LFC Requester:	

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
AgencyAnalysis.nmlegis.gov and email to **billanalysis@dfa.nm.gov**
(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: *3/5/2025*
Bill Number: *H450-341*

Check all that apply:
Original _x_ Correction __
Amendment __ Substitute __

Sponsor: Rep. Lente
Short Title: CAPITAL OUTLAY PROJECTS

Agency Name and Code Number: DFA-341
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis ( ) indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis ( ) indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		$675.0	$675.0	$1,350.0	Recurring	GF

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Bill 450 (The Bil)l outlines the establishment and authorization for issuance of severance tax bonds and its expenditure proceeds as well as making appropriations from the general fund and other state funds relating to capital expenditures. It details the certification process from the Department of Finance and Administration (DFA), establishes conditions for the reversion of unexpended balances, appropriates funding and allows for immediate use of funds in the declaration of an emergency.

FISCAL IMPLICATIONS

- The State Board of Finance may issue and sell severance tax bonds (STB) in accordance with the Severance Tax Bonding Act and the federal Internal Revenue Code of 1986 for the total amount of appropriations funded by STBs in the Bill.

- State agencies receiving STB appropriations must certify to the State Board of Finance when the proceeds of the bond sale are needed no later than 6/30/2027. Certification includes encumbrance and expenditure parameters as established by the IRS.

- The unexpended balance of STB appropriations shall revert no later than 6 months after project completion (including if bond proceeds are used to match federal grants), after 2 years for equipment and non-construction-related purchases or after 4 years for construction projects.

- Unexpended balances for STB appropriations revert to the severance tax bonding fund except for appropriations made to the capital program fund or proceeds are a tax-exempt loan or bond for the repayment of debt.

- Appropriations made from the proceeds of STBs are not subject to binding obligations with a third party prior to the administering state agency's approval. "Unexpended balance" is defined as un-incurred costs or expenses.

- Appropriations made from the general fund for equipment and non-construction-related purchases expire after 2 years; appropriations for construction expire after 4 years.

- State agencies receiving general fund appropriations must certify project readiness to DFA no later than 6/30/2027. The reversion of general fund appropriations occurs 3 months after the expiration date for the un-incurred costs or expenses.

- Appropriations made from a fund other than the general fund are not subject to binding obligations with a third party prior to the administering state agency's approval.

- Appropriations made from the Capital Program Fund may be used to pay indirect costs. Unexpended balances for fund appropriations other than general fund revert 6 months after project completion if used to match federal grants, after 2 years for equipment and non-construction related purchases or 4 years for construction projects.

- Over the last 5 years, an average of 1,364 capital outlay (non-GOB) appropriations have been made:
  - 2020 – 1,150 ($422,892,207)
  - 2021 – 1,198 ($511,591,153)
  - 2022 – 1,410 ($823,106,421)
  - 2023 – 1,494 ($1,234,259,983)
  - 2024 – 1,569 ($1,512,955,640)

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

- Improper or inadequate vetting of projects creates the potential for projects that fall short of becoming certified by DFA, projects that revert significant portions of appropriations or request reauthorizations.
- In some cases, funding may be unspent for years due to poor planning or lack of project readiness.
- Due to the number and appropriation amounts, local entities may choose to prioritize projects that have been properly planned or have a high level of project readiness over those in the conceptual stage.

ADMINISTRATIVE IMPLICATIONS

- Due to the volume of capital outlay appropriations each year and the administrative impact it has on the agency,
  - DFA would need 5 FTE in order to process these requests efficiently and effectively.
    - 1 FTE in the infrastructure division to assist with the questionnaire and compliance process,
    - 1 FTE in capital budget to assist with the budgeting of the appropriations,
    - 2 FTE in local government division to assist with the audit reviews and project management,
    - 1 FTE in the administrative services division to assist with processing the pay requests.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP
NA
TECHNICAL ISSUES
NA
OTHER SUBSTANTIVE ISSUES
NA
ALTERNATIVES
NA
WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

- Communities across the state have a dire need for infrastructure projects and improvements across the State, as evidenced by the total request amount each year far exceeding the available funding. Not enacting this Bill could result in the future declaration of emergencies for municipalities, counties, special districts, senior center facilities and Pueblos and Tribes across New Mexico.

AMENDMENTS