

LFC HEARING BRIEF

AGENCY: LFC Staff

DATE: December 12, 2008

PURPOSE OF BRIEF:

Capital Outlay Quarterly Report, 2009 Capacity and Capital Requests

PREPARED BY: Linda M. Kehoe, Principal Analyst; Jeannae L. Leger, Fiscal Analyst; Kyle Burns, Fiscal Analyst

EXPECTED OUTCOME: Informational

Capital Appropriations with No Activity
(in millions of dollars)

Year	# of projects	Dollar amount
2008	1,743	320.8
2007	1,594	334.9
2006	701	269.3
2005	390	46.8
2004	230	18.0
2003	36	1.8
2002	6	2.3
Total	4,700	\$ 993.9

Source: LFC Files

Note: 2008 excludes \$223.4 million for 194 GOB projects approved by the electorate in November 2008.

BACKGROUND INFORMATION

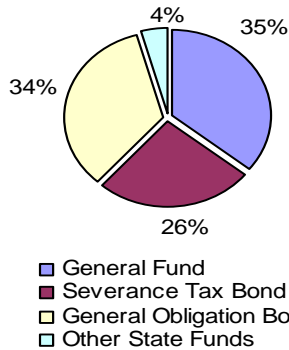
The December 2008 Capital Outlay Quarterly Report provides the Legislative Finance Committee (LFC) and members of the Legislature with the current financial accountability for outstanding capital funding appropriated between 2002 and 2008. The report demonstrates appropriations, expenditures, and balances for all active capital projects and other issues for consideration. The data, updated as of December 5, 2008 is derived from the Capital Project Management System (CPMS) operated and maintained by the Department of Administration.

CAPITAL OUTLAY FUNDING UPDATE

Quarterly Report Results. Analysis of data from the Capital Outlay Monitoring System for outstanding capital funding authorized between 2002 and 2008 demonstrates the following:

- Of \$3.7 billion appropriated between 2002 and 2008, \$1.7 billion for 7,004 projects remains unexpended; \$182.9 million for 679 projects was expended since the last report in September 2008.
- \$1.7 billion unexpended includes \$223.4 million approved by the electorate in November 2008 for 194 projects authorized from general obligation bond capacity (bond sizing expected in February 2009 and bond sale in March 2009).
- Unexpended balances by fund: general fund (\$718.9 million), severance tax bonds (\$533.0 million), general obligation bonds (\$352.0 million), and other state funds (\$55.8 million).
- Excluding 2008 appropriations, \$673 million accounts for 2,957 projects with no expenditures or activity.
- According to CPMS, of the projects with no activity, \$97.8 million is for statewide projects jointly appropriated by the Legislature and the executive; \$507.5 million is for special initiatives and local projects requested by individual legislators and the governor.

Percent of Unexpended Capital Balances by Fund 2002-2008



LEGEND

Project on schedule	214
Behind schedule or little activity	111
No activity or bonds not sold	75
Total Active Projects > \$1	400
Other report information:	
Appropriation expended or project complete	22
X Additional funds needed	17

2008 General Obligation Bond Issue Results:

Bond Issue A:

Senior Projects - \$14.7 million

Bond Issue B:

Library Allocations - \$11 million

Bond Issue C: Health-Related Facilities - \$57.8 million

Bond issue D: Higher Education & Special School Facilities - \$139.9 million

2002-2008 Capital Outlay Funding "Outstanding" Projects Only
(in millions)

Year	Number of Projects	Amount Appropriated	Amount Expended	Amount Unexpended	Percent Expended by Year
2002	14	\$ 36.3	\$ 27.8	\$ 8.5	77%
2003	64	\$ 23.3	\$ 15.2	\$ 8.1	65%
2004	480	\$ 157.5	\$ 96.4	\$ 61.1	61%
2005	772	\$ 239.5	\$ 125.8	\$ 113.7	53%
2006	1,255	\$ 557.2	\$ 131.5	\$ 425.7	24%
2007	2,382	\$ 698.4	\$ 163.4	\$ 535.0	23%
2008	2,037	\$ 590.9	\$ 9.4	\$ 581.5	2%
Total	7,004	\$ 2,303.1	\$ 569.5	\$ 1,733.6	

STATUS OF \$1 MILLION OR GREATER AND HIGHLIGHTS OF SELECT PROJECTS

- Of \$1.7 billion, LFC staff tracks \$1.5 billion for 400 projects funded for \$1 million or greater; funds account for 55 percent of all unexpended funds.
- \$118.4 million was expended and 22 projects closed since the September 2008 Quarterly Report.
- 14 projects authorized in “previous years” require an additional \$170 million for completion; legislators can expect funding requests in 2009 for projects listed in the sidebar.

Major Milestones Achieved in Last Quarter.

Department of Cultural Affairs

- \$3 million general fund and STB appropriated since 2004 for the National Hispanic Cultural Center Education Complex; project is near completion and Certificate of Occupancy was issued on November 17, 2008; DCA is seeking private funding for furniture, fixtures, and equipment.

Indian Affairs Department

- \$5 million STB appropriated in 2008 for the Tribal Infrastructure Fund; 10 infrastructure grants and six planning grants were awarded; projects have an 18 month timeline for completion.

Las Cruces Aquatic & Family Recreation Center

- \$12.8 million general fund and STB appropriated in 2006; construction documents were completed; site preparation has begun with construction to begin December 2008; project completion expected December 2009.

***\$1 Million or Greater
Projects Requiring
Additional Funds:***

Statewide Projects

- Court of Appeals Building (furniture & equipment)
- New Mexico Farm & Ranch Heritage Museum (renovate & construct)
- Museum of Natural History & Science (construction)
- Lake Roberts Dam Spillway (improvements)
- State laboratory services building
- New Mexico State Police forensic crime laboratory
- Lordsburg Port of Entry (construction)
- Veterans' Alzheimer Unit (construction)
- NMHU Student Services Center
- Indian Water Rights Settlement (Navajo/Taos/Aamodt)

Local Projects

- Pecos Wastewater Project
- Pojoaque Valley Area Water/Wastewater System
- Valencia County Water/Wastewater System Master Plan
- Rio Rancho Water Reuse/Distribution Facilities
- Ruidoso Downs Regional Wastewater Treatment Plant
- Albuquerque Senior Affairs Office
- Mora County Judicial Complex

Completed Projects or Significant Activity Since Last Quarter.

Film & Media Production, Education, Training, and other Film Initiatives Statewide

- \$24.7 million general fund and STB appropriated since 2004; of the \$24.7 million, DFA reports the funds will be obligated as follows: balances from 2004, 2006 and 2007 totaling \$6.5 million appropriated to DFA and an additional \$3.5 million appropriated to the Economic Development Department will be committed to Santa Fe County to plan, design, construct, equip and furnish a film and multi-media production studio. Of the 2007 balance of \$5.7 million appropriated to DFA, \$4.7 million will be obligated to UNM to complete construction of the film and digital media center at Mesa del Sol.

Rail Runner Service to Santa Fe

- \$21.6 million STB appropriated since 2004; \$18.9 million expended in the last quarter; track work is complete; full rail service to Santa Fe will be available by December 19, 2008.

PERA Office Building

- \$11.1 million PERA funds appropriated since 2007; \$6.5 million expended in the last quarter; project is 60 percent complete; completion expected by May 1, 2009.

Higher Education Department

- \$4.4 million GOB appropriated in 2004 for Education Information Technology; final draws were submitted and projects have been completed.

University of New Mexico

- \$5 million in general fund appropriated in 2008 for University of New Mexico Health Sciences Center patient care equipment; care beds, patient lift systems, and other equipment was purchased and funds are fully expended.

Projects Requiring Additional Funds or Experiencing Delays.

St. Vincent Regional Medical Center

- \$1.8 million general fund appropriated since 2005 (for renovations, expansion, technology and equipment); hospital submitted reimbursement for expenditures totaling \$1.2 million, but DFA indicates hospital management has not returned a signed grant agreement. Chief executive officer for hospital recently met with DFA to discuss the grant agreement and resolve potential anti-donation issues.

Prior Year Severance Tax Bond Authorizations:

- Water project fund (10% of STB capacity - \$38.6 million
- Spaceport - \$33 million
- DOT maintenance - \$9.6 million
- Grip I - \$19.3 million
- Grip II - \$19.3 million
- North/South Valley sewer system - \$2 million
- GRIP I (special session) - \$75 million
- Other - \$31.9 million

Los Alamos County Road 501 Improvements

- \$2 million general fund appropriated in 2007 to plan, design and construct improvements to county road 501; County expended \$1.5 million, but requires a reauthorization in 2009 to correct “county road” to “state road” and to expand purpose to improve the West Jemez By-pass before reimbursement can be requested.

Dona Ana Revitalization Project & Land Acquisition

- \$1 million STB appropriated in 2006; purpose has changed and county will not be able to expend funds; county will seek reauthorization during the upcoming legislative session.

Red Flag “No Activity” Projects Since Last Quarter.

Indian Affairs Department

- \$1.3 million in general fund appropriated in 2006 for the Crownpoint internet to Hogan access project; \$545 thousand remains unexpended; tribal entity will not use remaining balances; department will request reauthorization of balances in 2009 Session for a different project.

Albuquerque Senior Affairs Office

- \$1 million STB appropriated in 2007; phase 1 of project is estimated to cost \$11.6 million. Project is stalled due to under-funding with no activity to date.

CAPACITY AND CAPITAL REQUESTS

2009 Capital Funding Outlook. With the consensus revenue forecast of falling energy revenues and the weak economy, there is no general fund available for uses in 2009. Severance tax bond (STB) net capacity is \$157 million (\$385.7 million less prior year authorizations listed in the sidebar). Approximately \$199 million of supplemental severance tax bond capacity is available for public school construction projects. *(See Attachment A)*

The limited available funding sets the stage for fierce competition for funding capital outlay projects statewide. The Infrastructure Capital Improvement Plans submitted to DFA as of July 1, 2008, indicate over \$1.4 billion will be requested by state agencies and local entities in 2009. State agencies will request over \$700 million, while local entities will request \$731.3 million.

Significant capital outlay appropriations recently recommended to the Joint LCS/LFC Capital Outlay Subcommittee addressed projects requiring funds for completion and issues at facilities housing the elderly and frail, juvenile and adult correctional detainees, public safety personnel, and enterprise entities dependent on non-general fund revenues. LFC staff performed site visits to aid in the development of the recommendations. Site visits ranged from projects in planning or construction phase to those with flood damage or deficiencies (*See Attachment B*).

In addition to supporting a “preliminary prioritized listing of state agency capital needs to the full Legislature for their consideration, the committee also approved or adopted the following:

- Criteria for determining the merit and funding of both state and local capital projects (*See Attachment C*),
- Establish timelines for passage of the capital bills (*See Attachment D*), and
- Additional reform of the reauthorization process (*See Attachment E*).

OTHER MANAGEMENT ISSUES

Capital Building Planning Commission. The Capital Building Planning Commission (CBPC) continued to review the Capital Master Plan to determine the best use of state properties owned and leased in Santa Fe, Albuquerque, Los Lunas, and Las Cruces. The commission heard updates of the Department of Transportation property development in Santa Fe, the progress of the Rail Runner, future planning for the Expo New Mexico campus, and the proposed equestrian facility. The commission’s legislative recommendations will not be finalized until December 17, 2008 but a preliminary of proposed funding and issues is listed in *Attachment F*.

Potential Reauthorizations. Should legislators determine the need to redirect capital funding authorized in previous years to address the shortfall for nonrecurring operational expenses or for other critical statewide needs, LFC staff identified projects for possible reauthorization by policymakers. Analysts collected information from state agencies and local government grantees and used the criteria listed in the sidebar to identify approximately \$140 million for potential reauthorization. Staff continues to verify and collect data from local entities to ensure projects do not have legitimate third party obligations. A complete listing of the projects should be available by mid January 2009.

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Attachments

