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## FISCAL IMPACT REPORT

SPONSOR SFC ORIGINAL DATE 3/15/17  
 LAST UPDATED 3/17/17 HB \_\_\_\_\_

SHORT TITLE Legislative Public Works Committee SB 262/SFCS/aSFI#1

ANALYST Kehoe/Snyder

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	*Minimal	*Minimal		*See Fiscal Implications		

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to House Joint Memorial 4, Senate Joint Memorial 24, and Senate Bill 359.

### SOURCES OF INFORMATION

LFC Files

### SUMMARY

#### Synopsis of SFI#1 Amendment

Senate Floor Amendment #1 adds a new section that repeals the permanent interim committee effective July 1, 2020.

#### Synopsis of Original Bill

Senate Finance Committee Substitute for Senate Bill 262 creates a permanent interim Legislative Public Works Committee for the purpose of annually hearing and reviewing state-fund capital outlay projects, including the status of capital projects already funded. The interim committee would consist of political proportional representation with nine members of the House appointed by the Speaker and nine members appointed by the Senate Committees' Committee. Senate members may be appointed by the President Pro Tempore, with the consent of the majority of the Committees' Committee if appointment of members is made during the interim. The committee may create subcommittees composed of at least three members, one Senate member and one House member and one member of the minority party from either chamber. The Legislative Council Service (LCS) and Legislative Finance Committee (LFC) would provide staffing for the committee.

## **FISCAL IMPLICATIONS**

The bill will have a minimal impact on the operating budget of the New Mexico LCS and LFC to staff the proposed interim committee.

## **SIGNIFICANT ISSUES**

The bill outlines the duties of the committee. Such duties could include engaging with eligible political subdivisions and state agencies, holding hearings to receive testimony and request information or data from entities to support requests for state capital funding, and evaluate the proposals for funding of capital projects. The committee may also study and review projects to determine project need based on critical health and safety, creation of jobs, other available funding sources, defining a functional phase of a project, the availability of operational and maintenance needs of the project, to ensure project is in the state or local government Infrastructure Capital Improvement Plan, and to determine if state funding is an appropriate source for the project.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

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. The interim committee would consist of members of the LCS and LFC, staffed by the LCS assisted by staff of the LFC. The interim committee would meet during the biennium of the Fifty-Third Legislature, a period of two years beginning in 2017.

Senate Joint Memorial 24 requests the New Mexico Finance Authority Oversight Committee (NMFAOC) and the governor to appoint a committee to study the state's current capital outlay planning, funding, and monitoring processes; and to study state, statewide, regional, and local infrastructure needs as per state and local Capital Outlay Improvement Plans; and to make recommendations for improvements of the process to the Legislature by November 15, 2017.

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, 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.

## **OTHER SUBSTANTIVE ISSUES**

A legislative interim committee was established in 2006 for purposes similar to those proposed in House Joint Memorial 4. The interim committee was composed of members of the Legislative Council and Legislative Finance Committee for the purpose of reviewing issues related to the capital outlay process and for the purpose of making recommendations to the full Legislature for improving the process. The interim committee was not continued in 2008, but the successful outcomes of the committee included revisions to the capital outlay request and reauthorization forms. *The attached Work Plan developed for the interim committee by staff of the LCS and LFC outlines the issues reviewed and discussed by committee.*

Based on a study by the National Association of State Budget Officers, *Capital Budgeting in the States*, good practices for quality capital budgeting require:

- Defining capital expenditures
- Defining maintenance expenditures and identifying funding for maintenance
- Developing a system to prioritize projects and identify criteria used for selection
- Identifying operating costs of each project over a multi-year period
- Effective communication between the legislature and the executive during the capital budget process
- Strengthened review of long-range capital plans
- Integrated planning with debt affordability
- Review of cost-benefit comparisons for private sector participation in capital projects
- Review of long-term leases
- Defining of outcomes for capital investments
- Validating cost estimating methods
- Establishing a tracking system to keep projects on schedule and within budget
- Maintaining an updated inventory system of capital assets
- Maintaining a centralized oversight for capital projects

LMK/SS/sb/jle