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FISCAL IMPACT REPORT

SPONSOR Cervantes/Tallman ORIGINAL DATE 2/1/19
LAST UPDATED _____ HB _____
SHORT TITLE Legislative Public Works Committee SB 324
ANALYST Armstrong

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	*Minimal	*Minimal	*Minimal	*See Fiscal Implications	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB251

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

Responses Not Received From

Department of Finance and Administration (DFA)

Legislative Council Service (LCS)

SUMMARY

Synopsis of Bill

Senate Bill 324 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, recurring 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.

HED provided the following analysis:

NMHED, as authorized by Statute NMSA 1978 Sections 12-1-21 and NMAC 5.3.9, Capital Budgets – Planning and Funding Recommendations, is required to establish a process by which the NMHED will review capital outlay funding recommendation packages developed by institutions and present those to the higher education department and submit those approved to the legislature annually, using the criteria specific to Institutions of Higher Education.

Currently the NMHED has a committee made up of representatives from the LFC, Department of Finance Capital Outlay Bureau, Department of Finance Budget Division, Department of Energy and Minerals, and NMHED who review the projects with the criteria established per NMAC 5.3.9.8.

The creation of a Legislative Public Works Committee, as defined within the act, does not allow for representation from the NMHED in the development of the criteria. The criteria already developed in NMAC 5.3.9.8 is specific to Higher Education Institutions (HEI) as it relates to educational settings, enrollment growth, instructional space, library, administration and research. These items are important in the evaluation and ranking of projects.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HED analysis notes House Bill 251 creates a higher education coordinating council and outlines its powers and duties, which include duties currently assigned to the NMHED and the New Mexico Board of Finance.

HB251 Section 9 amends Section 21-1-26.12 NMSA 1978 to require the Higher Education Coordinating Council (HECC) to assist NMHED with the development and publishing of a statement of statewide educational needs and guidelines to assist the institutions to develop or modify their strategic plans. It also requires HECC to assist NMHED to conduct studies and make recommendations of statewide educational needs to the governor, legislature, and institutions.

Creation of the HECC, and the duties as assigned by this council in HB251 may differ from the Legislative Public Works Committee when it comes to the needs of capital outlay for Higher Education.

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

JA/sb

**2007 APPROVED
WORK PLAN AND MEETING SCHEDULE
for the
CAPITAL OUTLAY SUBCOMMITTEE
of the
NEW MEXICO LEGISLATIVE COUNCIL
and the
LEGISLATIVE FINANCE COMMITTEE**

Members

Rep. Ben Lujan, Co-Chair
Sen. Ben D. Altamirano, Co-Chair
Sen. Carlos R. Cisneros
Sen. Kent L. Cravens
Sen. Dianna J. Duran
Sen. Carroll H. Leavell
Rep. W. Ken Martinez
Rep. Brian K. Moore
Sen. Leonard Lee Rawson
Rep. Henry Kiki Saavedra
Sen. Michael S. Sanchez
Sen. John Arthur Smith
Rep. Thomas C. Taylor
Rep. Jeannette O. Wallace
Rep. Edward C. Sandoval
Rep. Teresa A. Zanetti

Advisory Members

Rep. Janice E. Arnold-Jones
Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Sen. H. Diane Snyder

The legislative council created a subcommittee of the council and the legislative finance committee to focus on developing processes to improve capital outlay.

Work Plan

To carry out this charge, the subcommittee shall:

1. review "successes" and procedures used during the 2007 legislative session and recommend improvements as needed;
2. hear testimony on critical statewide projects to assess statewide need and prioritize statewide project funding;
3. review and improve criteria for and planning and prioritizing of local projects, and coordination of these procedures with funding;

4. evaluate the current status of project implementation and monitoring for both statewide and local projects; and
5. review the reauthorization process and determine if additional restrictions are necessary.

Meeting Schedule

<u>Date</u>	<u>Location</u>
August 17	Santa Fe
September 20 & 21	Santa Fe
October 16	Santa Fe
November 6	Santa Fe
December 10	Santa Fe