



Capital Outlay Process

Capital outlay, in the context of government, are the funds used to build, improve or equip physical property that will be used by the public. Roads, computers, museums, playgrounds, schools, irrigation ditches, hospitals, lands, and furniture can all be capital outlay projects. In New Mexico, state capital outlay is authorized by the Legislature and generally is nonrecurring – one-time – money. Because of provisions in the New Mexico Constitution, capital outlay can only be used for government-owned facilities.

Sources of Capital Outlay

Much of the state's capital outlay is funded through three sources: general obligation bonds, severance tax bonds and nonrecurring revenue in the general fund. Amounts vary from year to year depending on the economy. Nonrecurring general fund moneys are particularly unpredictable. The state also uses bonds for state transportation projects, projects funded by the New Mexico Finance Authority, and other projects but those bonds are repaid with other revenue.

General obligation bonds are repaid through property taxes and must be approved through a general election. As a result, that money is only available in even-numbered years. General obligation bonds typically support projects for higher education, senior citizens, public schools, and libraries. State buildings, parks, roads, and equipment have been unpopular with voters in recent years, and elections on bonds to pay for projects in those areas have failed.

Severance tax bonds generally are repaid with revenue from taxes on oil, gas, coal and other natural resources "severed" from the land. The amount available through severance tax bonds is largely dependent on the health of the oil and gas industry.

Nonrecurring revenue in the general fund, the primary repository of state revenue, is typically the money left over after the Legislature has funded state government and public school operations and set money aside for reserves.

Priority Projects

The Department of Finance and Administration and the General Services Department are required by state law to develop a four-year plan for major state capital improvement projects. State agencies develop lists of priority projects internally and transmit those to a panel put together by the two lead agencies. That panel develops a statewide priority list based on a variety of factors, such as public safety and federal mandates. The list becomes part of the executive budget recommendation presented to the Legislature on the first day of the legislative session.

The Local Government Division of the Department of Finance and Administration develops the Infrastructure Capital Improvement Plan of projects sought by local governments. Although participation in the plan is voluntary, almost all county, municipal, tribal and special districts participate in the process.

Legislators generally introduce legislation for capital projects requested by advocates, constituents, and the local governments within their districts. Few legislators sponsor the high-ticket projects in the Infrastructure Capital Improvement Plan because of the limited share of funds allotted to individual legislators.

Legislative Process

During the legislative session, legislators introduce House or Senate capital outlay requests. The House Taxation and Revenue Capital Outlay Subcommittee holds hearings on all proposed capital outlay projects. The Senate Finance Committee holds hearings only for large state agency and higher education projects and as requested by the sponsor. Typically the House, Senate and executive split the available capital outlay funds into thirds. Most recently, the Legislature and the executive have funded some statewide and regional projects before splitting the remainder for local projects. The selected projects then become part of the capital outlay bill, sometimes referred to as the "pork" or "Christmas tree" bill. That bill is generally developed in the last two weeks of the session.

For More Information:

- The status of projects funded for \$1 million or more can be found on the LFC or Legislative Council Service website: <http://legis.state.nm.us/lcs/lfc/lfccapital.asp>;
- Projects funded by year, county and agency can also be found on the legislative website.
- Capital outlay requests and reauthorization request forms can be found through the legislative bill finder: <http://legis.state.nm.us/lcs/Bill-FinderCO.asp>.