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FISCAL IMPACT REPORT

SPONSOR: Campos DATE TYPED: 03/15/01 HB _____
 SHORT TITLE: Capital Projects Act SB 667/aSFC
 ANALYST: Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		NFI			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
 General Services Department (GSD)
 New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment strikes the \$200.0 appropriation to cover the start-up costs for the Capital Projects Council.

Synopsis of Original Bill

Senate Bill 667 creates the Capital Projects Act; establishes the Capital Projects Council; provides procedures for evaluating and prioritizing proposed capital projects; and appropriates \$200,000 from the general fund to the Capital Projects Fund for the purpose of carrying out the Act;

Significant Issues

Capital Projects Council

Senate Bill 667 creates a council of experts and proposes a process to evaluate and prioritize all statewide and local capital outlay projects prior to consideration and funding by the Legislature.

The Capital Projects Council consists of 17 members to reflect the ethnic, economic, geographic and professional diversity of the state. The members include the secretary's of Finance & Administration, General Services, and Highway Departments; the Superintendent of Public Instruction; a member of the House appointed by the Speaker; a member of the Senate appointed by the President Pro

Tempore; one member of each representing a two-year and four-year institution, the Native American community, counties, municipalities, and the construction industry; and five members representing the public at large, each one residing in a different Public Regulation Commission district. Except for representatives of the House and Senate, members are appointed by the Governor, with the advice and consent of the Senate. No more than six shall be members of the same political party and will serve three-year terms (staggered the first year).

The Council would submit criteria and procedures for evaluating, prioritizing and reporting requirements for approval by the 2002 Legislature. The Council would begin to accept and review capital proposals after July 1, 2002, and prioritize the proposals by December 1, 2002, and each year thereafter.

The duties of the Council include improving the process used to plan and prioritize capital projects and use of capital funding available; establishing criteria to evaluate, monitor and oversee review of capital project requests; and developing reporting requirements to ensure cost-effective implementation consistent with funding authorizations. A \$200,000 general fund appropriation is made to the Council for its organizational year. The Council may hire staff or contract for services, and appoint such committees and subcommittees as necessary to carry out its duties. All entities receiving government-funded capital projects would be required to assist the Council in carrying out the provisions of the Capital Projects Act. The bill requires that the Council prepare an annual operating budget for submission to the next Legislature.

Capital Project Fund

The current Capital Projects Fund is repealed and a new Capital Projects Fund is created to which appropriations for capital projects will be made. Money appropriated from all revenue sources, except Severance Tax Bond proceeds, would not revert and be used only for capital projects authorized by the Legislature. After July 1, 2002 projects funded through the Capital Projects Fund, with the exception of projects funded pursuant to the Public School Capital Outlay Act, Public School Capital Improvements Act, and individual projects specifically excluded from the Council's jurisdiction, would be subject to review and reporting requirements of the Council.

Capital Project Proposals

After July 1, 2002, any agency, political subdivision, instrumentality or institution of the state may submit a proposal for a capital project to the Council. Each proposal would be required to contain the following: 1) a detailed description; 2) an explanation of need; 3) a description of the prime beneficiaries; 4) the estimated total cost and an explanation of how the cost was derived; 5) the amount and source of any matching funds; 6) an explanation of how the project will be implemented and maintained, and the amount and source of estimated maintenance costs; and 7) any other information required by the rule of the Council. After receipt of the proposal, the Council will conduct site visits and public hearings, as necessary, and then list all proposals in order of priority. The prioritized projects, methodology, and the Council's recommendations will be submitted to the 2003 Legislature for proposed legislation and consideration.

FISCAL IMPLICATIONS

The appropriation of \$200,000 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2002 shall revert to the general fund. The appropriation is intended for the Council's startup costs only. The Council's budget is required to be submitted to the Legislature on January 2003. There is a potential for lower costs and improved planning for capital projects which could result in reduced operating costs.

ADMINISTRATIVE IMPLICATIONS

The Secretary of General Services would participate as a member of the Council. Capital requests for buildings, communication systems, vehicles and other equipment under GSD jurisdiction would be submitted to the Council. GSD divisions would comply with reporting requirements, which would hopefully co-exist with or replace current reporting requirements. According to NMFA, finance experts are currently performing the functions outlined in Senate Bill 667. Analysis were not requested from other governmental agencies impacted by the bill.

RELATIONSHIP

House Bill 134 relating to public schools capital outlay would establish a comprehensive approach to funding capital outlay needs for schools.

TECHNICAL ISSUES

The appropriation should be made to the fund rather than the Council, therefore, the following amendment is offered: On page 9, line 17, change the word "council" to "fund."

OTHER SUBSTANTIVE ISSUES

According to GSD, the proposed Council would consolidate capital planning into a comprehensive statewide function. With so many critical capital needs and limited resources, the proposed Council could provide valuable insight into priorities, especially on a local level. With a standardized request, review and reporting process, there could be better utilization of scarce capital funds and more accountability for appropriate and timely expenditures. It is a responsible approach to capital planning, which would be enhanced by encouraging coordination on a local and regional level to surface community priorities and ensure all capital needs are adequately considered.

Property Control Division is the major GSD recipient of capital project appropriations, which support new construction and renovation, repair and equipment replacement at the state's almost 850 buildings throughout New Mexico. Projects for state facilities compete with other local projects for capital dollars, but coordination at a local level to surface community priorities is not part of the process. In order to protect the public's real estate assets, a more comprehensive approach to recognizing problems and evaluating priorities is needed.

GSD and DFA jointly administer the 4-year plan which requires agencies to submit by July 1st each year their projected capital program for the next 4 years, and by mid-September the specifics of requests for the upcoming legislative session. The review and recommendation process each autumn includes DFA/GSD hearings with agencies and results in the Governor's capital budget. It is unclear whether this process would continue or be replaced by the Capital Projects Council.

The New Mexico Finance Authority had the following comments:

“The New Mexico Finance Authority agrees with the approach. In fact, the finance experts at NMFA are currently performing the functions outlined in SB 667.

In the NMFA Act, the purpose of the NMFA is to coordinate the review and assessment of capital needs in New Mexico and cooperate with and exchange information with federal, state and local government agencies. Since 1995, all Public Project Revolving Fund projects have 1) been governed by rules and regulations approved by the NMFA Legislative Oversight Committee, 2) have been identified by the NMFA Legislative Oversight Committee as it travels throughout the state in the interim, and 3) been approved by the Legislature.

Since 1999, through its Water and Wastewater Project Grant Fund, the NMFA has provided the Legislature with an independent, objective process to evaluate and prioritize capital outlays for water and wastewater projects. The NMFA seeks authorization from the Legislature for all projects that seek to go through the application process. Once authorized, the NMFA carefully evaluates each application to ascertain that the proposed project is a qualified public project and that the entity seeking funds does not have the financial where-with-all to fund the project by debt or available cash balances. By doing this, the NMFA ensures that the available resources are expended in the most cost-effective manner to those entities most in need. The NMFA staff experts then present their findings to the NMFA Board of Directors, an independent board comprised of state officials and finance experts.

In addition, the NMFA process allows the added benefit of being responsive in those times of emergency by providing access to grant funds without Legislative approval. In these instances, the NMFA relies on outside experts at other state agencies to certify that the project is an “emergency public project” and should be considered for a grant. The NMFA’s definition of “emergency public project” is similar to that used by the State Board of Finance. In order for a project to qualify, the project would have to: (1) be required by an unforeseen occurrence or circumstance threatening public health, safety or welfare; (2) require the immediate expenditure of money; and, (3) not be within the available financial resources of the applicant.”