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## FISCAL IMPACT REPORT

<b>SPONSOR</b>	<u>HTRC</u>	<b>ORIGINAL DATE</b>	<u>3/08/19</u>		<u>568/HTRCS/aHFI#1/a</u>
		<b>LAST UPDATED</b>	<u>3/13/19</u>	<b>HB</b>	<u>SF1#1/ec</u>
<b>SHORT TITLE</b>	<u>Capital Outlay Reauthorizations</u>			<b>SB</b>	<u></u>
		<b>ANALYST</b>	<u>Armstrong</u>		

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
No Fiscal Impact		Nonrecurring	See Fiscal Narrative

### SOURCES OF INFORMATION

LFC Files

### SUMMARY

#### Synopsis of SF1 #1 Amendment

Senate Floor Amendment #1 made a technical amendment to address a drafting error, correcting an agency reference from “local government division” to “department of environment.

#### Synopsis of HF1 #1 Amendment

House Floor Amendment #1 amends the bill to add one project. The added project is for powerline extensions in the Tohatchi Chapter of the Navajo Nation. The project was originally appropriated in 2007 and has been reauthorized five times since, in 2009, 2011, 2013, 2015, and 2017. The project has not made any expenditures and has a balance of \$210 thousand.

#### Synopsis of Original Bill

The House Taxation and Revenue Committee Substitute for House Bill 568 (HB568/HTRCS) reauthorizes 111 capital projects authorized in previous years from various funds. As of January 2019, the unexpended balance for the projects was approximately \$44.85 million. Reauthorizations of capital outlay projects range from changing the administering agency or the original purpose of the project, extending the reversion date, or expanding the purpose of the original project. The bill has an emergency clause. The table below summarizes the projects included in the bill.

**Projects Reauthorized in HB568/HTRCS**

<b>Orig. Year</b>	<b>Projects</b>	<b>Appropriations</b>	<b>Balance</b>
2008	1	\$ 7,500,000	\$ 1,661,410
2013	6	\$ 13,160,000	\$ 2,587,970
2014	5	\$ 1,698,000	\$ 922,811
2015	79	\$ 52,152,970	\$ 36,323,517
2016	7	\$ 1,402,750	\$ 1,311,940
2018	13	\$ 2,130,300	\$ 2,043,214
<b>Total</b>	<b>111</b>	<b>\$ 78,044,020</b>	<b>\$ 44,850,862</b>

**FISCAL IMPLICATIONS**

The reauthorization of funds contained in this bill do not require new capacity and are a nonrecurring expense to the general fund, severance tax bond (STB) fund, or other state funds. Any unexpended balances remaining at the end of the fiscal year as designated in the bill shall revert to the originating funding source three months after the reversion date.

Section 2(C) of the bill provides that the balance of appropriations made from the general fund or other state funds to the Indian Affairs Department or the Aging and Long-Term Services Department for a project located on lands of an Indian nation, tribe, or pueblo shall revert to the tribal infrastructure project fund.

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 amounts reauthorized for purposes specified 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 reauthorized 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.

For the purpose of the reauthorizations contained in this bill, “unexpended balance” is defined as the remainder of an appropriation after reserving for unpaid costs and expenses covered by binding written obligations to third parties.

**SIGNIFICANT ISSUES**

The Capital Outlay Bureau of the State Budget Division of the Department of Finance and Administration is responsible for the operation and maintenance of the Capital Project Monitoring System (CPMS). Quarterly reports developed by staff of the Legislative Finance

Committee are generated from CPMS demonstrating the year and amount of an appropriation, expenditures, encumbrances, and balances for all active capital projects including reauthorizations.

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