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FISCAL IMPACT REPORT

ORIGINAL DATE 3/18/09

SPONSOR SFC LAST UPDATED _____ HB _____

SHORT TITLE Capital Outlay Project Reauthorization SB 443/SFCS

ANALYST Kehoe, Burns, Leger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
NFI	NFI	N/A	(See Fiscal Impact Implications)

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 629

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of SFCS

The Senate Finance Committee Substitute for Senate Bill 443 reauthorizes funding for projects authorized in previous years. The reauthorization of projects may vary from project to project. A reauthorization of a previously funded capital outlay project may change the administering agency, completely change the purpose of the project, extend the reversion date, or expand the purpose of the original intent of a project.

FISCAL IMPLICATIONS

The reauthorizations contained in this bill are a non-recurring expense to the severance tax bond fund, general fund, and other state funds. Any unexpended or unencumbered balance remaining at the end of the designated fiscal year shall revert to the originating funding source.

The Local Government Division (LGD) of the Department of Finance and Administration (DFA) is responsible for operating and maintaining the Capital Project Monitoring System (CPMS). LGD generates quarterly reports from CPMS demonstrating the year and amount of an appropriation, expenditures, encumbrances, and balances for all active capital projects. The last quarterly report was updated as of December 5, 2008. Therefore, any obligations to contractors, outstanding expenditures, and exact uncommitted balances for projects reauthorized in this bill may not have been known at the time of developing this bill. Consequently, if the funding for

projects contained in this bill have been obligated for work in progress or have reverted, the reauthorizations contained within this bill become void.

SIGNIFICANT ISSUES

The Senate Finance Committee Substitute for Senate Bill 443 reauthorizes projects funded in previous years. The bill contains 553 project reauthorizations – 71 requested by the executive, 230 requested by House members and 252 requested by Senate members. Highlights of selected projects are as follows:

- Sections 15 through 17 – reauthorizes nearly \$500,000 originally authorized for a regional emergency dispatch and operations center in Raton, improvements to the wastewater treatment plant and sludge dewatering system in Red River, and renovations to the Roy theater in Harding county. The new purpose is to plan, design, install, equip and furnish exhibits at the Anderson-Abruzzo International Balloon Museum in Albuquerque (Laws of 2009, Chapter 5, for FY09 solvency voided \$749,285 for this project).
- Section 21 – reauthorizes \$550,000 originally authorized to provide telemetric water metering for the Elephant Butte irrigation district. The funds are reauthorized to the Department of Finance and Administration to purchase property in and around the downtown area for public facilities in Albuquerque.
- Section 23 through 32 broadens the language to allow for construction of an addition to the Albuquerque Explora Science Center, and extends the reversion date to 2011.
- Sections 50, 51 & 52 – reauthorizes \$300,000 originally authorized for a regional emergency dispatch and operations center in Raton and infrastructure improvements in Rodey and Milagro in Dona Ana County. The funds are reauthorized to conduct a feasibility study for a direct route from the Albuquerque Sunport Airport to the Rail Runner Depot in Albuquerque.
- Sections 84, 85 & 354 – reauthorizes approximately \$800,000 originally authorized for Grant County for a public library, dormitories for Navajo students at Aztec high school, and construction at Dine College. The funds are reauthorized to the University of New Mexico Pit Sports Arena.
- Sections 184 through 187 – reauthorizes approximately \$420,000 originally authorized for a swimming pool in Grants. The funds are reauthorized for improvements to parks in Grants in Cibola County.
- Sections 222 through 231 – reauthorizes approximately \$1 million from various local projects throughout the state. The funds are reauthorized to New Mexico State University (NMSU) for athletic facilities, football program technology and equipment, locker room improvements, improvements of the women’s soccer stadium and to purchase a vehicle for the NMSU Department of Agriculture.
- Sections 236 through 244 – reauthorizes \$1.1 million from various local projects in Dona Ana County. The funds are reauthorized for a multipurpose/community center in San Miguel in Dona Ana County.

- Sections 323 through 339 – reauthorizes nearly \$600,000 in unexpended funds for various idle projects. The funds are reauthorized for the construction of the Mora County Courthouse.
- Section 366 – reauthorizes \$470,000 originally authorized for Laguna Pueblo water and wastewater. The funds are reauthorized to Mesalands Community College for the North American Wind Research and Training Center. Mesalands indicates a shortfall of \$610,000 exists for the project.
- Section 367 & 368 – reauthorizes approximately \$1.4 million originally authorized for a dormitory at Aztec High School and strategic water reserve for the Endangered Species Act. The funds are reauthorized for improvements and redevelopment of downtown infrastructure in Tucumcari in Quay County.
- Section 393 through 397 – reauthorizes nearly \$1.1 million originally authorized for various projects in San Juan and McKinley Counties. The funds are reauthorized to construct a home for women and children in Shiprock in San Juan County.
- Section 437 through 440 – reauthorizes approximately \$550,000 originally authorized for various projects in Sandoval County. The funds are reauthorized for furniture, fixtures and equipment related to the opening of Sue Cleveland High School in Rio Rancho.
- Section 449 through 452 – reauthorizes approximately \$340,000 originally authorized for a senior housing project in Santa Fe County. The funds are reauthorized to acquire land, construct, equip and furnish or make improvements for a public housing project in Santa Fe County.
- Section 479 and 480 – reauthorizes approximately \$335,000 originally authorized to furnish a visitor center in Gallup and for construction of the Santa Fe mountain center. The funds are reauthorized for a multipurpose community center for the Santa Fe Civic Housing Authority.

ADMINISTRATIVE IMPLICATIONS

The Legislature appropriated \$3.7 billion for 19,140 projects between 2002 and 2008. As of December 5, 2008, \$1.7 billion for 7,004 projects was outstanding (including nearly \$600 million appropriated in 2008 for nearly 2,000 projects). Excluding 2008 appropriations, 2,957 projects totaling nearly \$670 million are showing little or no progress.

Following the 2008 Legislative Session, staff of LGD and other state agencies required nearly six months to research and to establish budget documents for 442 projects reauthorized in 2008. It may take the same amount of time or longer for state agencies to research the 553 projects reauthorized in this bill

RELATIONSHIP

House Bill 629, while not identical, reauthorizes some of the same projects referred to in Senate Bill 443.

OTHER SUBSTANTIVE ISSUES

The joint Legislative Council and Legislative Finance Committee Capital Outlay Subcommittee approved taking five recommended changes to the reauthorization process to the full Legislature for their consideration. They proposed changes are as follows:

- Projects that already have contracts in place or remaining balances under \$50,000 cannot be reauthorized.
- A project can be reauthorized once, except to fix an error.
- The time of expenditure on an appropriation can be extended for only two years.
- If a project received funding from only one legislator, that legislator may reauthorize the balance in its entirety to a new project, or reauthorize the balance to multiple projects in increments of no less than \$100,000 each.
- For projects sponsored jointly, all sponsoring legislators must agree in order for the full amount to be reauthorized to another project. For any portion to be reauthorized, all sponsoring legislators must also agree.

(Please note exceptions to the first two policies can be made only if the receiving state agency certifies to the Legislative Council Service that the project needs to be reauthorized due to tribal government delays.

Although not formally adopted by the Legislature, many legislators followed the proposed reauthorization process. The majority of reauthorizations in this bill extended the period of time, broadened the language, or changed the purpose of the original project. Many legislators continued to reauthorize balances with a value of less than \$50,000. Sponsors complied with the two-year extension for completion of projects and reversion of funds.

The purpose of reauthorization of projects may vary from project to project. The necessity for reauthorizations may include the following:

- Complete a viable project with a budget shortfall
- Inadequate funding levels: scope of project exceeds available funding
- Grantees unable to meet match contingencies
- Expenditure period is not sufficient for property acquisition such as a right of way purchase or condemnation proceedings
- Projects funded for nonprofit or private entities do not meet the state's anti-donation requirements
- Project may not be a priority for the receiving governmental entity or operational funds or staffing may not be available for the project
- Lack of planning, communication and oversight among between sponsor of project and administering agency and receiving entity
- Grantees lack proper documentation to draw reimbursement for completed projects or do not draw down reimbursements on a timely basis.

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