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FISCAL IMPACT REPORT

ORIGINAL DATE 02/10/17

SPONSOR Campos LAST UPDATED _____ HB _____

SHORT TITLE Capital Planning & Monitoring Act SB 359

ANALYST Kehoe

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	Indeterminate	Indeterminate			Recurring	(See Fiscal Impact)

(Parenthesis () Indicate Expenditure Decreases)

Relate to House Bill 140, House Joint Memorial 4

SOURCES OF INFORMATION

LFC Files

Responses Not Received From
Department of Finance and Administration

SUMMARY

Synopsis of Bill

Senate Bill 359 creates the Capital Outlay Planning and Monitoring Act for the purpose of increasing fiscal and programmatic oversight of capital outlay projects and expenditures. The Act creates a Capital Outlay Planning and Monitoring Division within the Department of Finance and Administration (DFA), allows the new division to promulgate rules necessary for the administration of the Act, requires the new division to prepare and annually update a five-year state capital improvement plan, and repeals New Mexico statute that deals with capital programs, preparations and duties. The effective date of the bill is July 1, 2017. Provisions of the Act propose the following:

Sections 1 and 2, define the terms used within the Capital Outlay Planning and Monitoring Act.

Section 3, creates the Capital Outlay Planning and Monitoring Division within DFA and defines the powers and duties of the new division.

Sections 4 and 5 require the Capital Outlay Planning and Monitoring Division to develop and update yearly a five-year state capital improvements plan detailing the capital projects recommended to be undertaken by eligible entities with state aid or under state regulations and outlines specifics to be included in the plan.

Section 6, requires all executive agencies responsible for capital outlay oversight to file quarterly electronic reports on the status of projects, including appropriations and expenditures, with the new division, and every other recipient of state-funded capital outlay is responsible for filing monthly electronic status reports with the new division.

Sections 7 and 8 create a new Capital Outlay Planning and Monitoring Division within DFA and define or delete certain duties of the Secretary of the DFA.

Section 9, provides a temporary provision for the transfer of the functions, money, appropriations and property from the current Capital Projects Bureau of the State Budget Division of the DFA to the new division within DFA.

Section 10, repeals statute requiring joint preparation, amendment, maintenance and submission of a four-year program on July 1 of each year of major state capital improvement projects undertaken by the state, including those projects undertaken with state aid or under state regulation.

Section 11 provides that the effective date of the proposed Act is July 1, 2017.

FISCAL IMPLICATIONS

Senate Bill 293 does not appropriate state funds. However, creation of a new division within the Department of Finance and Administration could require additional full time equivalent and operating expenses.

SIGNIFICANT ISSUES

Infrastructure needs for both state and local projects continue to grow and require more resources than the state can afford. Over the years, the executive and legislators have discussed the need to fund projects with adequate planning, a method for establishing project priorities and overall management of state funds for state and local projects. Concerns have centered on the ineffective uses of state resources: unspent proceeds, incomplete projects, waste, and misuse.

Over the years, the executive and legislators discussed the need to fund projects with adequate planning, a method for establishing project priorities, and improved overall management of state funds for both state and local projects. While proposed legislation to establish the process has failed to pass the Legislature, the governor issued executive orders intended to provide accountability of state funds for local capital outlay.

In accordance with Section 6-4-1 NMSA 1978 and Executive Order 2012-023, DFA and the General Services Department, Facilities Management Division, were directed to jointly prepare a process to identify and prioritize all state-owned capital improvement projects. The process requires all state agencies to maintain a five-year facilities master plan consistent with the Capital Buildings Planning Commission master plans and comprehensive principles. Each agency's master plan is required to include a preventive and deferred maintenance plan, space and energy efficiency standards, justification for new construction, and a criteria-based weighted ranking system to determine priorities. According to the order, an updated prioritized five-year program for all capital improvement projects must be submitted to the governor and Legislature by November 1 of each year.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 140 would require that a special audit be performed upon completion of all capital outlay projects funded with state monies with a value of \$1 million or greater.

House Joint Memorial 4 proposes creation of an interim committee of the legislature to study the problems of unspent infrastructure funds and inefficient process in funding and to make recommendation measures to improve the state's infrastructure process.

LMK/sb/jle