

Guidelines for Funding Local Capital Projects

A lack of adequate planning, a method for establishing project priorities and overall mismanagement of state funds for local projects has led to ineffective uses of state resources: unspent proceeds, incomplete projects, waste, and misuse. Nevertheless, state aid for critical local infrastructure projects is needed.

In 2009, staff of the Legislative Finance Committee and Legislative Council Service collaborated with the executive directors of the Association of Counties, the New Mexico Municipal League, and the Department of Finance and Administration to develop guidelines for better prioritization and management of projects. The goal of the collaboration was to assist legislators in their decision-making process when determining local project needs, while at the same time preserving the member's options to select and prioritize projects within their districts. The following guidelines would help demonstrate that local needs can be addressed responsibly, whether it's for the Paseo del Norte Interchange or for the Willard water well:

“PROPOSED” GUIDELINES

- 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 that unfinished projects in one local government area be fully funded before funding new projects within the district.
- Grantees should review outstanding projects with no activity or expenditures to determine if those projects need additional funding to complete before requests 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.
- Fund “planned” projects listed in Local Infrastructure Capital Improvement Plans (ICIP). All projects should be planned and prioritized in order to match demand of funds with supply of funds and to best utilize all funding sources available.
- Before a project is selected for funding, the local governmental entity should be consulted to ensure the project adheres to the ICIP and to 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. (Infrastructure investments in substantial amounts ultimately realize a savings to state and local governments, reduce future year operating expenditures, provide for completion of projects in a timely manner, and maximize state and local dollars)
- Require a completed “capital outlay request form” for each capital outlay request for drafting submitted to Legislative Council Service. The Council of Governments is willing to assist legislators with this process. The local entity’s ICIP request should be attached.
- Projects authorized from severance tax bonds (tax exempt) must meet timelines and reversions in compliance with the Severance Tax Bonding Act and Internal Revenue Service Code of 1986, as amended.
- Water projects should be funded using criteria established by existing state programs such as: Safe Drinking Water Act of 1974, Clean Water Act of 1977, and Water Project Finance Act.
- Funding for economic development purposes, as required by the Board of Finance, must be pursuant to the Local Economic Development Act (LEDA). The Legislative Council Service requires the appropriate documents (approving resolution, approved ordinance, etc.) accompany request for drafting.
- Non-Profit Funding: The Department of Finance & Administration (DFA) enforces a rule applicable to disbursing any state funds to non-profits. If capital request is from a non-government entity (non-profit or private), unless project is an anti-donation exemption, require requestor to obtain confirmation from an eligible local government agreeing they are the owners and are able to meet other applicable rules enforced by DFA. Pre-approval allows governmental entity to determine operational costs related to administering the project and prevents funds from sitting idle.