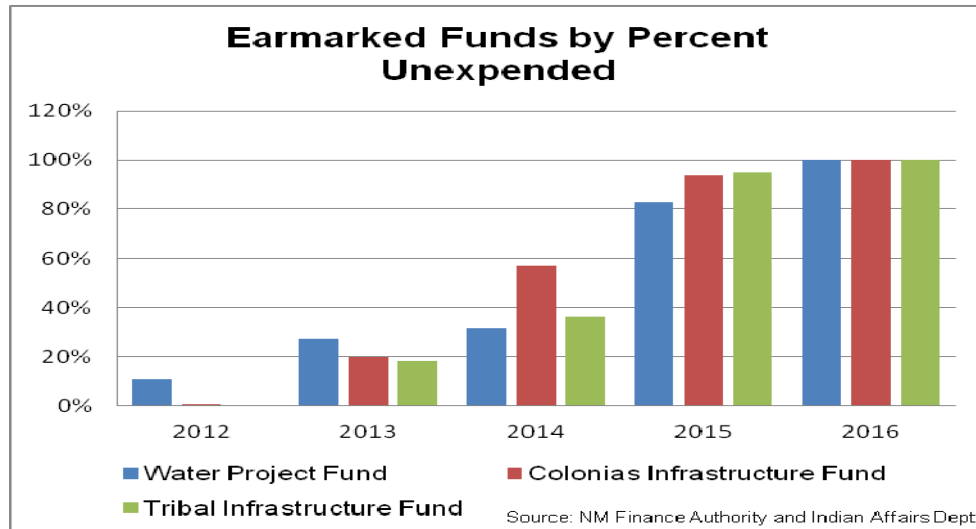
Section 1, subsections A through D provides \$12.3 million of taxable proceeds to be used to restore general fund capital expenditures that were made in fiscal years 2016 and prior, the only 2016 project is LEDA.

Section 2, voids the authorization of nearly \$7.2 million of projects authorized but the bonds have not sold. Voiding the projects adds \$7.2 million to severance tax bond capacity in 2017.

Section 3, voids the authorization of \$1 million from the fire protection fund and \$1 million from the fire protection grant fund. The \$2 million will revert to the general fund at the end of FY17.

Sections 4 and 5 amend existing law to suspend for one year the allocations earmarked for the water, tribal, and colonias infrastructure funds totaling approximately \$20.8 million.

As of October 10, 2016, earmarked balances were approximately \$135.8 million for water (\$63.6 million), colonias (\$38.4 million), and tribal (\$33.8 million) infrastructure projects. The chart below summarizes by year the percent unexpended for all earmarked funds.



Section 6, preserves the allocation of approximately \$1 million to the Office of the State Engineer and the Administrative Office of the Courts for water rights adjudication if the 9 percent for water was not suspended.

Section 7, authorizes the issuance of taxable bonds in the amount of \$19.8 million that would have been allocated to water, tribal and colonias infrastructure funds, but instead the proceeds will be used to restore general fund capital expenditures made on or before June 30, 2016.

As of October 31, 2016, the ending cash balance in the CBRF was approximately \$12.8 million, with \$11.3 million of approved projects unencumbered and not obligated. If this bill is enacted, the General Services Department would have to reprioritize \$6 million of projects in the pipeline that are in the planning stages or have not started.

Section 9, allows for balances totaling \$6 million from the CBRF to be used to restore allotments from the general fund for appropriations whose expenditure periods end on or before June 30, 2016, and for those projects deemed eligible for use of the CBRF.

SIGNIFICANT ISSUES

The overview of executive recommendations released on January 10, 2017, proposes to use the 2017 severance tax bond capacity totaling approximately \$61.9 million to exchange with taxable supplemental severance tax bonds in the same amount for transfer to the states’ reserves. The executive proposal would mean no new capacity for capital outlay projects in 2017. The executive supports suspending allocations to the water, tribal, and colonias funds for one year for use for water rights settlements and acquisitions, water rights adjudication, public safety and economic development initiatives. Individual projects and amounts were not identified.

For 2017, state agency priority capital requests total \$502.7 million while higher education institutions and special and tribal school requests total \$82.1 million. The LFC staff “framework” for consideration by the full Legislature listed in Volume III of the LFC Budget Documents, is based on criteria, site visits, review of infrastructure capital improvement plans, monthly meetings with major departments, and testimony at hearings held in the interim. The proposed projects reflect the most critical projects impacting public health and safety and ongoing projects requiring additional funds to complete. Authorizations to expend money from “other state funds” for capital projects are also listed in Volume III.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 5, as amended by the House Appropriations & Finance Committee, and further amended by the Senate Finance Committee (SFC) duplicates Senate Bill 112, as amended, in its entirety. The SFC amendments increase general fund reserves by a non-recurring \$19.8 million in fiscal year 2017.

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