

2020 ICIP Virtual Training Series 3

Understanding the Legislative Process:
An Overview of Capital Outlay Appropriations

Stevie Olson
Legislative Finance Committee Staff
Capital Outlay Analyst

Thank you!

- Jeannette Gallegos, Bureau Chief, Special Services Bureau, Department of Finance and Administration
- ICIP 101: Carmen Morin, Special Services Bureau, Department of Finance and Administration
- ICIP 102: Scott Wright, Community Development Bureau Chief, Department of Finance and Administration
- Wesley Billingsley, Capital Outlay Bureau Chief, Department of Finance and Administration
- New Mexico Association of Regional Councils (Councils of Governments)
- AIPP Presentation: Anna Blyth and Meredith Doborski, Public Art Project Coordinators, NM Arts, Art in Public Places program
- Cost Estimating Presentation: Patricia Bolliger and Dave Maxwell, Stantec Consulting Service Inc.

Today's Agenda

The Legislative Process: An Overview of Capital Outlay Appropriations

- What is the Legislative Finance Committee (LFC) and what is staff's role in the capital outlay process?
- What is the current landscape of the capital outlay process in New Mexico?
- What is the legislative process and why is it important to legislators?
- How can local entities help?
- What is the importance of tracking?

What is the LFC?

- The Legislative Finance Committee is a 16-member committee of senators and representatives.
- Created in 1957, the LFC was established as the fiscal management arm of the Legislature.
- The Committee makes budgetary recommendations to the full Legislature for funding state government, higher education, and public schools.
- The LFC is staffed with full-time analysts, economists, and evaluators who prepare research, reports, and briefs for consideration by legislators.

Insight: Unlike most other states, in New Mexico both the governor and LFC propose comprehensive state budgets to the Legislature.

What is LFC staff role in capital?

- The LFC staff develops a capital outlay “framework” for state-owned facilities legislation for the LFC and full Legislature to consider.
- The development of the “framework” is a year-long process working with the Department of Finance and Administration staff, higher education institutions, state agencies, and other stakeholders.
 - Site visits for major agency requests (prisons, juvenile facilities, hospitals, etc.)
 - Review Infrastructure Capital Improvement Plans (ICIPs) for state agencies and “local” requests
 - Serve on the Higher Education Department Capital Outlay Review Committee and ex-officio members of Executive Capital Outlay Review Committee
- Additionally, LFC staff tracks and reports on the progress of state-owned and local capital projects to legislators.
- LFC staff responds to legislator and constituent requests.

What actions are currently being taken leading into the 2021 session?

- From September to December, the executive and legislative staffs separately analyze capital outlay requests to design budget recommendations.
- Also during the fall, economists from the executive and Legislature develop a consensus revenue estimate. This forecast guides the budget process by predicting how much revenue will be available.
- The LFC finalizes budget recommendations in December.
- State law requires the Governor to submit a budget by January 5 in even-numbered years and by January 10 in odd-numbered years.

Insight: New Mexico is required to pass a balanced budget. The State also maintains reserve funds for unexpected shortfalls.

Why do legislators express significant interest in the capital outlay process?

- Legislators understand the need to invest in state-owned facilities that serve residents statewide: hospitals and long-term care facilities, detention centers, veteran facilities, special schools, recreational facilities, museums, etc.
- Legislators engage to improve the quality of life in their legislative districts: roads, community centers, water systems, wastewater systems, etc.
- Legislators collaborate with state and local officials and the private sector in supporting economic development statewide.

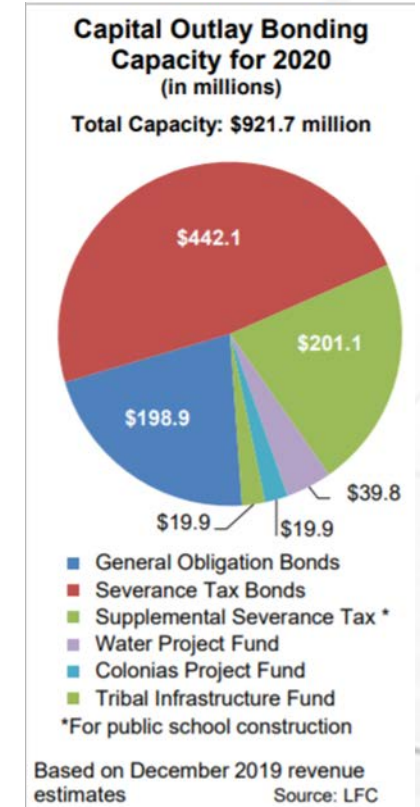
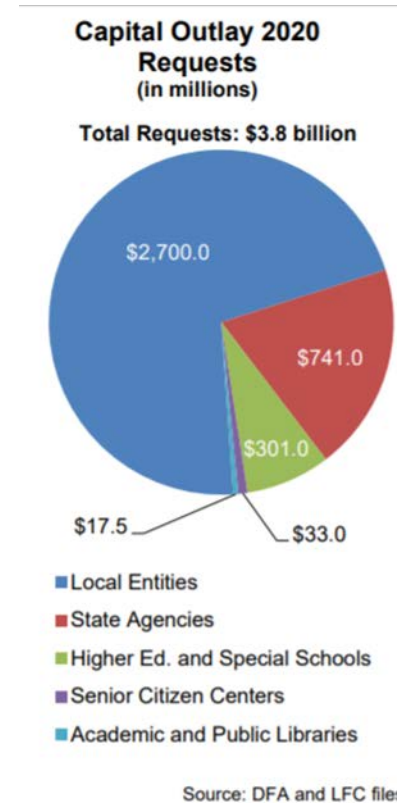
Why is capital outlay funding important to legislators and citizens of New Mexico?

- Long-term investments to improve the quality of life for New Mexicans.
- Provides public goods for residents and visitors that local entities may not have the capacity to finance otherwise.
- Supports local economies and creates jobs by funding construction activity or providing critical infrastructure.
- Realizes savings through efficiencies and asset protection.

How do requests compare to funding?

The Capital Challenge: Not (Never) Enough Funding

- The total requests for capital outlay far exceed available funds.
- In 2020 Session, capital outlay requests totaled \$3.8 billion, including \$200 million authorized from general obligation bonds (on 2020 November ballot).
 - Capacity was estimated at \$921.7 million (or 24% of requests).
 - Local entities requested \$2.7 billion.
- \$132 million appropriated for state-owned facilities.
- \$290.6 million appropriated for “local” projects statewide.



How do we address this challenge?

The following criteria approved by the Committee is applied by staff in making recommendations for state-owned facilities:

- Project will eliminate health and safety hazards and liability issues;
- engineering reports, environmental assessments, etc. are complete;
- other funding is leveraged when possible; and
- project will be complete within a 12- to 18-month period.
- HED and Aging & Long-Term Care Services Department develop their own criteria.

Insight: Guidelines developed in collaboration with the NM Municipal League, NM Counties Association, and staff of the DFA and LFC are provided to assist legislators in local capital funding decision-making. (See next slide for list of key guidelines.)

“Select” key guidelines to legislators in making effective uses of state resources:

- Demonstrate project will reduce potential or actual health and safety hazards and liability issues or will provide sustainable infrastructure for economic development and growth.
- Demonstrate all necessary plans, funds, and resources will be in place to complete a project or within a reasonable timeframe (12 to 18 months) following enactment of the capital bill. **Note:** As statutorily required, if projects funded by severance tax bonds are not certified as ready to begin within two years, funds will automatically revert.
- Require unfinished projects in one local government area be fully funded before funding new projects within the district.
- Grantees should review projects with no activity or expenditures to determine if those projects need additional funding to complete before requesting funds for new project(s).
- Leverage state funds with local, federal, or other sources when possible to fully fund a complete or stand-alone phase.
- Consider that even minimal local contribution is known to improve the project ownership and improve the project outcome.
- Funding regional projects in rural areas is encouraged.
- Ensure the operational and maintenance costs can be adequately addressed.
- Establish a \$100,000 minimum level for projects funded from STB unless a lesser amount is needed to complete a project.
- Non-governmental entities are encouraged to get pre-approval from a local government agreeing to include project in ICIP and to serve as fiscal agent for the project.

How can local requestors be helpful?

- Take time and care while developing ICIP for submission and consider legislative criteria and guidelines for each prioritized project.
- Legislators may not fund projects in ICIP due to high dollar requests and limited allocation to spread amongst multiple districts.
- Submit project in “functional” phases when possible to prevent piece-meal funding.
- Consider other funding including federal programs and the following sources:
 - New Mexico Finance Authority
 - Public Project Revolving Fund
 - Water Trust Fund
 - Drinking Water State Revolving Fund
 - Colonias Infrastructure Fund
 - Local Government Planning Fund
 - NM Indian Affairs Department
 - Tribal Infrastructure Fund
 - NM Environment Department
 - Clean Water State Revolving Fund

Takeaway: Legislative appropriations are not the only way to fund a project, particularly when capacity is volatile.

Capital outlay bill process during legislative session :

- 1 Sponsors of capital bills (severance tax bond and/or general fund, general obligation bond, and reauthorization bill) are determined at LFC hearing in December prior to session.
- 2 Capital bills containing only projects approved by LFC are generally introduced in House or Senate within first two weeks of session and referred to Senate or House finance committees.
- 3 Legislators introduce “capital outlay requests” (HCOR or SCOR) during the session with an introductory deadline much like bills. Deadlines listed on Legislative Council Service website.
- 4 House or Senate finance committees hold hearings on capital bills recommended by LFC, but subject to amendment or substitution.
- 5 House and Senate member capital outlay requests are rolled into a substitute bill.
- 6 Final passage of capital bills often occurs during the last two weeks of the session when all available funding sources are known.
- 7 House and Senate bills, as amended or substituted, are then referred to the House or Senate floor for legislative action.

Insights: (1) In the past few administrations, the Executive, House, and Senate have agreed to fund “statewide projects” off the top of available capital capacity. The governor, House, and Senate then evenly divide the remaining funds for local and other state projects.

(2) It should be noted, New Mexico remains the only state to divide state funds for local capital projects without a centralized department or committee for vetting and determining final funding for local capital projects.

(3) The current process has led to several bills intended to “reform” the capital process, but to-date only administrative changes have been made to improve and manage the projects.

What is the importance of tracking “local” projects?

- Tracking all state resources provides accountability to tax-payers and policy-makers.
- Tracking and managing funds leads to affective uses of both state and local resources.
- Tracking demonstrates unspent proceeds, incomplete projects, waste, and misuse.
- Legislators receive quarterly reports on capital projects and use reports to determine additional funding for local entities.
- As of June 30, 2020, 1,664 “ongoing” local projects authorized between 2016 and 2019 have an unspent balance of \$429.8 million. An additional \$290.6 million was authorized during the 2020 Regular Session.
- Grantees responsible for oversight of the project are required to update the Capital Project Monitoring System monthly (<http://cpms.dfa.state.nm.us/>); state agencies are required to update quarterly.

Why track legislation after capital bill has passed?

- Updates are important because they, in part, determine if money is being used and how monies should be allocated in future years.
- Some entities are not complying with the monthly CPMS updates as required in inter-governmental grant agreements between the state and local entities.
- Updates are many times difficult to interpret as written, making the status of the project unclear.
- CPMS is a tool highly used in determining the voiding or swapping of funds, especially at times when the state is facing solvency.

Poor Update

\$10M Project:
Infra. deployment underway.

Helpful Update

Fire suppression and sprinklers projects have been completed. Lab chairs have been received. Furniture PO for Student Success Center is in process.

Outstanding “local” projects by county (6/30/20)

- Of funds authorized in 2016, three counties had at least 75 percent unspent: Eddy, Mora, and Quay; of funds authorized in 2018, three counties had at least 95 percent unspent: Cibola, Luna, and Socorro; of funds authorized in 2019, six counties had at least 95 percent unspent: Cibola, Harding, Hidalgo, Los Alamos, McKinley, and Torrance.
- If there is no capacity for local projects in 2021, local governments are encouraged to ask legislators to reauthorize stagnant funds to either complete or address other critical needs.

Insight: Visit the LFC website to view state and local legislative quarterly reports (https://www.nmlegis.gov/Entity/LFC/Capital_Outlay_Quarterly_Reports).

Outstanding “local” projects by county (6/30/20)

Red Rated Projects: Minimal Expenditures

Fiscal Agent	County	Approp ID	Approp Year	Approp Title	Approp Amt	Amount Expended	Percent Expended
Albuquerque	Bernalillo	C2434	2018	ALB LOMA LINDA CMTY CTR GYMNASIUM	\$346,400	\$3,464	1%
Albuquerque	Bernalillo	C2451	2018	ALB TAYLOR RANCH LIBRARY COMMUNITY ROOM ADD	\$480,000	\$39,316	8%
Albuquerque	Bernalillo	D2839	2019	ALB CIBOLA LOOP COMMUNITY COMPLEX PH 1	\$600,000	\$6,000	1%
Albuquerque	Bernalillo	D2887	2019	ALB N DOMINGO BACA MULTIGENERATIONAL CTR SPLASH	\$800,000	\$8,000	1%
Albuquerque	Bernalillo	D2899	2019	ALB POLICE DEPT TECH AUTO THEFT	\$610,000	\$0	0%
Tijeras	Bernalillo	D2016	2019	TIJERAS SENIOR CENTER - CONSTRUCT	\$334,000	\$3,340	1%
Milan	Cibola	D2954	2019	MILAN KEARNS FIELD CONSTRUCT & IMPROVE	\$372,000	\$26,127	7%
Las Cruces	Dona Ana	D2996	2019	LAS CRUCES CHILDRENS MUSEUM	\$750,000	\$7,500	1%
Santa Rosa	Guadalupe	D3042	2019	SANTA ROSA PARKS IMPROVE	\$300,000	\$0	0%
Timberon WSD	Otero	D2494	2019	TIMBERON WSD WATER SYS IMPROVE	\$300,000	\$0	0%
Jicarilla Apache Nation	Rio Arriba	D2644	2019	JICARILLA APACHE NATION VACTOR TRUCK PRCHS	\$382,500	\$0	0%
Blanco MDWUA	San Juan	D2514	2019	BLANCO MDWC & MSWA WATER LINE EXTEND	\$500,000	\$0	0%
Valley Water & Sanitation District	San Juan	D2513	2019	VALLEY WATER & SANITATION DIST W/WATER PUMP STN	\$600,000	\$36,872	6%
Rio Rancho	Sandoval	D3179	2019	RIO RANCHO SPORTS COMPLEX NORTH IMPROVE	\$625,000	\$6,250	1%
Rio Rancho	Sandoval	D3403	2019	VERANDA ROAD SAFETY IMPROVEMENTS RIO RANCHO	\$630,000	\$0	0%
Edgewood	Santa Fe	D3406	2019	CHURCH ST IMPROVE EDGEWOOD	\$450,000	\$0	0%
Nambe Pueblo	Santa Fe	D2701	2019	NAMBE PUEBLO HEALTH & WELLNESS CTR EXPAND	\$543,000	\$5,430	1%
Santa Fe County	Santa Fe	D2063	2019	SANTA FE CO NM HWY 14 SENIOR CTR - CONSTRUCT	\$800,000	\$8,000	1%
Santa Fe County	Santa Fe	D3197	2019	EDGEWOOD HEALTH COMMONS PH 2 CONSTRUCT	\$568,273	\$5,683	1%
Red River Valley Charter	Taos	D2406	2019	RED RIVER VALLEY CH SCHL BLDG CONSTRUCT	\$300,000	\$3,000	1%
Taos	Taos	D3414	2019	TAOS CO NM HWY 518 GAS PIPELINE CONSTRUCT	\$900,000	\$0	0%

Red Rated Projects: Reauthorized in 2020

Fiscal Agent	County	Approp ID	Approp Year	Approp Title	Approp Amt	Percent Expended
Albuquerque	Bernalillo	A2373	2016	ALB EXPLORA SCI CTR & CHILDREN'S MUS LEARNING CTR	\$452,000	49%
Albuquerque	Bernalillo	C2437	2018	ALB MOBILE VIDEO TRAILER	\$324,300	86%
Albuquerque	Bernalillo	D2832	2019	ALB ASIAN AND PACIFIC ISLANDER SHELTER FCLTY PLAN	\$507,000	1%
Cibola County	Cibola	D2951	2019	CIBOLA CO HEAVY EQUIP PURCHASE	\$300,000	66%
Dona Ana County	Dona Ana	A2419	2016	DONA ANA CO RADIUM SPRINGS FIRE STATION 8 IMPROVE	\$400,000	8%
McKinley County	McKinley	D3088	2019	MCKINLEY CO ADOLESCENT RECOVERY CTR	\$305,000	1%
Navajo Nation	McKinley	D2602	2019	CASAMERO LAKE CHP POWER LINE EXTEND	\$373,500	0%
Rio Arriba County	Rio Arriba	D3136	2019	RIO ARriba CO RESIDENTIAL RECOVERY FCLTY IMPROVE	\$940,000	1%
San Joaquin del Rio de Chama Land Grant	Rio Arriba	D2573	2019	PIEDRA LUMBRE VISIT CTR PURCH LGC RIO ARriba CO	\$905,000	0%
Farmington	San Juan	A2242	2016	FARMINGTON VILLA VIEW DETENTION PONDS FCLTY	\$550,000	86%
Department of Transportation	Bernalillo/Sandoval	A2540	2016	PASEO DEL VOLCAN ROW BERNALILLO & SANDOVAL COS	\$948,000	0%
Department of Transportation	Sandoval	A2581	2016	PASEO DEL VOLCAN RIGHTS OF WAY SANDOVAL CO	\$580,000	0%
Rio Rancho	Sandoval	A2582	2016	LINCOLN AVE ROW & CONSTRUCT - RIO RANCHO	\$565,000	89%
Manzano Land Grant	Torrance	D3237	2019	LA MERCED DEL MANZANO COMMUNITY CTR CONSTRUCT	\$300,000	1%

Thank you!

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steve.olson@nmlegis.gov