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FISCAL IMPACT REPORT

ORIGINAL DATE 02/13/12

SPONSOR Cisneros LAST UPDATED _____ HB _____

SHORT TITLE Severance Tax Bond Projects SB 65

ANALYST Kehoe/Snyder

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
\$127,800.0		Nonrecurring	Severance Tax Bond Fund
\$1,000.0		Nonrecurring	Equipment Replacement Revolving Fund
\$100.0		Nonrecurring	Game and Fish Bond Retirement Fund
\$547.5		Nonrecurring	Game Protection Fund
\$1,000.0		Nonrecurring	Miners' Trust Fund
\$2,500.0		Nonrecurring	Public School Capital Outlay Fund
\$350.0		Nonrecurring	State Road Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY12	FY13	FY14		
(\$25,000.0)			Nonrecurring	Severance Tax Bond Fund
\$25,000.0			Nonrecurring	State Road Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicate to House Bill 191

SOURCES OF INFORMATION

LFC Files

Responses Received From

Children, Youth and Families Department (CYFD)
New Mexico Corrections Department (NMCD)
Department of Cultural Affairs (DCA)
Energy, Minerals and Natural Resources Department (ENMRD)
New Mexico Environment Department (NMED)
General Services Department (GSD)
Human Services Department (HSD)
Department of Military Affairs (DMA)
Office of the State Engineer (OSE)
Public Education Department (PED)
Public Schools Finance Authority (PSFA)
Department of Public Safety (DPS)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 65 authorizes \$127.8 million from severance tax bond capacity and approximately \$5.5 million from other state funds for various capital outlay projects statewide. The bill contains an emergency clause. A spreadsheet listing the recipients and proposed allocations within this bill is attached.

FISCAL IMPLICATIONS

The estimated severance tax bond (STB) net capacity in fiscal year 2012 is \$130.3 million after deducting amounts from the estimated senior STB gross capacity of \$264.2 million. Deductions are made for the following: \$67.4 for bonds authorized in 2011 Special Session, \$13.6 million for authorized but unissued bonds in 2011 Special Session; 10 percent of capacity equal to \$26.4 million for deposit into the water project fund; 5 percent of capacity equal to \$13.2 million for deposit into the tribal infrastructure project fund; and 5 percent of capacity equal to \$13.2 million for deposit into the colonias infrastructure project fund. Supplemental severance tax bond capacity dedicated for public school construction is approximately \$148.7 million.

The severance tax bond capacity authorized in this bill is a nonrecurring expense to STB capacity and other state funds (OSF). The OSF impacted includes the equipment replacement revolving fund administered by the Department of Information and Technology; the game and fish bond retirement fund and game protection fund administered by the Department of Game and Fish; the Miners' Trust fund; the public school capital outlay fund; and the state road fund. The reauthorizations contained in this bill are a non-recurring expense to the severance tax bond fund. Except for appropriations to the capital program fund, money from STB proceeds and any other state fund contained in this bill may not be used to pay indirect project costs.

For the purposes in sections 1 and 2 of this bill, "unexpended balance" means the remainder of an appropriation after reserving for unpaid costs and expenses covered by binding written obligations to third parties. If an agency has not certified the readiness for STB proceeds by the end of fiscal year 2014, the authorization is void.

Unless otherwise specified, the unexpended balance from STB proceeds and appropriations made from OSF will revert to the originating fund no later than the following dates: 1) for a project appropriated to match federal grants, six months after completion of the project; 2) for a project appropriated to purchase vehicles, including emergency vehicles and other vehicles requiring special equipment, heavy equipment, books, educational technology, or other equipment or furniture not related to a more inclusive construction or renovation project, at the end of the fiscal year two years following the fiscal year in which the severance tax bonds were issued or an appropriation was made for the purchase; and 3) for any other project for which STB were issued or an appropriation was made, within six months of completion of the project, but no later than the end of fiscal year 2016.

In compliance with the Severance Tax Bonding Act, the State Board of Finance (BOF) is authorized to issue and sell STB in an amount not to exceed the total of the amounts appropriated in this bill. The BOF must also comply with the Internal Revenue Code of 1986, as amended. The agencies named in this bill shall certify to the BOF when the money from the proceeds of the severance tax bonds authorized in the bill is needed for the purposes specified in the applicable section of the bill. Before an agency certifies for issuance of the bonds, the project must be developed sufficiently so that the agency reasonably expects to: 1) incur within six months after the applicable bonds have been issued a substantial binding obligation to a third party to expend at least five percent of the bond proceeds for the project; and 2) spend at least eighty-five percent of the bond proceeds within three years after the applicable bonds have been issued.

Based on the certification of project readiness by grantees, the BOF authorizes the sale of bonds. The issuance of tax-exempt bonds for projects not ready to commence leaves the state open to noncompliance with the Internal Revenue Service Code. Failure to spend STB proceeds in a timely manner causes the state, under IRS regulations, to have to rebate interest earnings the state could otherwise use to reduce the cost of a project or to reduce debt service costs.

SIGNIFICANT ISSUES

As in past years, state and local entities are requesting funds well beyond capacity: \$2.3 billion in requests (\$706.1 million state requests and \$1.6 billion for top three local project requests) compared with capacity of \$433 million from all sources. Capacity falls to \$310 million if general obligation bond capacity is reduced to prevent a mill levy increase.

A majority of the projects contained in Senate Bill 66 relate to infrastructure needs at state-owned facilities intended to address public health and safety, projects in progress, preservation of state-owned property value, economic development, projects to replace antiquated systems, and projects depending on federal match dollars to maximize state dollars. Executive agencies whose missions are tied to facility conditions such as hospitals, long-term care facilities, correctional and juvenile facilities, and public safety facilities face a multitude of issues due to substandard and aged facilities unable to meet fire and environmental code compliance.

Most of the projects in the bill were recommended by Legislative Finance Committee (LFC) staff as the framework for consideration by the full Legislature in the 2012 Regular Session. The project selections were based on criteria (approved by the LFC), site visits, review of annual infrastructure capital improvement plans, monthly meetings with major state agencies (Department of Health, Corrections Department, Property Control Division, Department of

Public Safety, and Children, Youth and Families Department), executive hearings, and presentations made before the Capitol Buildings Planning Commission and the LFC during the interim.

Given the state's limited resources, the bill contains reauthorizations of unused balances from previously authorized projects. Specifically, \$4 million of unexpended balances from a 2009 appropriation for land acquisition for a health and human services complex to instead be used for improvements to state buildings, and \$5 million of unexpended balances from the 2011 Special Session appropriation for information technology to instead be used for purchase of public school buses. In addition, at the LFC hearing in December 2011, staff was directed to authorize funds for renovation or construction of pre-kindergarten classrooms from the public school capital outlay fund, contingent upon the approval of the Public School Capital Outlay Council (PSCOC). Following the 2011 Special Session, supplemental severance tax bonds were issued totaling over \$207 million for the public school capital outlay fund for the purpose of public school construction. It is estimated the fund will receive an additional \$147.8 million in FY13.

The PSCOC reopened the deficiency correction process with a commitment to address infrastructure deficiencies at the New Mexico School for the Deaf (NMSD) and the New Mexico School for the Blind and Visually Impaired (NMSBVI). Also, the PSCOC moved to adopt adequate standards for the schools and allow them to apply for annual standards funding. It is anticipated the PSCOC could consider same for pre-kindergarten classrooms.

The bill contains state matching funds for:

- New Mexico Environment Department Wastewater Construction Loan Fund Program (\$1.4 million state match will generate \$7 million from federal funds).
- Aamodt, Taos, and Navajo water rights settlement (\$15 million state match toward required \$130 million state match toward federal dollars totaling over \$1 billion required by 2017).

The bill also contains \$25 million appropriated from STB to the state road fund--\$15 million for major investment projects of which \$6 million is contingent on an equal funding match by local political subdivisions and \$10 million for state highway improvements, including pavement preservation treatments, pavement overlay, rehabilitation, and highway reconstruction statewide. According to NMDOT, "budget and service cuts have taken place over the last two years and the department has experienced increased liability for vehicle damage from \$500,000 to \$1 million due to inadequately maintained roads since 2006. The department's current Pavement Preservation Program four year accumulated funding gap is over \$215 million, impacting 10,450 of unfunded lane miles throughout the state. Deficient miles generally indicate areas in need of reconstruction or rehabilitation that is beyond pavement preservation. It is anticipated that the number of deficient miles will increase in future fiscal years as preventive maintenance funding has declined."

The bill contains funds for enterprise entities such as the Department of Cultural Affairs, New Mexico State Fair, and Cumbres and Toltec Scenic Railroad. The entities depend on capital funds for the continuous preservation of their facilities to attract visitors and generate operational funds.

DUPLICATION

Senate Bill 65 duplicates House Bill 191 in its entirety.

OTHER SUBSTANTIVE ISSUES

The current market conditions and the competition for work have driven down labor costs and profit margins, but it is difficult to predict how long this trend will continue. Delaying shovel-ready projects, in particular completion of the Manuel Lujan, Jr. building located in Santa Fe and the Meadows Long-Term Care facility located in Las Vegas could become costly.

If severance tax bond funds for the most critical projects contained in this bill are not authorized, facilities statewide will continue to deteriorate and be unsafe resulting in possible liability issues for the state.

LMK:SGS/svb

Senate Bill 65 Capital Outlay Projects

SOURCES			
Total Severance Tax Bond Capacity	\$ 130,300,000		
	A	B	
USES	Agency Request	SB 65	Comments
Administrative Offices of the Courts			
Critical Safety & Security Requests	\$ 2,899,800	\$ 1,835,000	Statewide security upgrades for magistrate courts (\$500,000); security cameras, furniture, and fixtures for new 1st Judicial District court house (\$1.1 million); security enhancements for the 4th, 9th, and 11th district courts, including furniture for the Aztec and Farmington courthouse (\$235,000); information technology funds recommended in House Bill 2.
Bernalillo County Metropolitan Court			
Metropolitan Court Building	\$ 244,148	\$ 240,000	For construction of public facilities on fourth floor of courthouse; floor is currently a shell.
Border Authority			
Commercial Lane at Santa Teresa Port of Entry	\$ 350,000	\$ 350,000	To construct a commercial lane and related infrastructure on the southbound road to avoid congestion and back-up of commercial export vehicles; Dona Ana County owns the right-of-way and will oversee project; Border Authority will provide technical assistance with U.S. federal and other border officials.
Children, Youth and Families Department			
Cambiar Model - Long Term Plan	\$ 1,975,154	\$ 1,975,000	To plan, design, and for demolition of existing facility for juvenile facility in southeastern part of the state in accordance with Master Plan.
John Paul Taylor & Youth Diagnostic Center Code Compliance & Infrastructure	\$ 2,050,000	\$ 2,000,000	For code compliance and infrastructure improvements.
Commission of Public Records			
Improvements to Storage Capacity	\$ 500,000	\$ 500,000	For high density shelving; agency currently at 85% capacity for records maintained in Albuquerque and Santa Fe centers and state archives.

Senate Bill 65 Capital Outlay Projects

USES	Agency Request	SB 65	Comments
Expand Santa Fe Records Center	\$ 213,407	\$ -	Recommend Property Control Division address from their funds.
Corrections Department			
Central & Western Correctional Facilities - HVAC	\$ 13,000,000	\$ 12,000,000	To complete last 3 housing units at CNMCF and continue HVAC for all housing units and support buildings at WNMCF.
Statewide Security Upgrades	\$ 4,935,000	\$ -	Recommend funding in 2013 upon completion of statewide security assessment.
Statewide Maintenance and Repairs/Equipment	\$ 5,378,000	\$ 3,000,000	For renovations, repairs, and equipment statewide.
Cultural Affairs Department			
Cultural Assets: Repairs & Maintenance	\$ 9,598,000	\$ 3,500,000	To address major health and safety deficiencies, repairs, and other renovations at museums and state monuments statewide.
Cultural Facilities Completion	\$ 4,175,100	\$ 2,500,000	To complete the most critical unfinished projects, including furniture, equipment, and exhibits.
Cumbres & Toltec Scenic Railroad Commission			
Track Rehabilitation	\$ 1,000,000	\$ 800,000	For track and passenger car rehabilitation.
Economic Development Department			
Mainstreet Capital Outlay Fund	\$ 1,000,000	\$ 1,000,000	For infrastructure projects in designated downtown mainstreet districts statewide.
Energy, Minerals & Natural Resources Department			
Statewide Park Restoration & Law Enforcement Equipment	\$ 3,500,000	\$ 2,500,000	For park renovations statewide (\$2 million); and to purchase specialized law enforcement vehicles (\$500,000).
Hazardous Fuels Mitigation & Fire Protection	\$ 2,000,000	\$ 2,000,000	To conduct wildfire mitigation and forest restoration projects and to purchase wild land fire trucks and equipment for communities at risk listed in the New Mexico Communities at Risk Plan, including but not limited to, unincorporated areas and northern New Mexico pueblos.

Senate Bill 65 Capital Outlay Projects

USES	Agency Request	SB 65	Comments
Environment Department			
Clean Water State Revolving Fund	\$ 1,444,400	\$ 1,400,000	For a 20% match to generate federal funds totaling \$7 million for implementation of the Wastewater Facility Construction Loan Act as required by the terms of federal grant under the Clean Water Act.
Fair, New Mexico State			
Tingley Coliseum Improvements	\$ 600,000	\$ 600,000	To replace HVAC system and to address electrical, mechanical, and code compliance.
Fairground Infrastructure Improvements	\$ 1,500,000	\$ 500,000	To address sewer and other infrastructure issues causing health and safety hazard to fair visitors.
Finance & Administration, Department of			
Critical Capital Project Completion	\$ 11,000,000	\$ 11,000,000	Project list available from LFC or DFA staff.
General Services Department (GSD)			
Statewide Repairs - State-Owned Facilities	\$ 10,000,000	\$ 1,000,000	Recommend reauthorizing \$4 million unexpended funds appropriated in 2009 to acquire land for a health and human services complex to instead be used for the preservation and restoration of state facilities under Property Control Division jurisdiction. (Laws 2009, Chapter 125, Section 7, Subsection 15)
Manuel Lujan, Jr., Building - Renovation Phase I	\$ 10,000,000	\$ 10,000,000	To complete major infrastructure and renovations to the building. (Preliminary assessments funded through American Reinvestment and Recovery Act)
Statewide Demolition/Decommissioning	\$ 2,000,000	\$ 2,000,000	To plan, design, abolish, or remove asbestos for unusable structures causing hazardous conditions on state-owned campuses.
Governor's Commission on Disability			
Accessible Ramp Van with Adaptive Equipment	\$ 50,000	\$ -	\$50,000 is recommended in House Bill 2.

Senate Bill 65 Capital Outlay Projects

USES	Agency Request	SB 65	Comments
Health, Department (DOH)			
Facility Patient Health & Safety	\$ 3,298,599	\$ 3,000,000	To replace aged windows, purchase two ADA passenger vans for NMBHI; and for HVAC, elevator, and fire suppression upgrades at NM Veterans' Home.
NM Behavioral Health Institute - Phase 2A and B Completion	\$ 4,700,082	\$ 4,700,000	To provide supplemental funds to cigarette tax revenues to complete pods necessary to begin movement of patients to the new facility.
Homeland Security, Department			
Statewide Notification System	\$ 100,000	\$ 100,000	To plan and design statewide notification system to transmit emergency information to the public using various communication mediums (texts, e-mails, mobile phones, etc.)
Door Access Cameras	\$ 20,000	\$ -	Recommend Property Control Division address from their funds.
Human Services Department (HSD)			
Commodities/FANS Warehouse Upgrades	\$ 334,261	\$ 250,000	To upgrade and improve commodity warehouse located in Albuquerque; facility receives, stores, and distributes U.S. Department of Agriculture commodities for low income families.
Data/Voice and Communication Room Upgrades	\$ 250,000	\$ 200,000	To upgrade voice and data wiring and install backup cooling units for the computer systems at HSD offices in Farmington, Hobbs, Albuquerque, and Espanola.
Information Technology, Department			
Two-way Radio Narrow Banding	\$ 4,010,000	\$ 3,000,000	For two-way radio services critical for public safety communications. (See additional funding recommendation from "other state funds" below).
Military Affairs, Department			
Statewide Energy/Maintenance/Modernization	\$ 500,000	\$ 500,000	To address deficiencies and maintenance needs for armories statewide; federal government will provide 50% match.

Senate Bill 65 Capital Outlay Projects

USES	Agency Request	SB 65	Comments
Design for Alamogordo Readiness Center	\$ 425,000	\$ 400,000	To plan and design renovations to current facility which is over 30 years old and inadequate to support the assigned unit; project cost is \$4.8 million but federal government will provide 100% of construction costs.
Public Education Department			
School Bus Replacement	\$ 14,960,000	\$ -	Recommend \$5 million from unused balance authorized for Income Support Division information system; federal allocations approved in November 2011 were higher than expected. (Laws 2011, Chapter 5, Section 11)
Prekindergarten Classrooms - Renovation or Construction	\$ 5,000,000	\$ -	To renovate or construct public school prekindergarten classrooms. (See recommendation from "other state funds" below).
Public Safety, Department			
Annual Fleet Maintenance and Replacement	\$ 2,259,500	\$ -	\$4 million appropriated from general fund in 2011 Special Session.
Law Enforcement Academy Dormitories	\$ 3,600,000	\$ 3,600,000	To upgrade plumbing, electrical, mechanical, and other infrastructure improvements to structure built in 1969; facility has serious health concerns with sewage running from second floor to first floor.
Espanola and Chama State Police District Offices	\$ 700,000	\$ 1,000,000	To plan, design, renovate, and expand existing Espanola State Police district office, including a holding cell, built in 1985; of the appropriation, \$300,000 is to purchase and install a modular building to replace the Chama State Police district office recently evacuated due to water damage, mold, and other health and safety issues impacting the officers.
Secretary of State			
Hardware Replacement & Disaster Recovery	\$ 1,000,000	\$ -	Infrastructure improvements and system upgrades recommended in House Bill 2.

Senate Bill 65 Capital Outlay Projects

USES	Agency Request	SB 65	Comments
State Engineer's Office			
Surface Water & Ground Water Measurement Statewide	\$ 1,000,000	\$ 700,000	To purchase and install meters to determine water use, water supply, impairment, public welfare, conservation, water accounting, and the general administration of water within the state.
Springer Dam Rehabilitation	\$ 6,900,000	\$ 6,000,000	To construct and rehabilitate Springer Dam; plan, design, and environmental permits are complete, project will commence Spring 2012.
Indian Water Rights Settlement	\$ 15,200,000	\$ 15,000,000	To provide a partial state match toward federal funds earmarked for the Aamodt, Taos, and Navajo Nation cases. The total required state match due by 2017 is \$130 million to match federal funds totaling nearly \$328 million.
Supreme Court Building Commission			
Supreme Court Building	\$ 1,789,686	\$ 1,700,000	For renovations and repairs to address health and safety deficiencies, code compliance, and security upgrades.
Taxation & Revenue Department			
Clovis Motor Vehicle Office Renovation	\$ 488,240	\$ 450,000	To complete construction, furnish, and equip facility.
Microfilm Equipment Replacement	\$ 233,500	\$ -	Recommend Property Control Division address from their funds.
Transportation, Department			
State Road Fund	\$ -	\$ 15,000,000	For major investment projects of which \$6 million is contingent on an equal funding match by local political subdivisions.
State Road Fund	\$ -	\$ 10,000,000	For state highway improvements, including pavement preservation treatments, pavement overlay, rehabilitation, and highway reconstruction statewide.

Senate Bill 65 Capital Outlay Projects

USES	Agency Request	SB 65	Comments
Workforce Solutions Department			
Liability & Life Safety Issue - Ceilings	\$ 1,622,140	\$ 1,500,000	To remove and replace current ceiling with industry-standard-sized ceiling tile, purchase new HVAC diffusers, and energy efficient lighting; structural integrity of the 35 year-old antiquated suspended ceiling is exhibiting fatigue and structural failure.
Liability & Life Safety Issue - Electrical Upgrades	\$ 175,000	\$ -	Recommend Property Control Division address from their funds.
Land Acquisition for Expansion	\$ 40,000	\$ -	Recommend Property Control Division address from their funds.
Total Severance Tax Bond Request	\$ 158,019,017	\$ 127,800,000	
Other State Fund Requests			
Game & Fish Department - Game Protection Fund	\$ 547,500	\$ 547,500	To address improvements to warehouse, lab, Raton area office, Bear Canyon dam spillway, Gordon railroad crossing safety, alternative energy assessments, and Bernardo house demo and replacement.
Game & Fish Department - Bond Retirement Fund	\$ 100,000	\$ 100,000	To address renovations listed above.
Miners Colfax Medical Center - Miners' Trust Fund	\$ 1,000,000	\$ 1,000,000	To complete stucco project and for paving, drainage, lighting, and security improvements of facility.
Department of Transportation - State Road Fund	\$ 350,000	\$ 350,000	For salt domes statewide.
Department of Information and Technology - Equipment Replacement Revolving Funds	\$ 1,000,000	\$ 1,000,000	Authorization to expend funds from the equipment replacement revolving funds to complete purchase of two-way radio equipment; provides additional funding source for project request above.
Prekindergarten Classroom Renovation or Construction - Public School Capital Outlay Fund	\$ -	\$ 2,500,000	Recommend funding from the public school capital outlay fund to renovate or construct public school prekindergarten classrooms.
Total Other State Fund Authorization	\$ 2,997,500	\$ 5,497,500	
Grand Total	\$ 161,016,517	\$ 133,297,500	