

Capital Outlay

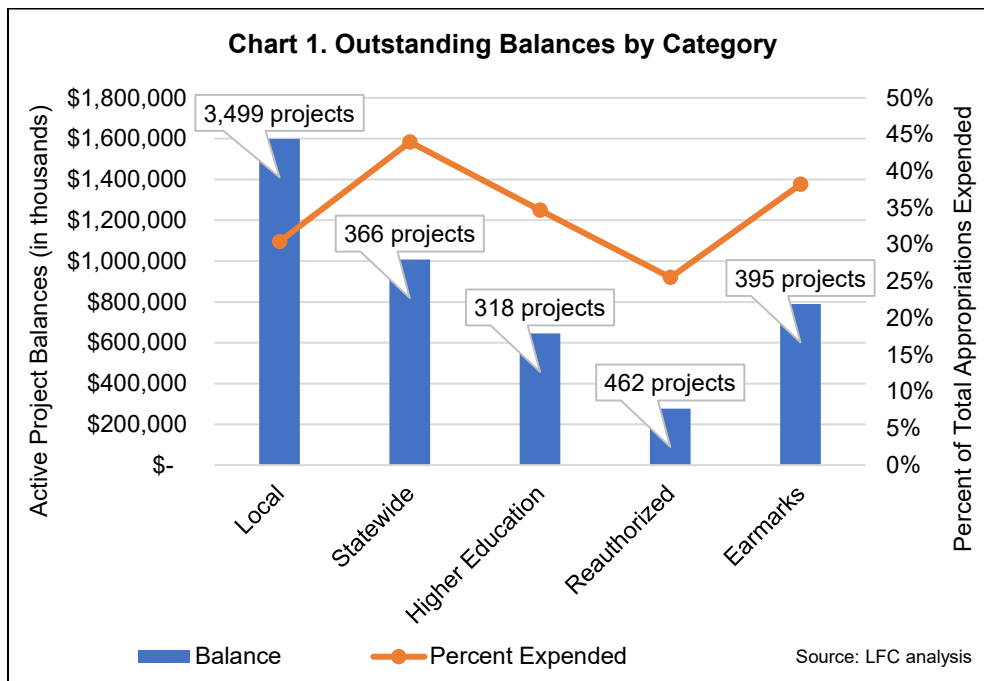
Quarterly Report, May 2026



NEW MEXICO
LEGISLATIVE
FINANCE
COMMITTEE

Outstanding Capital Funds Total \$6 Billion

At the end of the third quarter of FY26, outstanding capital outlay balances totaled an estimated **\$6 billion across more than 5,000 active projects**. The unspent funds include projects authorized by the Legislature (\$3.4 billion), projects funded through severance tax bond (STB) earmark programs (\$789.9 million), supplemental STBs for public school construction (\$1.7 billion), and 2021/2022 special appropriations to capital projects (\$54.4 million).



LFC QUARTERLY REPORTS provide analysis on the progress of capital appropriations.

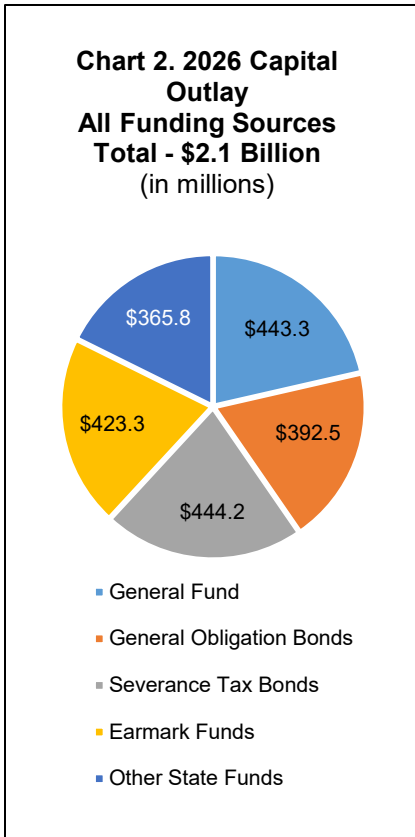
Data is derived from the Department of Finance and Administration, state and local entities, and the New Mexico Capital Outlay Dashboard. Outstanding balances reported in this memo reflect reported expenditures as of April 2026 and do not include encumbered but unspent funds, with the exception of balances reported for special appropriations.

Key Points

- An estimated \$893 million was spent or reverted from state and local capital projects since the last quarter of FY25, or 20 percent of the balance since that time.
- More than half—55 percent—of legislative project balances are from the general fund (\$1.9 billion) and 30 percent are from severance tax bonds (\$1.1 billion). Projects funded with general obligations bonds make up 9 percent of legislative project balances (\$330 million).
- Seventy-five percent of outstanding legislative projects are local, representing 45 percent of outstanding legislative balances (\$1.6 billion). Eight percent of outstanding projects are statewide projects, representing 29 percent of balances (\$1 billion). Seven percent are higher education projects, representing 18 percent of balances (\$645.6 million). Ten percent are reauthorized projects, representing 8 percent of balances (\$277.7 million).
- Balances do not yet include 2026 projects, which will be added to the report next quarter.

Spending Overview

As adopted by the Legislature and partially vetoed by the governor, **the 2026 capital outlay bill authorizes \$1.3 billion** from the general fund, severance tax bonds, and other state funds for state and local infrastructure projects. **The general obligation bond bill as enacted authorizes another \$392.5 million for higher education, senior center, and library projects.** Additional funding will be available during the interim to local capital projects through funds for roads, public schools, water, colonias, housing, and tribal infrastructure. The funds that receive earmarked severance tax bond proceeds will see another round of historically large distributions in 2026, with \$185.9 million to the water project fund, \$92.9 million to both the colonias and tribal infrastructure funds, and \$51.6 million to the housing trust fund, representing a roughly 15 percent increase over the previous year.



In addition to capital outlay appropriations, the 2026 General Appropriation Act (GAA) includes significant nonrecurring appropriations to support infrastructure development. The GAA appropriates \$105 million for housing development, \$100 million to the water project fund to supplement its earmark revenue, \$100 million for redevelopment of the State Fair, \$150 million for road construction and maintenance, and \$42 million for local road projects. It also appropriates \$70 million for the creation, expansion, or restoration of state public land, \$22.5 million for depletion reductions and water supply projects on the Lower Rio Grande, \$22 million for aquifer mapping, \$9 million for water conveyance projects on the Middle Rio Grande, and more. Higher education institutions will also receive additional support for capital projects in the GAA, including \$150 million to complete funding for a new school of medicine at the University of New Mexico (UNM), \$45 million for improvements to athletics facilities at UNM and New Mexico State University (NMSU), and \$20 million for distribution by the Higher Education Department to all institutions for building maintenance and demolition.

Gubernatorial vetoes of new capital appropriations were minimal this year, with only five general fund appropriations totaling less than \$2 million struck from the capital outlay bill. The governor vetoed the reauthorization bill more liberally, striking 127 projects, or roughly a third of those in the bill sent to the governor by the Legislature. The oldest projects in the bill as sent to the governor dated to 2019 and 2020.

Project Funding Trends

Piecemeal Funding. Capital outlay requests from state and local entities continue to exceed available funding. **Requests totaled an estimated \$5.9 billion**, including \$3.7 billion submitted for direct appropriations from House and Senate members and \$2.2 billion submitted through the state agency and higher education request processes. **The capital outlay and general obligation bond bills appropriated \$1.7 billion from all sources, or roughly 29 percent of requested funding.**

The significant gap between requests and available funds, along with the practice of earmarking funding for individual legislators and the governor, undermines the state’s ability to use surging revenues to efficiently complete

projects that represent the greatest needs or would produce the most public benefits. Local projects are not consistently vetted for need or readiness and often receive only piecemeal funding. Piecemeal funding can contribute to project delays and increase overall costs. **About half of roughly 1,240 general fund projects authorized in the capital outlay bill received 50 percent or less of the requested funds, with \$144.1 million appropriated to 589 projects for which \$1.1 billion was requested.**

Major Projects. Though challenges with piecemeal funding continued for local projects, the Legislature completed funding for several major state-owned projects or made large appropriations to support phased completion. The Legislature appropriated \$546 million to complete funding for a new School of Medicine at the University of New Mexico, \$75 million to complete construction of the new forensic unit at the Behavioral Health Institute in Las Vegas, and \$95 million to support construction of an executive office building in Santa Fe.

Capital Outlay Modernization

State and Local Projects. The Legislature passed and the governor signed House Bill 247, establishing, for the first time, statutory limitations on capital outlay appropriations and reauthorizations and creating a mechanism for the Legislature to repurpose funds from inactive projects. The LFC-endorsed legislation is intended to incentivize improved planning and project development before funding is sought from the Legislature, with the overall goal of reducing the capital project backlog and increasing the likelihood that projects to which funds are appropriated will be completed in a timely manner and generate public benefits.

The bill limits reauthorizations from occurring more than once to extend time, limits time extensions to a maximum of two years, and allows for reauthorization to make technical changes but not to entirely change the purpose of an original appropriation. The legislation further establishes that at least 10 percent of the initial appropriation must be encumbered by January 1

for a capital outlay project to be eligible for reauthorization. For new capital appropriations, the bill requires projects to appear on an infrastructure capital improvement plan to receive capital appropriations of \$100 thousand or more. This requirement, along with the limitations on reauthorization, apply to both state and local projects.

Additionally, the legislation introduces a statutory framework to allow the Legislature to reappropriate funding from capital appropriations that have demonstrated no activity and are within six months of reversion. It directs the Department of Finance and Administration (DFA) to identify projects that have no encumbrances and no expenditures by January 1 of the fiscal year in which unexpended

Table 1. Major Statewide Capital Appropriations (in thousands)

Project	Amount
UNM School of Medicine Facility Construct*	\$546,000.0
Executive Office Building Construct	\$95,000.0
New Mexico Behavioral Health Institute Forensic Unit Construct	\$75,000.0
NMSU Multi-Disciplinary Academic Building	\$55,000.0
NM Tech Major Renovation of Mineral Science Building	\$40,000.0
Improvements to State Parks	\$20,000.0
Public Safety Radio Communications	\$20,000.0
School Bus Replacement	\$18,880.0
New Mexico Reforestation Center Construction	\$17,650.0
Magistrate Court Improvements	\$17,000.0
CNM Center for Technological Innovation	\$15,000.0
Wildfire Response Facility Renovation and Vehicle Purchase	\$13,000.0
Emergency Operations Center Construct	\$10,000.0
Watershed Restoration Statewide	\$7,500.0

*Includes general obligation bond, supplemental severance tax bond, and general fund appropriations in capital bills and GAA

Source: LFC files

Key Provisions of HB247

- Limits reauthorizations to one time extension of two years;
- Prohibits a complete change of purpose;
- Requires at least 10 percent of appropriation to be encumbered to qualify for reauthorization;
- Limits appropriations of \$100 thousand or more to projects included in an infrastructure capital improvement plan; and
- Requires the Department of Finance and Administration to freeze balances on projects that are six months from reversion and have no activity and allows the Legislature to reappropriate those funds.

Table 2. Largest Local Capital Appropriations (in thousands)

Project	County	Amount
WSD Housing Projects Statewide	Statewide	\$26,575.0
Wastewater System Construct	Sandoval	\$6,000.0
Health Facility Construct	Sandoval	\$4,500.0
Alb North Domingo Baca Park Aquatic Center Construct	Bernalillo	\$4,325.0
Water System Improvements	Torrance	\$4,000.0
Pojoaque Eagle Ridge-Santa Fe Downs Construct	Santa Fe	\$4,000.0
Alb Firefighter Wellness Center Construct & Equip	Bernalillo	\$3,500.0
Las Cruces Family Support Center	Dona Ana	\$3,425.0
Community Wellness Center Construct	Rio Arriba	\$3,300.0
Santa Fe Regional Airport Design	Santa Fe	\$3,250.0
Las Cruces Soup & Community Kitchen Construct	Dona Ana	\$2,950.0
Espanola Police Equip Purchase	Rio Arriba	\$2,600.0
Los Ranchos De Alb Agri-Nature Center Improve	Bernalillo	\$2,500.0
Santa Cruz Public Housing Improve	Santa Fe	\$2,225.0
Las Cruces Police Department Track	Dona Ana	\$2,090.0
Mesa Grande Dr Extend Construct	Dona Ana	\$2,050.0
Las Vegas Athletic Facility	San Miguel	\$2,000.0
Hobbs Wastewater System Improve	Lea	\$2,000.0
Emergency Medical Services Station Construct	San Juan	\$2,000.0

Source: LFC files

balances will revert and to freeze funds for any such projects. DFA will provide an annual report to the Legislature by January 15 on the capital outlay projects that have been frozen and the Legislature will have an opportunity during the session to repurpose those funds.

Finally, the legislation specifies that unexpended balances of general fund capital outlay appropriations shall revert to the capital development and reserve fund starting in FY26. This provision could increase the corpus of the reserve and support the Legislature’s strategy of using the reserve to diversify revenues for the capital program away from oil and gas.

LFC and DFA staff have been conducting trainings for stakeholder groups on the changes for the 2027 session resulting from HB247 and DFA holds weekly office hours for local governments on infrastructure capital improvement plans, with the goal of ensuring entities are able to receive technical assistance to meet the new requirements.

Higher Education. House Bill 8 creates the higher education major projects fund and establishes a statutory framework for eligible uses of the fund.

The fund may support academic, research and athletics projects costing \$50 million or more, as well as student housing and student life projects. The bill codifies institutional match requirements for projects supported by the fund and requires a certain level of design to be completed before construction funds are appropriated.

Academic projects are currently funded through the statewide capital outlay process. Historically, funding for major new construction has been appropriated every other year, when general obligation bonds are available. Capacity has recently been insufficient to meet demand, however, because construction costs rose much more rapidly than general obligation bond revenues. Additionally, auxiliary projects, including student housing, are not currently eligible for statewide capital outlay.

The Higher Education Department issued draft administrative rules to adapt its capital outlay process to the new eligibilities and requirements under House Bill 8. A public hearing will be held on May 28. LFC staff have visited multiple institutions this spring to discuss HB8 priorities, among other issues. LFC expects HED to hold hearings on HB8 requests after the usual summer capital outlay request hearings.

Table 3. Higher Education Major Projects Fund Institutional Match

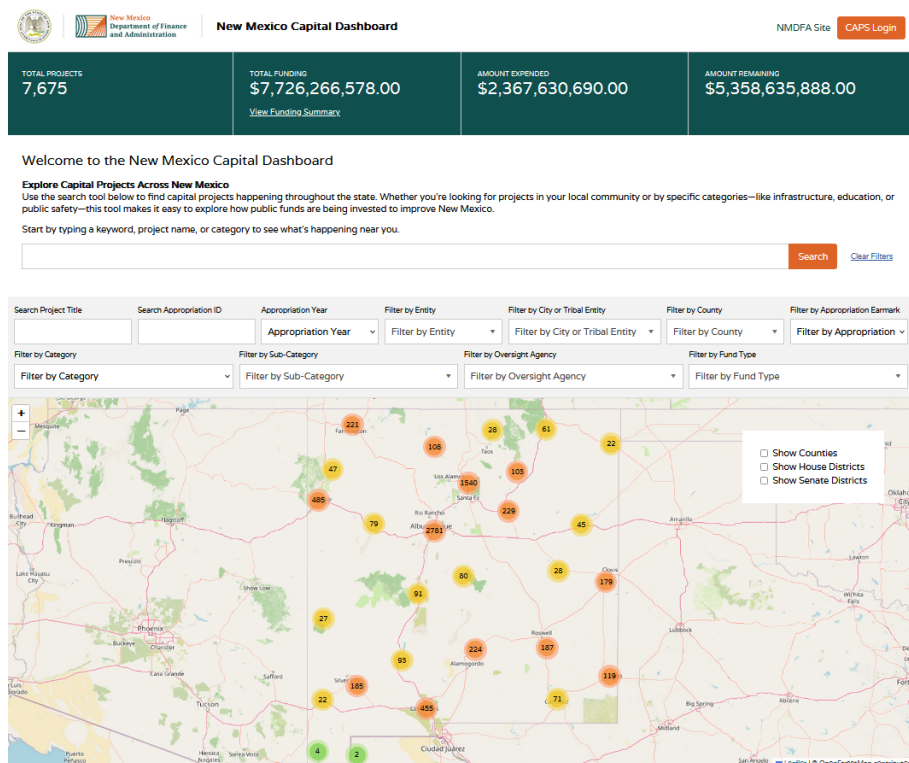
Institution	Project Type	Threshold	Match	
			Design	Construction
4-year	I&G	Over \$50M	25%	10%
	Athletics	Over \$50M	50%	50%
	Student Life/Housing	None	50%	20%
2-year	Student Life/Housing	None	50%	50%

Source: LFC files

Water Projects. House Bill 109 suspends legislative authorization of Water Trust Board projects through 2029. The General Appropriation Act contains a \$100 million fund transfer to the water project fund that was contingent on enactment of HB109 which was also signed by the governor. The suspension of legislative authorization is expected to reduce the time between application and award for Water Trust Board projects by up to six months and increase the board’s flexibility to offer different application cycles for different system types. That should increase access to funding for small systems, in particular. Removing barriers to access for the Water Trust Board was a priority for the committee during budget development as part of its overall strategy to use nonrecurring surpluses to address water infrastructure needs and to incentivize communities to seek funding for such critical infrastructure through application-based processes that can fund projects at more appropriate levels than discretionary capital outlay to support project completion.

The Water Trust Board anticipates \$378.5 million available for award in the 2026 cycle, which includes the balance of a \$200 million special appropriation for the 2025 and 2026 cycles. **New Mexico Finance Authority staff recommended 84 projects to the board for funding in April with awards totaling \$378.2 million.**

New Capital Outlay Dashboard. DFA’s new reporting and monitoring system for capital outlay – called CAPS – went live earlier this year and this month’s quarterly report is the first to use data from the new system. The dashboard allows users to view projects on a map by House and Senate district and should allow more systematic tracking on delays and barriers. Additionally, the system will better support the legislative and executive branches and the general public in tracking the status of projects supported by multiple appropriations. The reporting and monitoring system is integrated with the infrastructure capital improvement plan system to improve planning, funding coordination, and ease of use.



Quarterly Data and \$1 Million and Greater Report

Projects Approaching Reversion. Expenditure data for the third quarter of FY26 indicates **about 750 projects with 2026 reversion dates carry balances of more than \$500, totaling roughly \$231 million overall.** These projects were not reauthorized. Just under 200 projects with 2026 reversion dates were reauthorized and carry balances totaling roughly \$151 million.

Another 1,346 projects with 2027 reversion dates that were not reauthorized carry balances of more than \$500, totaling roughly \$735 million overall. Of those, about 690 have not reported any expenditures and carry balances totaling roughly \$336 million. **About 535 have no reported encumbrances, either, with balances totaling about \$192 million.**

Closed Projects. Expenditure data for the third quarter of FY26 indicates 444 appropriations from 2022 to 2025 were fully spent down since LFC's last quarterly report, with appropriations totaling roughly \$322 million.

\$1 Million and Greater Report – Attachment A. LFC's \$1 million and greater report for the third quarter of FY26 provides updates on 874 active or recently closed projects with appropriations totaling \$5.5 billion.

The 86 blue-rated appropriations reported as complete, fully expended or reverted this quarter include 10 projects reporting reversions of more than \$250 thousand, including:

- \$3.2 million for the Santa Fe magistrate court;
- \$1.4 million for relocating the Guadalupe County magistrate court;
- \$1.4 million for Allison Road improvements in McKinley County;
- \$1.3 million for NM Hwy 371 improvements in San Juan County; and
- \$1.2 million for renovations to the campus of the Southwest Indian Polytechnic Institute.

Another 64 blue-rated appropriations were reported as complete with balances of \$10 thousand or less reverting, including:

- \$20 million for Eastern New Mexico Rural Water System;
- \$15 million for the long-term care facility in the South Center Colfax County Special Hospital District;
- \$14 million for a new magistrate court in Curry County;
- \$9 million for the Eastern New Mexico University student academic services building;
- \$7 million for Los Alamos County and Jemez Mountain fire protection;
- \$3.9 million for the UNM Tow Diehm Athletic facility;
- \$2.7 million for Pojoaque Pueblo housing development;
- \$2.4 million for East Blanco Boulevard in San Juan County;
- \$2.3 million for the El Prado water system;
- \$2.2 million for the Taos County Courthouse;
- \$1.7 million for the Dona Ana County election warehouse;
- \$1.6 million for the New Mexico Natural History Museum; and
- \$1.1 million for infrastructure at the Santa Fe Midtown campus.

About 40 appropriations with 2026 reversion dates were rated yellow for significant balances remaining but were reported as in construction, including:

- \$20 million for a film school in Albuquerque (\$8.9 million balance);
- \$5.4 million for improvements to the Taos Regional Airport (\$477 thousand balance);
- \$4.5 million for an elevated water tank in Santa Teresa (\$1.4 million balance);
- \$4 million for Balloon Fiesta Park improvements in Albuquerque (\$750 thousand balance);
- \$22.5 million for replacing Thomas & Brown Hall at NMSU (\$12 million balance); and
- \$45 million for the Center for the Collaborative Arts and Technology (\$19 million balance).

The 268 red-rated appropriations, indicating no activity, no or minimal reporting, recent reauthorization, significant challenges or delays, or significant unspent funds, include:

- \$212.2 million for five major DOT road projects funded by STBs in 2024;
- \$24.2 million for senior centers from the 2022 general obligation bond series;
- Five appropriations to the Border Authority with appropriations totaling about \$12 million;
- Multiple appropriations for the Santa Fe Recovery Center totaling \$6.2 million;
- \$7 million 2023 appropriation to DFA for housing projects;
- \$1.4 million for the Bernalillo County South Valley Family Services Center;
- \$4.9 million 2023 appropriation for infrastructure at the Santa Fe Midtown campus;
- \$2.4 million for Swan Park in Santa Fe;
- \$2.9 million for affordable housing in Taos;
- \$1.1 million for a Curry County recreation complex;
- \$2 million for the visitor center at Sugarite Canyon State Park;
- \$3 million for Navajo Nation broadband;
- \$5.5 million for a state office building in Chaves County;
- \$20 million for a metro Albuquerque administration building for the Department of Public Safety;
- \$7 million for the Bear Canyon Dam in Grant County;
- \$5 million for the Dine College south campus student services facilities; and
- \$10 million the Central New Mexico Community College makerspace.

Earmark Funds

The status of projects funded through the Water Trust Board (**Attachment B**), the Colonias Infrastructure Board (**Attachment C**), the Tribal Infrastructure Fund (**Attachment D**), and the Housing Trust Fund (**Attachment E**) are summarized in the respective attachments.

Authorized but Unissued Projects (Attachment F)

Attachment F provides a list of 51 projects authorized by the Legislature for which funds have not been budgeted. Projects may be stalled due to lack of readiness to proceed or because they did not return the questionnaire required to budget funds and issue grant agreements. Currently, \$51.8 million is considered authorized but unissued, including \$40 million in severance tax bonds and \$11.8 million in general fund.