Today’s Topics

- Capital Outlay Bureau – Overview
- Capital Outlay Bills – SB280 & HB568
- Capital Outlay Flow Chart
- Capital Outlay – The Progression
- Contacts
What we do?

The Capital Outlay Bureau (COB) is responsible for:

- Coordinate the funding and administration of capital projects.
- Work closely with executive agencies and Governor to prepare the Executive Capital Budget.
- Oversee the capital budgeting process:
  - The questionnaire process;
  - Identifying local entities;
  - EO Compliance; and
  - Budgeting capital projects.
- Maintain the State Capital Project Monitoring System (CPMS).
- Monitor the expiration dates of all capital appropriations to ensure timely reversions of expired appropriation balances.
- Provide training, assistance and oversight to state and local agencies on the planning, project management and administration of capital project appropriations, including the Infrastructure Capital Improvement Plan (ICIP) for State Agencies.
What is Capital Outlay?

Capital Outlay

- Capital outlay includes but is not limited to:
  - Equipment having a value over $10,000 dollars and a useful life of ten years or more;
  - Major renovations or repairs;
  - Acquisitions of something already in existence;
  - Plan and design specific to a capital project;
  - New structures, meaning the construction of new buildings;
  - Non-structural improvements to land, meaning the grading, leveling, drainage, and landscaping thereof and the construction of roadways, fences, ditches, and sanitary sewers.
2019 Legislative Session

• This legislative session, NM was appropriated almost $1 billion for state and local capital outlay projects.

• These funds are a good step toward meeting the critical infrastructure needs of the state, if they are spent wisely.

• Opportunity: Address the longstanding weaknesses in our capital outlay processes to increase confidence in government and contribute to the future well-being of our citizens.
SB280

• Contained 1580 legislative appropriations totaling $933,026,215
  • 55 appropriations vetoed, 9 appropriations partial vetoed
  • $851,740,143 in GF appropriations
  • $73,406,715 in Other Funding Sources
  • 1433 are 2019 projects & 92 are 2020 projects
  • 333 projects are identified as 2 year appropriations and 1192 projects are identified as 4 year appropriations
  • 46 local entities (62 appropriations) were identified as Non-Compliant with EO 2013-006
Capital Outlay Bills - 2019

SB280 Requirements

• Spending Requirements:
  • Shall not be used to pay indirect project costs.
  • "Unexpended balance" means the remainder of an appropriation after reserving for unpaid costs and expenses covered by binding written obligations to third parties.
  • The local entity or state agency shall encumber 5% of the funds within 6 months of entering into the grant agreement and expend 85% of the funds within 3 years of entering into the grant agreement.
  • Art in Public Places (AIPP).
  • Emergency clause.
SB280 Requirements

- Reversion Requirements:
  - To match federal grants, six months after completion of the project.
  - Non-construction projects revert 6/30/2021.
  - Construction or renovation projects revert 6/30/2023.
  - Appropriations made from the general fund will revert to the capital projects fund.
  - Appropriations made from other funding sources will revert to the originating fund.
  - Appropriations made from the general fund to IAD or ALTSD for a project located on tribal land will revert to the tribal infrastructure project fund.
SB280 Language

• 2019 vs 2020 Appropriations:
  • The following amounts are appropriated from the general fund to the aging and long-term services department for expenditure in fiscal years 2019 through 2023, unless otherwise provided in Section 1 of this act, or in the items below, for the following purposes:
    • 8. three hundred thirty-four thousand dollars ($334,000) for expenditure in fiscal years 2020 through 2023 to plan, design, construct, renovate, equip and furnish the Tijeras senior center in Tijeras in Bernalillo county;
  • Please note above that some appropriations are not authorized until fiscal year 2020. (July 1, 2019)
HB568

- Projects that are reauthorized to completely expend the original authorized amount of the appropriation.
  - Projects reauthorized for extension of time to extend the reversion date.
  - Projects reauthorized for a change of purpose so that the funds can be spent on something other than the original intention.
  - Projects reauthorized to change agency so that the appropriate state agency can be authorized to oversee the project.
  - Combination of all three.
- 114 reauthorized projects in HB568 with 1 being vetoed.
Capital Outlay Bills - 2019

HB2 (Section 5) & Junior Bills

- Capital projects that are authorized through bills other than the capital bill.
  - HB2 (Section 5) – 16 appropriations identified as capital
  - HB548 – 19 appropriations identified as capital
  - SB536 – 23 appropriations identified as capital
  - Will be budgeted through the State Budget Division using an OpBud-4
  - Capital Outlay Bureau will assist in reviewing the budget request
  - All 58 appropriations will be tracked in CPMS
Capital Outlay - The Progression

Infrastructure Capital Improvement Plan (ICIP) Submission

• In accordance with state statute §6-4-1 NMSA 1978 all state agencies must submit their Infrastructure Capital Improvement Plans each year by July 1st.

• Executive Order 2012-023 requires agencies to submit a five-year ICIP to provide critical and comprehensive information to the executive and legislature so they can make informed decisions regarding assistance and funding for capital projects.

  • The plan covers a five year period and is developed each year (2021-2025);
  • Includes policy direction, funding time frames, estimated costs, justifications, and the details of specific infrastructure capital improvement projects proposed, by year, over the five year period;
  • May include repair/replacement of existing infrastructure, and development of new infrastructure;
  • Includes an implementation plan and an estimate of operating/maintenance expenses to assure each planned project’s viability; and
  • Agencies should update their ICIP based on what was previously funded and programmatic changes that impact agencies’ capital needs.
Capital Outlay - The Progression

ICIP Hearing

• State agencies have until July 1 to submit their ICIP in the database.
• Local entities have until between August 2 through September 20.
• State agencies are given some time to correct or adjust their ICIP, as needed.
• COB gathers all of the data to prepare for the ICIP hearings in October.
• ICIP hearings are held at the Roundhouse:
  • Agencies have a block of time to discuss the projects;
  • Hearings last about 3 days;
  • DFA, GSD & LFC staff sit on the review panel.
Capital Outlay - The Progression

Executive Capital Outlay Recommendation

• After hearings, Executive staff (COB & GSD) score the projects based on different factors:
  • Life, health & safety
  • Satisfy Federal, State or Local mandates
  • Complete a fully functional phase
  • Support a necessary function of governance (i.e. – education, public safety, health care)
  • Advance the state’s economy
  • Leverage other available funds
  • Produce operating savings
  • Operations & Maintenance budget fully funded
Capital Outlay - The Progression

Legislative Session

- Once the projects have been scored, the final list of projects is reviewed by DFA, LFC and the Governor’s office.
- The legislators, local entities, and general public will then begin submitting their projects to the Legislative Council Services (LCS) by the due date determined by LCS.
- The list of statewide projects will be inserted into the capital bill along with the list of local projects determined by the legislators.
Capital Outlay - The Progression

Capital Outlay Bill Review

• Once the Capital Bill is dropped and assigned to a committee, the COB begins the review process.
  
  • COB will enter the legislators names into a master spreadsheet showing which projects are listed under their name on the LCS website.
  
  • COB reviews the language in the bill to match the master spreadsheet and recommend any changes to LCS.
  
  • COB will begin the page and line process which entails entering each page and line number of the bill into the master spreadsheet.
  
  • COB will begin reading the bill to ensure that all page, line, sections, paragraph, and descriptions match the master spreadsheet.
The questionnaire process begins with DFA or SBOF sending out a list of questions to each agency to gather information about each project:

- Is the project listed on the entities’ ICIP;
- Is the amount in the bill enough to complete the project or a usable phase;
- Who will own the capital asset;
- If it’s to a non-profit, is there a service agreement in place;
- Are there matching funds available;
- When will the project begin;
- Will the entity be able to encumber/spend the funds in the appropriate time frame; and
- Does the agency recommend veto & why?
Governor Signing Period

• The signing period is 20 days after the end of the Legislative Session.
• COB ensures that all questionnaires are received and information is gathered to assist the Governor in making any veto or partial veto recommendations.
• What does the Governor look for when vetoing a project?
• Once the Governor and DFA have selected the projects for veto, DFA staff will begin the process of “mocking up” the bill.
• The “mock up” will provide a template for which projects will be vetoed or partial vetoed in the actual bill the Governor signs into Law.
Executive Order 2013-006 was established on May 2, 2013 to address the following:

• Lack of audits or findings raise concerns about a grantees’ ability to be a good steward of capital outlay funds thereby increasing the risk of fraud, waste and abuse.
  • Independent audits provide the best assessment of grantees’ accounting methods.
  • Oversight of grantees’ accounting methods is needed to safeguard appropriations and assets.

FIN 9.2 Grants Management—Funding Criteria and Oversight Requirements established by the Financial Control Division of the Department of Finance and Administration (revised September 30, 2013) to create a policy and criteria for implementation of Executive Order 2013-006
State Board of Finance (SBOF) Certification

- When a capital outlay bill is funding projects with Severance Tax Bond (STB) proceeds.
- Funding is not available until the bonds are sold through the State Board of Finance (SBOF).
- Typically there are two Severance Tax Bond sales per year; the first bond sale is in the summer (usually in June), and the second bond sale is in winter (usually in December).
- A Capital Outlay General Obligation Bond (GOB) bill is passed, every other legislative session (in years ending with an even number), during the 30-day session.
- The GOB bill requires approval by registered voters of the state in the November general election.
- The GOB bond sale typically takes place in early spring following voter approval.
Capital Outlay - The Progression

SHARE Budget

• Capital budgets for state agencies are established through an automatic upload in SHARE.
  • The state agencies will be sent a spreadsheet to enter in category information, AIPP amounts and review the remaining fields for accuracy.
  • The state agencies will then need to submit an allotment request form with all appropriations that are ready to budget, signed by the agency CFO.
  • Once these 2 items are received by DFA, COB, we will consolidate the spreadsheet for a mass budget upload into SHARE and forward the allotment request forms to DFA, Financial Control Division (FCD) for the funds to be transferred to the state agency.

• Capital funds that do not go through SHARE to budget will be sent to the state agencies via a warrant or an ACH. (Higher Education Institutions not administered by HED)
SHARE Budget (continued)

- Appropriations in SB280 that are NOT compliant with EO 2013-006
  - The local entity will need to take the appropriate steps to become compliant and/or locate an alternate fiscal agent.
  - Once the local entity is compliant, the budget can be established by the state agency through the following process:
    - Submit a CAPBUD to the DFA, COB through a SHARE Budget Journal
    - Submit all backup documentation in SHARE (attached to the SHARE Budget Journal)
      - A completed CAPBUD form
      - A copy of the law language
      - A copy of any agreements (if applicable)
      - The allotment request form with CFO signature
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Revised 4/27/18
SHARE Budget (continued)

- Appropriations in HB568 (Reauthorizations)
  - For projects where the appropriation was reauthorized for extension of time.
    - Current budgets will need to be reduced in SHARE and then re-established with the new Class Code and BudRef.
    - This can be done by submitting ONE CAPBUD to reduce the budget and establish the new budget.
  - Enter the Budget Journals in SHARE and attach the following documents to the journals:
    - Completed CAPBUD form
    - Copy of the law language
    - Commitment Control printouts showing the current budget being reduced
    - Copy of the CPMS printouts showing the closing of the original appropriation and opening the new appropriation with the correct balance.
SHARE Budget (continued)

• Appropriations in HB568 (Reauthorizations) continued:
  • For projects where the appropriation was reauthorized for change of purpose (same agency):
    • For STB projects, a bond questionnaire will need to be filled out and submitted to the State Board of Finance.
    • Current budgets will need to be reduced in SHARE and then re-established with the new Class Code and BudRef.
    • This can be done by submitting ONE CAPBUD to reduce the budget and establish the new budget.
  • Enter the Budget Journals in SHARE and attach the following documents to the journals:
    • Completed CAPBUD form
    • Copy of the law language
    • Commitment Control printouts showing the current budget being reduced
    • Copy of the CPMS printouts showing the closing of the original appropriation and opening the new appropriation with the correct balance.
SHARE Budget (continued)

• Appropriations in HB568 (Reauthorizations) continued:
  • For projects where the appropriation was reauthorized to a different state agency:
    • For STB projects, a bond questionnaire will need to be filled out by the new state agency and
      submitted to the State Board of Finance.
    • Current budgets will need to be reduced in SHARE by the original state agency.
    • Only after the budgets have been reduced, then new budget can be established with the new Class
      Code and BudRef by the new state agency.
    • This can only be done by submitting TWO CAPBUDs, one to reduce the budget by the original state
      agency and one to establish the new budget by the new state agency.
    • Each agency will need to enter the Budget Journals in SHARE and attach the following
      documents to the journals:
      • Completed CAPBUD form (original agency reducing budget and new agency establishing
        budget)
      • Copy of the law language (each agency)
      • Commitment Control printouts showing the current budget being reduced (original
        agency)
      • Copy of the CPMS printouts showing the closing of the original appropriation (original
        agency) and opening the new appropriation with the correct balance (new agency)
Capital Outlay - The Progression

Inter-governmental Grant Agreement (IGA)

• The agency issues a grant agreement after bonds are sold, compliance with Executive Order 2013-006 is verified, and the appropriation has been budgeted in SHARE.

• Scope of Work - use appropriation law language as a guide when determining scope of work, and ensure all appropriation activity is within the limits of the Bond Projects Disbursement Rule.

• Notice of Obligation (NOO) Exhibit 2 - agency reviews third party agreement and verifies it falls within the scope of work defined in the grant agreement and law language.
  • Local entity provides third party agreement between contractor and local entity (BEFORE IT IS FULLY EXECUTED) to the agency.
  • Agency issues NOO for the amount of the third party agreement or, for the full amount of the appropriation whichever is less.
  • Upon the local entities receipt of the approved NOO, they can execute the third party agreement and proceed with the project.
  • Agency issues a purchase order for the amount listed on the NOO.
The new modified IGA is now available for local entity appropriations.

- Important updates with the modified IGA:
  - Updated Article III to include another designate to include official representative, fiscal agent, and contact person.
  - Updated Article VIII to remove the "Paper Final Report".
  - Updated Article X to add language regarding a timeframe for disposition of STB projects.
  - Removed Exhibit 1 - "Final Report" - now through CPMS.
  - Updated Exhibit 2 (now Exhibit 1) - "Request for Payment Form" - removed notary & added reporting requirements.
  - Updated "NOO Form" (Exhibit 2)- more user friendly.

http://nmdfa.state.nm.us/Capital_Outlay_Bureau.aspx
Capital Outlay - The Progression

Capital Projects Monitoring System (CPMS)

• CPMS is a web-based system used for reporting and monitoring of capital outlay appropriations
  • Used by the Legislative Finance Committee (LFC).
  • Used by the Press and general public.
  • State agencies begin reporting once funding is appropriated.
    • State agency is required to update appropriation information on a quarterly basis by the 15th of March, June, September and December
  • Local entities begin reporting once a grant agreement has been executed.
    • Local entity is required to update appropriation information on monthly basis by the 30th of each month (IGA)

CPMS can be accessed from the DFA-COB website or through the following link: http://cpms.dfa.state.nm.us

CPMS Instructions for Local Entity:

Summary

Capital Outlay Bureau

• Who we are and what we do?
• Capital Outlay Bills - 2019
• Capital Outlay Flowchart
• Capital Outlay – The Progression
• Contacts
Capital Outlay Bureau

Contacts

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