Capital Outlay Subcommittee
of the
New Mexico Legislative Council
and the
Legislative Finance Committee

2007
INTERIM REPORT

New Mexico State Legislature
Legislative Council Service
411 State Capitol
Santa Fe, New Mexico

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Summary of the Interim Work of the Capital Outlay Subcommittee

The capital outlay subcommittee was created as a subcommittee of the legislative finance committee and the legislative council to continue its work of reviewing the capital outlay process and making recommendations for improvement. The subcommittee met five times, once each month, beginning in August. The subcommittee's work plan included hearing testimony on critical statewide projects to assess statewide need, evaluating project implementation and monitoring for all funded projects and reviewing the reauthorization process to determine if additional restrictions are needed.

Building on improvements recommended by the subcommittee during the 2006 interim, this year's subcommittee adopted several recommendations at its final meeting in December. These include the following:

1) changes to the reauthorization process;

2) a time line for the production of capital outlay requests that delivers the capital bill to the governor's desk by February 9, thus ensuring that he takes action on it before the legislative session ends; and

3) adoption of a list of recommended statewide projects for consideration by the legislature.

The capital outlay request form was also revised based on subcommittee recommendations for more detail, especially in the area of project cost breakdowns.

Although the subcommittee has taken steps toward improving the capital outlay process, there is much more work to be accomplished. One area that warrants particular attention is the disconnect between the information gathered from requesting entities and the way in which this information is used during the legislative process. The capital outlay request form of the legislative council service contains many questions regarding planning and need to assist legislators in determining which projects are well-planned, ready-to-go and worth lending support to. The form also contains questions that specify the requirements that nonprofit entities and economic development projects must meet in order to attain state funding. This paperwork is completed by the entities, but is not necessarily used in the final selection process for funding.

Stronger coordination between planning processes that are already in place, such as the infrastructure capital improvement plan, and the legislative funding process would be advantageous as well. Requesting entities are asked to fill out one request form for the local government division and another for the legislative process. With more coordination, the process could be made less fragmented and save everyone involved unnecessary work, as well as make project information available in one place to promote clarity and consistency. One possible solution in this regard would be to have an interim committee that hears testimony on capital projects throughout the state and makes recommendations based on that testimony. Currently, the house capital outlay subcommittee that meets during legislative sessions hears thousands of

projects in a very short time frame, making it difficult for it to be a decision-making body.

As a result of the work done by the interim capital outlay subcommittee, the capital outlay process is slowly becoming more transparent and more workable. But there are many more improvements to be made.

2007 APPROVED
WORK PLAN
for the
CAPITAL OUTLAY SUBCOMMITTEE
of the
NEW MEXICO LEGISLATIVE COUNCIL
and the
LEGISLATIVE FINANCE COMMITTEE

Members
Rep. Ben Lujan, Co-Chair
Sen. Ben D. Altamirano, Co-Chair
Sen. Carlos R. Cisneros
Sen. Kent L. Cravens
Sen. Dianna J. Duran
Sen. Carroll H. Leavell
Rep. W. Ken Martinez
Rep. Brian K. Moore
Sen. Leonard Lee Rawson
Rep. Henry Kiki Saavedra
Sen. Michael S. Sanchez
Sen. John Arthur Smith
Rep. Thomas C. Taylor
Rep. Jeannette O. Wallace
Rep. Edward C. Sandoval
Rep. Teresa A. Zanetti

Advisory Members
Rep. Janice E. Arnold-Jones
Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Sen. H. Diane Snyder

The legislative council created a subcommittee of the council and the legislative finance committee to focus on developing processes to improve capital outlay.

Work Plan
To carry out this charge, the subcommittee shall:

1. review "successes" and procedures used during the 2007 legislative session and recommend improvements as needed;
2. hear testimony on critical statewide projects to assess statewide need and prioritize statewide project funding;
3. review and improve criteria for and planning and prioritizing of local projects, and coordination of these procedures with funding;
4. evaluate the current status of project implementation and monitoring for both statewide and local projects; and
5. review the reauthorization process and determine if additional restrictions are necessary.

Revised: August 15, 2007

TENTATIVE AGENDA
for the
FIRST MEETING
of the
CAPITAL OUTLAY SUBCOMMITTEE
of the
NEW MEXICO LEGISLATIVE COUNCIL
and the
LEGISLATIVE FINANCE COMMITTEE

August 17, 2007
Room 322, State Capitol

Friday, August 17

9:30 a.m. **Call to Order and Subcommittee Business**

9:45 a.m. **Status of Project Implementation and Monitoring**
—Robert Apodaca, Director, Local Government Division (LGD) of the Department of Finance and Administration
—Linda Kehoe, Legislative Finance Committee (LFC)

10:30 a.m. **Local Projects: Planning and Funding**
—Jessica Eaton Lawrence, LGD

11:15 a.m. **The Reauthorization Process: Agency View and Recommendations**
—Robert Apodaca, LGD
—Antonio Ortiz, Public Education Department
—Rebecca Martinez, Indian Affairs Department

12:00 noon **Working Lunch**

Capital Outlay Process Improvements Review . .
—Paula Tackett, Director, Legislative Council Service (LCS)
—Renée Gregorio, LCS
—Linda Kehoe, LFC

Planning and Funding Process Coordination: Subcommittee Discussion
—Staff

2:00 p.m. **Adjourn**

MINUTES
of the
FIRST MEETING
of the
CAPITAL OUTLAY SUBCOMMITTEE
of the
NEW MEXICO LEGISLATIVE COUNCIL
and the
LEGISLATIVE FINANCE COMMITTEE

August 17, 2007
Room 322, State Capitol
Santa Fe

The first meeting of the Capital Outlay Subcommittee of the New Mexico Legislative Council and the Legislative Finance Committee for 2007 was called to order at 10:00 a.m. by Speaker of the House Ben Lujan, co-chair, in Room 322 of the State Capitol in Santa Fe.

Present
Rep. Ben Lujan, Co-Chair
Sen. Carlos R. Cisneros
Sen. Kent L. Cravens
Sen. Dianna J. Duran
Sen. Carroll H. Leavell
Rep. Brian K. Moore
Rep. Henry Kiki Saavedra
Sen. Michael S. Sanchez
Rep. Edward C. Sandoval
Sen. John Arthur Smith
Rep. Thomas C. Taylor
Rep. Jeannette O. Wallace

Absent
Sen. Ben D. Altamirano, Co-Chair
Rep. W. Ken Martinez
Sen. Leonard Lee Rawson
Rep. Teresa A. Zanetti

Advisory Members
Rep. Janice E. Arnold-Jones
Sen. H. Diane Snyder
Sen. Stuart Ingle
Sen. Timothy Z. Jennings

Staff
David Abbey, Director, Legislative Finance Committee (LFC)
Ric Gaudet, Legislative Council Service (LCS)
Renée Gregorio, Capital Outlay, LCS
Linda Kehoe, Capital Outlay Coordinator, LFC
Jeannae Leger, LFC
Nancy Starkweather, LCS
Paula Tackett, Director, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of handouts given by meeting presenters are in the meeting file.

Friday, August 17

Subcommittee Business

Speaker Lujan welcomed the subcommittee members and guests to the meeting.

Ms. Tackett told the subcommittee that the Legislative Council had created a subcommittee of the council and the LFC in 2006 to focus on developing processes to improve capital outlay. The current Capital Outlay Subcommittee is composed mostly of the same members from last year. Ms. Tackett said that a work plan had been put together by staff, at the direction of the co-chairs, to carry out its charge in 2007. The council approved the work plan at its July 24 meeting. The work plan directs the subcommittee to:

1) review "successes" and procedures used during the 2007 legislative session and recommend improvements as needed;
2) hear testimony on critical statewide projects to assess statewide needs and prioritize statewide project funding;
3) review and improve criteria for and planning and prioritizing of local projects and coordination of these procedures with funding;
4) evaluate the current status of project implementation and monitoring for both statewide and local projects; and
5) review the reauthorization process and determine if additional restrictions are necessary.

The subcommittee discussed whether five meetings are necessary for the subcommittee's work. The subcommittee agreed to the proposed meeting schedule, noting that the December meeting might be unnecessary if the subcommittee can finish its work at the November meeting.

Status of Project Implementation and Monitoring

Robert Apodaca, director, Local Government Division (LGD) of the Department of Finance and Administration (DFA), gave the subcommittee a brief overview regarding capital outlay monitoring. He provided the subcommittee with a chart that noted the total of all outstanding capital projects funded between 1998 and 2007 and included the following details:

- $3.0 billion has been appropriated between 1998 and 2007 for 9,508 projects;
- $2.3 billion, or 76.6%, remains unexpended;
- unexpended balances include $989.8 million appropriated in 2007 and $686 million appropriated in 2006; and
- approximately $201.8 million in authorized severance tax bonds (STBs) remains unissued, including future-year authorizations.

Ms. Kehoe described to the subcommittee the LFC's July 2007 report tracking all capital projects authorized in amounts greater than $1 million. There are 369 such projects, most of which are progressing on time. She pointed out several projects that are behind schedule or that need additional funding to complete. The report only deals with large projects and does not address the thousands of projects that were funded under $1 million.

Mr. Apodaca made three suggestions for the subcommittee to consider:

1) strengthen appropriation language in capital outlay bills, which would give clarity and facilitate timely project implementation;

2) provide a reporting tool to assist the executive and legislators in prioritizing projects; and

3) establish policy guidelines for reversions.

Representative Sandoval said that the legislature tends to fund large projects partially, which leads to projects getting stuck, especially if they have to wait another year for more funding, during which time prices for materials usually increase. He also said that money from finished projects should revert, rather than be reauthorized.

Mr. Apodaca said that appropriations to nonprofit groups have become a problem for the DFA. He said his staff spends much time working with city and county governments trying to make appropriations for nonprofit groups legitimate. Representative Sandoval said that governments that receive money on behalf of a nonprofit group need to tighten up their fiscal agent agreements in order to expedite the process. Speaker Lujan agreed, saying that guidelines for funding nonprofit groups need to be strengthened and strictly enforced. He also said that the legislature should not fund projects for nonprofit groups if those fiscal agent agreements are not entered into.

Representative Saavedra asked why the LFC's spreadsheet listed the new University of New Mexico (UNM) football and soccer facility as being incomplete. Ms. Kehoe said that UNM probably has not requested its final draw-down of funds for the project. Carlos Romero, representing UNM, verified that the facility is complete, but that the university has not yet received a final invoice from the contractor. Ms. Kehoe pointed out that there is usually a delay in agency reporting into the capital outlay monitoring system and that it is the agency's responsibility to report the status of its projects. Mr. Apodaca added that the current capital outlay monitoring system is user-driven. He said that the DFA will be integrating the system into the state's new SHARE financial accounting system within the next two years, which will allow for capital project information to be updated automatically.

Senator Leavell asked what happens to unused STB authorizations. Ms. Kehoe replied that the money reverts back into the Severance Tax Bonding Fund, which increases the following year's bonding capacity.

Representative Moore inquired whether it is possible to give a certain dollar amount for

capital improvements to a local government, so it can decide exactly how to spend the money. Mr. Apodaca noted that the language "basic infrastructure improvements" has sometimes been used; however, he said that project managers sometimes have difficulty determining the intent of the broad language and need to verify whether the money to be spent actually is for a capital outlay project. Ms. Kehoe pointed out that new facilities require specific wording, such as "plan, design and construct"; otherwise, the project would not be allowed to proceed. Representative Moore then asked whether some of the money appropriated to Harding County could also be allocated to the Village of Roy, which is within that county. Ms. Kehoe said that would not be possible.

Senator Smith asked what happens to the interest on money derived from the sale of bonds for projects that are stalled. Mr. Abbey said that all interest earned from the sale of bonds is retained in the state treasury. Senator Smith then asked what could cities and counties, as well as the legislature, do to assist the DFA in tracking the 9,500 projects. Mr. Apodaca responded that one solution would be for the legislature to fund planned projects fully that are part of a governmental entity's Infrastructure Capital Improvements Plan (ICIP). Another big help would be for the legislature not to fund a project for a nonprofit entity until all necessary agreements with the local government have been officially entered into.

Senator Cisneros suggested that a portion of capital outlay appropriations be allowed to be used for administrative costs, which would allow small cities and counties to provide the necessary staff to implement projects.

Senator Sanchez said that there are big funding problems with the governor's highway infrastructure program (GRIP) because many cities and counties are unable to come up with the required matching funds to start projects. Those same governments then ask the legislature to provide the matching funds for projects the legislature has already funded. Senator Smith quipped that a second bite from the same apple does not count as matching funds. He suggested that the subcommittee develop guidelines for the legislature only to fund fully projects that are planned, needed and actually wanted by the local government. Staff was directed to develop a list of proposals for the subcommittee's consideration, including a method to reduce the huge number of small capital outlay appropriations.

Senator Leavell said that the GRIP I and GRIP II programs are already underfunded by $500 million. He expects heavy pressure on the legislature to fund that shortfall.

Representative Wallace said that some legislators fund a project without consulting with the local government to see if it wants the project. She also said that she ends up funding many projects in small amounts instead of fully funding one project because so many of her communities have dire infrastructure needs.

Representative Arnold-Jones said that supporting documentation must be provided for every claim an entity makes regarding project readiness. She also said that projects need real

estimates and budgets before they should be funded. Otherwise, projects should only be funded for the planning phase. Finally, she advocated creating a capital outlay committee as a statutory interim committee to evaluate and prioritize projects.

Senator Cravens suggested that additional staff be hired to assist legislators and the DFA in tracking capital projects to streamline the process and make it more effective. Staff could also assist legislators in selecting projects for potential funding by making sure that proper planning has occurred before funding. Senator Duran noted that the Council of Governments (COG) representative in her district does exactly what Senator Cravens suggested. That particular COG collects and organizes every local governments' requests, assists them in selecting planned projects and in filling out applications and provides legislators with information they need to choose projects. The COG also monitors ongoing projects and acts as a liaison between the local government, the state agency overseeing the project and the legislators in the area.

Senator Sanchez asked about reversion dates for projects. Ms. Kehoe said that, generally, projects for planning, design and construction have five years to spend the money, and equipment and vehicles have two years. She mentioned, however, that the language in capital outlay bills is not being enforced and that capital outlay projects are not audited. Representative Saavedra said that the LGD has not requested additional staff for its increased workload in its recent budgets.

Speaker Lujan asked about arbitrage penalties from interest earned by the state on bonds sold for capital projects. Mr. Abbey said that on every account in which that could be an issue, the State Treasurer does keep track of the interest and the arbitrage limitations set by the Internal Revenue Service. He said that as long as the state spends 85% of the bond proceeds within three years, the state can keep the interest it earns. Otherwise, it may need to pay an arbitrage penalty to the United States government for unfairly earning interest on tax-free bonds. Speaker Lujan said that rather than bothering with dancing around arbitrage issues, the state should instead spend the money the legislature appropriates for capital projects.

Speaker Lujan asked staff to present proposals to the subcommittee to tighten up the way nonprofit entities receive capital outlay funding.

Reauthorization Process: Agency View and Recommendations

Ms. Tackett suggested to the subcommittee that, due to time constraints for upcoming meeting presenters, the subcommittee should discuss reauthorizations and move the other agenda items to the September meeting.

Mr. Apodaca reviewed capital outlay reauthorizations, pointing out that, since 1998, there have been 993 reauthorizations in the amount of nearly $248 million. He said reauthorizations usually are made in order to extend project reversion dates, to change the scope of projects, to change administering agencies and to sweep funds to other projects. Reauthorization amounts have ranged from as little as $875 to as much as $110 million. Mr. Apodaca said that some projects have been reauthorized as many as five times.

Mr. Apodaca suggested the following reforms be made:

- limit reauthorizations of projects to amounts greater than $50,000;
- allow projects to be reauthorized one time only;
- change the reversion language in the capital outlay bill to remove encumbrance language, so that agencies are not tempted to encumber balances just prior to reversion deadlines; and
- only allow change-in-purpose reauthorizations to change to identified high-priority projects.

Antonio Ortiz, director of capital outlay for the Public Education Department (PED), briefed the subcommittee about the challenges the PED faces in handling the volume of capital outlay funded by the legislature. He said that the PED also wants to change the encumbrance language in the capital outlay bill. He said that although capital outlay project reports often say that many projects have balances, in fact they often do not because school districts encumber the balances and then often do not spend the money for several years. Mr. Ortiz mentioned that the PED received 650 capital outlay appropriations last year but only has three staffers to implement those projects.

Speaker Lujan suggested allowing agencies six months after reversion dates to spend the encumbered money, at which point all unspent money would revert. Ms. Tackett said that reversion language in the capital outlay bills was changed two years ago to remove references to encumbered money. Staff was directed to work with the LGD to refine reversion language further, if necessary, and to investigate the six-month reversion possibility.

Rebecca Martinez, capital outlay manager, Indian Affairs Department (IAD), spoke briefly on processes to help with reauthorization issues being discussed. Ms. Martinez distributed a sample letter sent to tribal entities, which itemized current capital outlay projects and which reminded recipients of various compliance requirements that need to be met. She said that the IAD tracks projects closely to ensure that projects do not lose their funding due to inaction. She said that the IAD did not allow reauthorization requests this past year for amounts under $10,000. Finally, Ms. Martinez described how unintended capital outlay reversions in Indian country have been significantly reduced over the past three years.

Representative Saavedra asked whether the IAD works only with the Navajo Nation in Window Rock or also works with individual chapters. Ms. Martinez said the department works with both.

Senator Duran asked Ms. Martinez about a delayed project for a domestic violence home for women and children. Ms. Martinez said that the nonprofit entity designated to run the shelter does not have a fiscal agent. The Navajo Nation chose not to be the agent for that project, so the project cannot move forward. She said the department does not get involved in resolving issues that involve tribal sovereignty.

There being no further business, the subcommittee adjourned at 12:50 p.m.

Revised: September 19, 2007

TENTATIVE AGENDA
for the
SECOND MEETING
of the
CAPITAL OUTLAY SUBCOMMITTEE
of the
NEW MEXICO LEGISLATIVE COUNCIL
and the
LEGISLATIVE FINANCE COMMITTEE

September 20-21, 2007
Room 307, State Capitol

Thursday, September 20

10:00 a.m. **Call to Order**

10:10 a.m. **Critical Statewide Capital Project Priorities**
—Joe R. Williams, Secretary of Corrections
—Arturo L. Jaramillo, Secretary of General Services
—John Denko, Secretary of Public Safety

12:00 noon **Lunch**

1:30 p.m. **Critical Statewide Capital Project Priorities, Continued**
—Dr. Alfredo Vigil, Secretary of Health
—Bill Dunbar, Deputy Cabinet Secretary, Children, Youth and Families Department
—Stuart A. Ashman, Secretary of Cultural Affairs
—John D'Antonio, State Engineer

5:00 p.m. **Recess**

Friday, September 21

9:00 a.m. **Bond Proceed Investments and Arbitrage Issues**
—Joelle Mevi, Chief Investment Officer, State Treasurer's Office

10:00 a.m. **Executive Statewide Project Selection Process**
—Katherine B. Miller, Secretary of Finance and Administration

12:00 noon **Lunch**

1:30 p.m. **Planning and Prioritizing Process: Agency Perspective**
—Deborah Armstrong, Secretary of Aging and Long-Term Services
—Dr. Reed Dasenbrock, Secretary of Higher Education

3:00 p.m. **Adjourn**

MINUTES
of the
SECOND MEETING
of the
CAPITAL OUTLAY SUBCOMMITTEE
of the
NEW MEXICO LEGISLATIVE COUNCIL
and the
LEGISLATIVE FINANCE COMMITTEE

September 20-21, 2007
Room 307, State Capitol
Santa Fe

The second meeting of the Capital Outlay Subcommittee of the New Mexico Legislative Council and the Legislative Finance Committee for 2007 was called to order at 10:25 a.m. by Speaker of the House Ben Lujan, co-chair, in Room 307 of the State Capitol in Santa Fe.

Present
Rep. Ben Lujan, Co-Chair
Sen. Ben D. Altamirano, Co-Chair
Sen. Carlos R. Cisneros
Sen. Dianna J. Duran
Sen. Leonard Lee Rawson (Sept. 20)
Rep. Henry Kiki Saavedra
Sen. Michael S. Sanchez (Sept. 20)
Rep. Edward C. Sandoval
Sen. John Arthur Smith (Sept. 21)
Rep. Jeannette O. Wallace
Rep. Teresa A. Zanetti

Absent
Sen. Kent L. Cravens
Sen. Carroll H. Leavell
Rep. W. Ken Martinez
Rep. Brian K. Moore
Rep. Thomas C. Taylor

Advisory Members
Rep. Janice E. Arnold-Jones (Sept. 21)
Sen. H. Diane Snyder
Sen. Stuart Ingle
Sen. Timothy Z. Jennings

(Attendance dates for those members attending part of the meeting are shown in parentheses.)

Staff
Ric Gaudet, Legislative Council Service (LCS)
Renée Gregorio, Capital Outlay, LCS
Linda Kehoe, Capital Outlay Coordinator, Legislative Finance Committee (LFC)
Jeannae Leger, LFC
Paula Tackett, Director, LCS
Tom Pollard, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of handouts given by meeting presenters are in the meeting file.

Thursday, September 20

Critical Statewide Capital Project Priorities

Due to scheduling conflicts with some cabinet secretaries, the Corrections Department, General Services Department (GSD) and Department of Public Safety (DPS) secretaries presented their agency requests, with discussion and questions from subcommittee members after the presentations.

Corrections Department

Secretary of Corrections Joe R. Williams presented critical capital project needs of the Corrections Department to the subcommittee. Secretary Williams said that the department has over $100 million in capital outlay needs in the next several years. It has identified $20 million in its most critical projects for funding in the upcoming legislative session.

- Emergency Kitchen Renovations $4,500,000 total
  - Southern New Mexico Correctional Facility (SNMCF) $1,750,000
  - Central New Mexico Correctional Facility (CNMCF) $1,750,000
  - Roswell Correctional Center (RCC) $1,000,000

- Security Upgrades Statewide $9,000,000 total
  - Maximum Security Door Upgrades
    - Western New Mexico Correctional Facility (WNMCF) $2,000,000
    - CNMCF $2,000,000
  - Maximum Security Facility Upgrades
    - Penitentiary of New Mexico (PNM) $1,250,000
    - WNMCF $1,250,000
  - Fire Alarm Upgrades
    - RCC $150,000
    - CNMCF $200,000
    - Springer $150,000
  - Control Room Renovations
    - CNMCF $200,000
    - SNMCF $200,000
  - Perimeter Detection Systems
    - PNM $350,000
    - WNMCF $500,000

Springer Corridor Slider Installation		$500,000
Guard Tour Systems and Intercom Projects		
CNMCF	$150,000	
WNMCF	$100,000	

- Statewide Facilities Building Repair and Equipment $6,500,000 total

CNMCF	$2,250,000
SNMCF	$2,250,000
WNMCF	$2,000,000

Representative Sandoval asked if the department has received any previous funding for the kitchen facilities projects. Secretary Williams said that there was funding of $2 million for statewide repairs, of which some was allocated for the kitchens. He said the LFC had requested that the department implement a staged plan for its upgrades, which it is now doing.

Senator Rawson asked if the Corrections Department priorities have been reprioritized by another executive department. Secretary Williams said that the department's priorities have not been changed by another agency. Senator Rawson then asked if the department is requesting funding for new bed capacity. Secretary Williams said that it is not trying to increase capacity this year, but that the new private Clayton facility will soon be in operation. He said that by November 2008, the department will submit its long-term facility plan, which he said will basically consist of the department expanding bed capacity of medium-security facilities and upgrading to maximum-security facilities.

Senator Sanchez asked what problems exist at the CNMCF. Secretary Williams said that the kitchen, which has been in use since 1983, is in a very degraded condition. The department needs to gut the kitchen and completely renovate it. Senator Sanchez asked whether the former Bernalillo County Detention Center (BCDC) could be used by the department for inmates. Secretary Williams said that the BCDC as it now exists does not meet the standards of the *Duran* Consent Decree, which specifies a minimum square footage per cell.

Senator Sanchez asked whether the state will be paying the private contractor of the Clayton prison the same rate it now pays for housing its maximum-security prisoners. Secretary Williams said that the state will be paying a lower rate. He said that private prisons are allowed to house two prisoners per cell, while the state is required to house just one. Secretary Williams said that the average cost to house a prisoner by the state is $88.00, and by a private contractor is $70.00, including health care costs.

Senator Sanchez asked what the department is doing to provide treatment to drug-addicted prisoners. Secretary Williams said that New Mexico leads the nation in providing treatment for substance abuse, and currently the department has enough bed space for its program.

Senator Altamirano asked if the department has incorporated any elements of the Second Chance Program. Secretary Williams said that there are too many security issues involved in allowing state prisoners access to saunas and other alternative treatment modalities.

General Services Department

Secretary of General Services Arturo L. Jaramillo presented to the subcommittee the GSD's fiscal year 2009 Infrastructure Capital Improvements Plan (ICIP). The total request for the upcoming legislative session is $53.5 million, but the department has hundreds of millions of dollars in needed repairs and upgrades. He said that the highest priority for the department is finishing the Santa Teresa Port of Entry.

- Statewide Repair Projects $10,000,000
- South Capitol Complex Infill, Phase I $1,500,000
- Santa Teresa Port of Entry $6,000,000
- Lujan Building Internal Systems Reconstruction $14,000,000
- Replace Aging Aircraft $4,000,000
- Santa Fe Health and Human Services Complex, Phase I $6,500,000
- Central Capitol Complex Master Plan $1,500,000
- Las Cruces State Office Building $9,000,000
- Turquoise Lodge Upgrades for New Use $1,000,000

Senator Rawson asked what percentage of the statewide repair projects is due to cost-overruns. Secretary Jaramillo said that very little is allocated in the repair line-item for cost-overruns. Senator Rawson asked where exactly the $10 million for repairs is going to be spent. Secretary Jaramillo said that there is a process that agencies go through to receive funding for repairs, which involves using the state's index of facility conditions. Senator Rawson asked that the department provide a specific list of repairs to be funded.

Speaker Lujan asked whether the department's list of priorities corresponds with state agencies' ICIP. Ms. Kehoe said that it appears to track the agency ICIP, which was submitted in July.

Representative Zanetti asked why there is a discrepancy between the GSD's Santa Teresa request for $6 million and the DPS' request of $4.5 million. Bill Taylor, director of the Property

Control Division of the GSD, said that the $6 million figure is the new estimate to complete the entire facility. The DPS amount would not need to be funded in addition to the GSD amount.

Senator Sanchez suggested that the Turquoise Lodge be converted from its previous alcohol treatment role into an inpatient methamphetamine treatment facility or mental health facility, instead of being used as a jail for the Children, Youth and Families Department (CYFD). Secretary Jaramillo said that his staff will explore the idea.

Department of Public Safety

Secretary of Public Safety John Denko presented to the subcommittee the DPS' capital priorities for fiscal year 2009. The total requested for its priorities is $69.7 million, with the total for all projects requested at $92 million. The following are only the DPS priorities:

- Annual Fleet Replacement of 329 Vehicles $6,700,000
- State Police District Offices in Las Cruces and Las Vegas $7,000,000
- State Crime Laboratory in Santa Fe $35,000,000
- Lordsburg Port of Entry $8,300,000
- Finish Albuquerque DPS District Office $800,000
- Inspection and Administration Building at Oro Grande $4,400,000
- Santa Teresa Port of Entry $4,500,000
- Renovations and Upgrades Statewide $3,000,000

Senator Rawson expressed concern that the department's request for the two new state police offices in Las Cruces and Las Vegas would not be enough. He said the legislature already funded $2.5 million each for those offices, and he does not want the department to come back to the legislature a third time if the amount funded is too little. Anthony Pacheco of the DPS said that the current request is enough to finish both facilities.

Senator Rawson asked why the DPS does not want to construct its crime laboratory in Albuquerque in conjunction with the state-funded crime laboratory, known as the Tri-Labs. Secretary Denko responded that the DPS needs a laboratory in Santa Fe, which has been part of its master plan for years. It would be difficult to provide the necessary oversight and control of its laboratory if it is located far from the department headquarters. It would still need its own separate secure space if it is part of the Tri-Labs.

Representative Sandoval asked who made the decision not to be a part of the Tri-Labs.

Secretary Denko said that he made that decision, in consultation with other administrative officials and some legislators. Representative Sandoval suggested that the department reconsider its decision to build its own crime laboratory in Santa Fe. He said that by joining Tri-Labs, the costs to the state would only be $17 million, rather than the requested $35 million.

Secretary Denko said that, currently, the state police crime laboratory is in terrible shape and is seriously undersized. The plan that had put the state police laboratory in Albuquerque had only allotted 50% of the space that the DPS needs, which explains the cost discrepancy. He said the DPS is not trying to compete with the Tri-Labs. The DPS does not need a laboratory in Albuquerque and needs to keep most of its laboratory space separate from other agencies. He said that the design for the Santa Fe laboratory allows for easy expansion in the future.

Senator Altamirano suggested that Secretary Denko meet with legislators and administrative officials to agree on a laboratory site.

Senator Sanchez suggested that the DPS build its crime laboratory in the center of the state, at the old hospital and training center in Los Lunas. Secretary Denko responded that the department needs to have supervision and control of the laboratory at central command. The laboratory needs a lot of coordination to process evidence quickly, and that can only happen in Santa Fe. Senator Sanchez said he is not concerned that a location outside of Santa Fe would not have sufficient supervision and coordination and said that a central location in the state with much cheaper land would be a good idea to investigate.

Secretary Denko said that the GSD already owns the land on which the laboratory would be located. The $35 million cost would be all that is necessary to build and equip the facility.

Representative Zanetti asked how much the appropriation was that the DPS declined to accept for planning studies to join the Tri-Labs. Secretary Denko said the appropriation was for $1 million. Representative Zanetti then asked if the Tri-Labs will serve only Bernalillo county. Secretary Denko responded that is correct, and the state police crime laboratory will serve the rest of the state.

Speaker Lujan asked if the DPS has applied for federal homeland security funding for the crime laboratory. Secretary Denko said that the department investigated the possibility a couple of years ago, but it became clear that crime laboratories would not be funded easily by the federal government because they are more crime-related than terrorism-related. Speaker Lujan said he supports the DPS' decision to locate the laboratory in Santa Fe.

Representative Sandoval asked whether police car equipment is included in the DPS request for more police vehicles. Secretary Denko said that equipment is usually included in the budget request, but cars go through the capital outlay process.

Senator Altamirano said he wants the Lordsburg Port of Entry to get high priority for

funding. He also suggested that more police patrols operate in southwestern New Mexico. Secretary Denko said that the entire state police force is understaffed by 170 officers.

The subcommittee broke for lunch until 1:30 p.m.

Critical Statewide Capital Project Priorities, Continued

Department of Health

Dr. Alfredo Vigil, secretary of health, presented to the subcommittee the department's plans for a new school of dentistry to be located at the University of New Mexico (UNM). The state is in dire need of more dentists, and starting a school will be an important step in alleviating the shortage. Estimates for the capital needs of the school range between $34 million and $46 million.

Representative Sandoval asked why there is such a large range in the possible price of the facility. Secretary Vigil responded that the cost will depend on how big the school is. He said the department will be meeting with the Higher Education Department and UNM in October to define more precisely the program design, partnerships, implementation and costs.

Senator Rawson asked whether a school of dentistry is more important than a state crime laboratory or a rodeo arena. Secretary Vigil declined to offer an opinion about setting statewide priorities.

Senator Snyder told Secretary Vigil that, until she receives a satisfactory answer from the department about why it allows medical marijuana participants to procure their own supply of marijuana, specifically against the legislature's intent, she and other legislators will be reluctant to fund any department capital outlay request.

Duffy Rodriguez, deputy secretary of health, presented the department's capital outlay requests for funding in the upcoming legislative session.

• Facility Patient Health and Safety	$5,859,000 total	
Behavioral Health Institute (BHI) Bathrooms		$ 702,000
BHI Panic Button System		$ 600,000
BHI Fire Sprinkler System		$ 1,057,000
BHI Forensic Building Security		$ 3,500,000
• Facility Continued Construction/Renovation	$54,205,000 total	
BHI Long-Term Care Facility Expansion to 180 Beds		$32,300,000
NM Rehabilitation Center Finalize Project		$ 2,500,000
NM State Veterans' Home Construction		$18,800,000
BHI Floor Repair and Renovation		$ 275,000
BHI La Planta and House 322 Renovation		$ 330,000

- Public Health Offices (PHO) $4,000,000 total
  - Roosevelt County PHO Addition $ 1,500,000
  - Espanola Health Commons—Finish Construction $ 1,700,000
  - Sunland Park PHO Improvements and Renovations $ 500,000
  - Alamogordo PHO Improvements and Renovations $ 300,000

- Facility Upgrades Statewide $5,000,000

- Scientific Laboratory Division Equipment $450,000

Senator Sanchez asked how many public health offices are leased, rather than state-owned. Ms. Rodriguez said that all facilities are owned by the local government, and none are leased.

Children, Youth and Families Department

Bill Dunbar, deputy secretary of children, youth and families, reviewed for the subcommittee the CYFD's capital outlay requests for fiscal year 2009. The total requested amount is for $18,041,000.

- J. Paul Taylor Center Gymnasium—Finish Construction $3,200,000

- Youth Diagnostic Development Center (YDDC) Waterline Repairs $1,000,000

- Statewide Automated Security Systems $1,000,000

- YDDC Best Practice Positive Peer Culture Architectural and Engineering Services $200,000

- YDDC Old Sandia Remodel $4,000,000

- YDDC White House Demolition and Replacement $850,000

- YDDC and J. Paul Taylor Center Portable Buildings $531,000

- Eagle Nest and Camp Sierra Blanca Buildings and Grounds Projects $800,000

- Maloof Office Complex Building Repairs $1,500,000

- YDDC Kitchen Remodel $700,000

- YDDC Americans with Disabilities Act of 1990 Upgrades $1,300,000

- YDDC Backup Generator $1,000,000

- J. Paul Taylor Center Storage Building/HVAC/Tractor $600,000
- YDDC Stucco and Reroofing $450,000
- Springer Area 1 Storage Warehouse and Kitchen $750,000
- J. Paul Taylor Center Parking Lot Expansion $160,000

Representative Saavedra expressed concern about the quality of construction and planning for the J. Paul Taylor Center.

Representative Sandoval asked how long would it take to complete the replacement of the water lines at YDDC. Mr. Taylor of the Property Control Division said that after the money is budgeted, the project would take approximately six months.

Speaker Lujan said he thinks the total price tag of $6 million for the J. Paul Taylor Center gymnasium is high. John Sweeney, deputy secretary of the CYFD, said that the estimate was generated by the Public School Facilities Authority.

Speaker Lujan asked for the total being requested for the YDDC and how many clients it serves. Deputy Secretary Dunbar said that the YDDC has room for 126 clients. The total YDDC request is approximately $9.7 million. Speaker Lujan suggested that the CYFD relocate to a brand new facility on state-owned land near Los Lunas. The cost for a new facility might be somewhat more than repairing the constantly degrading YDDC, but it would be worth it. The YDDC land could then be used for other more pressing state office buildings at that prime location.

Senator Rawson said that $6 million for a gymnasium for only 48 juveniles at the J. Paul Taylor Center is too much to spend. He said that is more than the good kids get in the public schools. He also said the parking lot expansion at the center and the Camp Sierra Blanca and Eagle Nest landscaping projects are excessive requests. Mr. Dunbar said that if the CYFD is successful in rehabilitating juveniles, the investment will be worth it. Senator Rawson asked for the CYFD to provide the subcommittee with recidivism rates of juvenile delinquents in New Mexico.

Senator Sanchez expressed support of the mission of the CYFD, saying that the department needs to rehabilitate offenders, not just punish them.

Cultural Affairs Department (CAD)

Secretary of Cultural Affairs Stuart Ashman presented for the subcommittee the CAD's capital budget request for fiscal year 2009. He said that the CAD currently owns and maintains 66 structures in New Mexico and is exempt from Property Control Division management, except for the State Library Building.

- Statewide Museum and Monument Repairs and Upgrades $7,098,000
- New Mexico History Museum Furniture and Equipment $750,000
- National Hispanic Cultural Center Education Building $435,000
- Center for New Mexico Archaeology, Phase I $2,250,000
- Farm and Ranch Heritage Museum Exhibits and Venues $1,200,000
- Museum of International Folk Art Gerard Wing Renovation $700,000
- Museum of Space History Spaceport Exhibition $500,000
- State Library Interior and Exterior Improvements $469,000
- Museum Services Division "Van of Enchantment" Replacement $300,000
- Museum of Natural History and Science Educational Facility $2,000,000
- Museum of Fine Art Addition Planning $150,000
- Public Art Collection Restoration and Conservation $100,000
- Jemez and Fort Selden State Monuments Secure Land Options $600,000
- National Hispanic Cultural Center Equipment and Collections Storage $825,000
- Museum of Indian Arts and Culture Laboratory of Anthropology Library Renovation $250,500
- Museum of International Folk Art Renovate Hispanic Heritage Wing $100,000
- Museum Services Division Equipment $360,000
- Historic Structure Reports and Plans $250,000

Representative Sandoval asked how much money the state has spent on the National Hispanic Cultural Center. Secretary Ashman said that $42 million has been spent to date.

Representative Wallace said that Jemez State Monument is in danger of being ruined by possible development. She supports the department's efforts to protect it.

Senator Snyder suggested that the National Hispanic Cultural Center provide history education in the public schools. Secretary Ashman said that once the current appropriation request is implemented, the center will be able to provide distance education.

State Engineer/Interstate Stream Commission

John D'Antonio, state engineer, and Estevan Lopez, director of the Interstate Stream Commission, presented to the subcommittee several water project priorities for their agencies. The total requested is $55,321,250 for fiscal year 2009.

- Ground Water Measurement Statewide $2,500,000
- Rio Gallinas Surface Water Measurement $500,000
- Construction of Elephant Butte Lake Channel $1,250,000
- Dam Emergency Repair Statewide $120,000
- Rio Chama Surface Water Measurement $650,000
- Pecos River Surface Water Measurement Stations $600,000
- Mimbres River Surface Water Measurement Stations $300,000
- *Pecos* Settlement $5,000,000
- Middle Rio Grande Project Floodway Improvements $2,000,000
- Ute Dam Renovation $656,250
- Rio Grande Federal Natural Resources Policy $2,250,000
- Ute Pipeline $4,000,000
- Indian Water Rights Settlements $15,000,000
- Salt Basin Aquifer $2,000,000
- Dam Rehabilitation Statewide $5,000,000
- Cabresto Lake Dam Rehabilitation $3,300,000
- Espanola Basin Monitoring Well $250,000

- Bear Canyon Dam Remediation $3,725,000
- Lake Roberts Dam Remediation $700,000
- Costilla Compact System Improvements $20,000
- Pecos River Federal Natural Resources Policy $500,000
- Strategic Water Reserve $5,000,000

Senator Cisneros expressed concern that the Cabresto Lake Dam rehabilitation is not higher on the priority list. He said that many farmers will not be able to irrigate their crops if the state engineer is forced to breach the dam due to safety concerns. Mr. D'Antonio said that replacing the dam would cost the same as repairing it. John Romero of the State Engineer's Office said that storage water rights would have to be secured in order to build a new dam because there are no such water rights covering the current lake.

The subcommittee recessed at 4:45 p.m.

Friday, September 21

Bond Proceed Investments and Arbitrage Issues

Joelle Mevi, chief investment officer of the State Treasurer's Office (STO), gave a presentation to the subcommittee about bond investment practices and arbitrage. She said that the STO invests proceeds of general obligation bonds and severance tax bonds (STBs). Long-term STBs and general obligation bonds are normally tax exempt, while short-term STBs, known as "sponge bonds", are taxable.

Each investment of bond issues is tracked by the STO in order to ensure that the proceeds from the investment do not exceed allowable Internal Revenue Service (IRS) limits. If the state earns too much from tax-exempt bond issues, it will have to refund the excess to the IRS as an arbitrage penalty. The state generally has three years to invest and spend the bond proceeds for the original issuing purpose, but after that period, excess interest earned may have to be rebated to the IRS.

Senator Smith asked whether New Mexico has paid arbitrage recently. Joaquin Lujan of the STO said that the state has not paid arbitrage in several years, but that currently it is earning positive arbitrage. The STO recently decided that paying some arbitrage would be beneficial to the state because the state will be paying most, but not all, of the excess earnings. Planned arbitrage is not a problem, he said. Surprise arbitrage penalties would be a big problem because the state would have been planning to spend that money elsewhere.

Speaker Lujan asked why the state issues taxable bonds. Mr. Pollard said that most

taxable bonds are sponge bonds, which allows the state to avoid the IRS' complex arbitrage calculations and restrictions on use of the proceeds.

Representative Zanetti asked how much in issued bond proceeds remains outstanding and whether the STO invests revenue bond proceeds for local governments. Mr. Lujan said that there are $1.2 billion in state-issued bond proceeds that the STO is currently managing. He said that the STO invests the short-term investment fund on behalf of local governments, but the STO does not necessarily know the source of the funds. Representative Zanetti asked that the STO provide the real yield of investments, taking into account inflation.

Executive Statewide Project Selection Process

Secretary of Finance and Administration Katherine Miller reviewed for the subcommittee the process the Department of Finance and Administration (DFA) uses in selecting capital projects for recommendation to the legislature for funding and provided some suggestions to improve the process.

The executive capital budget recommendation is generated from multiple planning processes. Local and state ICIPs, public school and higher education agencies, the Capitol Buildings Planning Commission, state planning entities for various issues and local and legislative hearings all play a part in developing the recommendation. Capital planning provides opportunities to promote long-term infrastructure solutions, to fund fully or phase projects, to fund planning and design of projects first, to prioritize continuation projects, to coordinate funding streams for projects, to assess the benefits to the public and to coordinate projects at the state and local levels.

The executive capital budget package is also developed with an eye toward keeping the state's AA+ bond rating and to maintaining a minimum 10% reserve in the operating budget. As a result, Secretary Miller said, the executive capital recommendation can differ significantly from the LFC recommendation.

Secretary Miller said that 80% of approved capital outlay projects in 2007 went through a planning process. She said the biggest problem is that the state funds projects that are not ready to proceed, and it often only partially funds projects. She suggested that reversion dates need to be made more clear, and said that maybe capital money should not be distributed to local governments that have not completed audits.

Senator Altamirano asked how long New Mexico has had an AA+ bond rating. Secretary Miller replied that it has been at least as long as the current governor has been serving. The state will be able to receive an AAA rating once it fully implements its unified accounting system.

Senator Smith asked about the recent transportation-related task force report that recommends various funding streams to fund transportation projects. Secretary Miller said that the executive is still reviewing the report and will make a recommendation soon.

Senator Smith expressed concern that some universities are using building renewal and replacement funds for new construction. Secretary Miller said she is not aware of that problem, but would look into it. Senator Smith then said that the several executive discretionary funds that are not statutory will be scrutinized closely by the Senate Finance Committee this upcoming session. He said he hopes to work with the DFA to provide the necessary oversight.

Representative Zanetti expressed concern that small communities often do not have sufficient resources to manage or secure funding for projects, but large institutions do, and they tend to get much more funding. Secretary Miller said that the state would need to completely rethink how it funds local projects in order for that problem to be solved. However, there are existing successful planning and funding entities for public school construction and water and wastewater facilities, which could be used as a model for local project planning. Robert Apodaca, director of the Local Government Division (LGD) of the DFA, said that his division only has seven project managers to help implement all the local projects around the state. Senator Snyder reminded the subcommittee that the Professional Technical Advisory Board provides free technical advice to communities in designing projects.

Representative Zanetti said that the process for funding capital projects for nonprofit entities needs to be reformed. Representative Sandoval agreed and suggested imposing a moratorium on such funding until a better system is implemented.

Senator Duran asked about an apparent inconsistency in how the LGD interpreted language for projects. She said that in two appropriations for planning, design and construction of a building, the LGD allowed money to be spent on a metal building, but in a third appropriation with similar language, the metal building was determined by the LGD not to be within the scope of the authorizing language. She asked the LGD to determine exactly what language it needs in order to be able to build metal buildings and whether bill language should be broad or very narrow. Mr. Apodaca said that he will investigate those projects and find out if his division is being inconsistent.

Senator Smith asked staff to research how other states fund nonprofit entity projects. Secretary Miller said that some local governments incorporate nonprofit projects into their ICIPs and community development block grant proposals. She cited La Familia Medical Center as such a planned nonprofit project.

Senator Snyder asked why the executive is giving $5 million for a rodeo arena and $4 million for an equestrian center, instead of investing in existing state fair buildings. She also noted that the state engineer request presented earlier in the meeting does not match the DFA's state agency ICIP. Finally, she said the state is losing millions of dollars in revenue because it does not staff its highway weigh stations 24 hours a day.

Representative Saavedra said that until the DPS starts complying with the new state law he ushered through last session requiring a quick and safe reopening of highways after a traffic

accident, he will stall any of its capital outlay requests.

The minutes from the August 17 meeting of the Capital Outlay Subcommittee were adopted.

Planning and Prioritizing Process: Agency Perspectives

Aging and Long-Term Services Department (ALTSD)

Secretary of Aging and Long-Term Services Deborah Armstrong described to the committee the process the ALTSD uses to plan and prioritize funding for its projects across the state. The department has used essentially the same application and review process for more than a decade, she said, and it has worked very well. Senior centers submit requests to their area agencies on aging, which review them and then submit them to the department. The ALTSD then assigns a designation of critical, high, moderate or low to each project.

Currently, there are 535 funded projects being managed by the department, for a total of $29 million. Secretary Armstrong said that the ALTSD tracks every project to ensure it proceeds according to plan. The only problem that occurs is when projects are funded that have not been planned and prioritized.

Subcommittee members complimented department staff for the good job the department does in planning and implementing its capital outlay projects. Representative Zanetti asked that the department provide the legislature with a list of its critical and high-priority projects, in case funding will be tight.

Higher Education Department (HED)

Secretary of Higher Education Dr. Reed Dasenbrock gave the subcommittee an overview of HED's capital projects review process, as well as proposed new changes to that process. Currently, each institution of higher education submits its five-year facilities plan in June of each year to the HED. The department then holds hearings in September to review those projects and request revisions. Then, the department's Capital Projects Committee meets to make recommendations based on need and the funding constraints of the current funding cycle. The committee submits its recommendations to the secretary, who finally submits the proposed projects to the executive and legislature. This year, said Secretary Dasenbrock, the HED will be recommending only those projects that are most important and that can be fully funded. Institutions are also being asked to incorporate green building standards into their projects.

Proposed changes to the process for next year include establishing data-driven criteria to select projects. Such criteria will include enrollment trends, space utilization ratios, facility condition index (FCI) ranking, funding from other sources and green building standard compliance. Each project would be ranked numerically, based on the criteria. Secretary Dasenbrock said that in order to deal with the $1.4 billion in deferred maintenance problems across the state, more precedence will be given to projects to improve their FCI ranking than to

new buildings.

Senator Smith raised the building renewal and replacement issue with Secretary Dasenbrock and said that the legislature only agreed to fund deferred maintenance problems, not new buildings. He said he does not appreciate institutions making end-runs to fund special projects. As an example, he cited Western New Mexico University, which received funding for a $2 million scoreboard, instead of funding much more important projects.

Secretary Dasenbrock said that the HED will only be advocating for planned and prioritized projects this year. All other projects will be off the table until the next funding cycle, he said. Secretary Dasenbrock said he is not aware of any institution using deferred maintenance money for new buildings. However, he said, using that funding source to renovate buildings is appropriate.

Representative Arnold-Jones suggested that health and safety criteria be added to the list of proposed criteria for funding projects. She said the state of student housing at some universities is downright dangerous. Secretary Dasenbrock said that student housing has not been allowed to be funded through general obligation bonds, but only through user fees.

Representative Arnold-Jones asked what the HED is doing to facilitate funding of telecommunications infrastructure to implement the new statewide emergency alert system. Secretary Dasenbrock responded that one of the drawbacks to the current system of capital outlay funding is that projects are requested by each institution, and not by the HED.

Speaker Lujan asked if the HED will only be requesting full funding for a few projects. Secretary Dasenbrock said that fewer projects will be requested, each one with enough funding to complete it. Funding recommendations will be fairly spread across the state, with each institution getting its share. Speaker Lujan said that funding projects in phases is crucial; otherwise, large facilities will never be built.

Representative Luciano "Lucky" Varela asked why the HED is refusing to implement the same student identification system that the public schools use. Secretary Dasenbrock said that the system uses a nine-number identification field, as does the federal Social Security Administration. Federal law prohibits institutions of higher education from using any identification moniker that could also be a social security number. He said that, within the next year, a program to add an additional field to the nine-number identification will become possible.

Representative Varela asked about capital outlay reporting by the institutions. Camille Anaya, capital projects coordinator for the HED, said that the department is investigating possibilities. One option would be for the institutions to perform their own auditing. Secretary Dasenbrock said that the HED needs more staff to meet its statutory requirements.

Representative Arnold-Jones asked the subcommittee to address cross-jurisdictional

issues involving capital outlay funding, especially relating to information technology.

There being no further business, the subcommittee adjourned exactly on time, at 3:00 p.m.

Revised: October 15, 2007

TENTATIVE AGENDA
for the
THIRD MEETING
of the
CAPITAL OUTLAY SUBCOMMITTEE
of the
NEW MEXICO LEGISLATIVE COUNCIL
and the
LEGISLATIVE FINANCE COMMITTEE

October 16, 2007
Room 322, State Capitol
Santa Fe

Tuesday, October 16

10:00 a.m. **Call to Order**

10:10 a.m. **Critical Statewide Capital Project Priorities**
—Pamela S. Hyde, Secretary of Human Services

11:00 a.m. **Report Findings on House Memorial 35: A Sustainable Transportation System**
—Rhonda Faught, Secretary of Transportation

12:00 noon **Lunch**

1:30 p.m. **Green Building Standards for State-Funded Building Projects**
—Dan Lorimier, Conservation Coordinator, Rio Grande Chapter of the Sierra Club
—Gail Ryba, Ph.D.

2:15 p.m. **Recommendations for Reauthorization Process**
—Renee Gregorio, Legislative Council Service
—Linda Kehoe, Legislative Finance Committee
—Robert Apodaca, Director, Local Government Division, Department of Finance and Administration

3:00 p.m. **Ramah Navajo School Board Input on Capital Projects**

3:15 p.m. **Capital Outlay Request Form**
—Staff

3:30 p.m. **Adjourn**

MINUTES
of the
THIRD MEETING
of the
CAPITAL OUTLAY SUBCOMMITTEE
of the
NEW MEXICO LEGISLATIVE COUNCIL
and the
LEGISLATIVE FINANCE COMMITTEE

October 16, 2007
Room 322, State Capitol
Santa Fe

The third meeting of the Capital Outlay Subcommittee of the New Mexico Legislative Council and the Legislative Finance Committee for 2007 was called to order at 10:30 a.m. by President Pro Tempore of the Senate Ben D. Altamirano, co-chair, in Room 322 of the State Capitol in Santa Fe.

Present
Rep. Ben Lujan, Co-Chair
Sen. Ben D. Altamirano, Co-Chair
Sen. Dianna J. Duran
Rep. Henry Kiki Saavedra
Rep. Edward C. Sandoval
Sen. John Arthur Smith
Rep. Thomas C. Taylor

Absent
Sen. Carlos R. Cisneros
Sen. Kent L. Cravens
Sen. Carroll H. Leavell
Rep. W. Ken Martinez
Rep. Brian K. Moore
Sen. Leonard Lee Rawson
Sen. Michael S. Sanchez
Rep. Jeannette O. Wallace
Rep. Teresa A. Zanetti

Advisory Members
Sen. H. Diane Snyder

Rep. Janice E. Arnold-Jones
Sen. Stuart Ingle
Sen. Timothy Z. Jennings

A quorum was not present for the meeting, so the subcommittee deferred any decisions to the next meeting.

Staff
Ric Gaudet, Legislative Council Service (LCS)
Renée Gregorio, Capital Outlay, LCS
Linda Kehoe, Capital Outlay Coordinator, Legislative Finance Committee (LFC)
Jeannae Leger, LFC
Paula Tackett, Director, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of handouts given by meeting presenters are in the meeting file.

Tuesday, October 16

Critical Statewide Capital Project Priorities: Human Services Department (HSD)

Secretary of Human Services Pamela S. Hyde presented to the subcommittee the department's most important capital outlay priority for funding this upcoming legislative session. The Los Lunas substance abuse treatment center, which will serve as a central facility to provide substance abuse treatment as well as a training center for providers, needs an additional $5.9 million to be completed. The legislature appropriated $5 million toward the project in the 2007 regular session, she said. The facility will provide inpatient and outpatient services. The department is in the process of completing a substance abuse treatment facility in each of the four geographic corners of the state and needs to have a facility to serve as the state's central facility.

The other capital outlay priorities for the HSD are improvements to various field offices, said Secretary Hyde.

Senator Altamirano said he was told previously that many of the existing buildings at the Los Lunas site would be available for the new treatment facility's use. Secretary Hyde said that the consulting architect the HSD hired determined that most of the existing buildings have serious problems, including asbestos. She said the General Services Department (GSD) is in the process of demolishing several buildings on the campus.

Senator Smith asked how well the HSD is doing in treating the state's substance abuse population. Secretary Hyde said that currently, the HSD is not doing a very good job because it does not have the treatment capacity it needs. Unfortunately, many of people who need treatment end up in jail instead. She said the HSD is trying to adjust its Medicaid reimbursement formula, but it will also need extra general fund money soon.

Senator Smith said that the huge shortfall in funding the Rail Runner will inevitably affect funding of the HSD's programs, unless the executive agrees to raise taxes somewhere.

Senator Snyder asked to be provided with the list of stakeholder groups included in the HSD's substance abuse planning process. She said that there seems to be some duplication of effort between the HSD and the Administrative Office of the Courts' (AOC) drug and family courts. Secretary Hyde said that the AOC funds drug courts, but when clients need substance abuse treatment, they go through existing programs, including those provided by the HSD.

Senator Snyder asked why the HSD hired its own architect. Secretary Hyde said that the consulting architect was hired for planning purposes, but that the GSD will provide the actual construction plans. Senator Snyder asked for the yearly cost to treat patients. Secretary Hyde said that outpatient treatment costs for men average $3,000 per year. She said she will provide the subcommittee with inpatient costs.

Report Findings on House Memorial 35: A Sustainable Transportation System

Senator Snyder and Robert Ortiz, deputy secretary of highway operations, Department of Transportation (DOT), gave the subcommittee a brief report on possible transportation-funding solutions for the future. The task force, which was created in response to House Memorial 35 of the 2007 regular legislative session, gathered input from many government sectors, including local and tribal perspectives, about how to fund transportation in the future. Mr. Ortiz said that federal funding is looking less reliable.

The DOT currently maintains 29,952 lane miles and 3,725 bridges, and local governments maintain 44,233 lane miles of roads. Asphalt prices have increased dramatically in the past three years, and future prices are expected to rise.

Representative Saavedra said he is concerned that there is not enough being spent on bridge replacement and repairs. Mr. Ortiz agreed, saying that the state currently spends $25 million per year in replacing bridges, but it should be spending twice that amount in order to replace all the bridges in its inventory on schedule. Senator Snyder said that she has heard from sources in Washington, D.C., that in order to keep the federal Highway Trust Fund solvent, distributions to states will be reduced an average of 39% in the next few years. She also expressed concern that the larger states will advocate for changes to the highway funding formula, which could have a devastating impact on smaller-population states with many miles of highway to maintain, such as New Mexico.

The task force report outlined several funding options, including dedicating all of the motor vehicle excise tax to transportation, improving compliance of the weight-distance and trip taxes, increasing annual vehicle registration fees and increasing taxes on gasoline and special fuel. An additional idea is to tie the various tax and fee amounts to a federal inflation index, so that increases in highway materials costs can be offset by increased fees and taxes.

Senator Smith said that dedicating all of the motor vehicle excise tax to transportation will reduce funding for health, education and corrections programs because that tax is currently deposited into the general fund. Just shifting distributions around will not solve any problems. Senator Smith said that the entire transportation funding system needs to be fixed. He said he does not want any "Band-Aid" solutions to the problem. He also suggested that the cost of the spaceport in southern New Mexico be amortized across the entire state, rather than requiring the southern counties to pay for it.

Secretary of Transportation Rhonda Faught explained in detail the proposed surcharge on

vehicle registrations. She said there would be a transportation-dedicated surcharge on each vehicle, based on that vehicle's gross weight. The average surcharge would be $69.00, but she pointed out that most passenger vehicles would pay much less than that amount.

Senator Altamirano asked what cost-saving measures the DOT is implementing. Secretary Faught said the department is using design optimization practices to lessen the impact in materials price increases. The DOT is also reducing the amount of take-home vehicles available to its staff. Those measures, however, will do little to save money compared to the huge funding shortfalls the department is anticipating.

Representative Saavedra asked why the department and governor refuse to support raising the gasoline tax. Secretary Faught said that raising the gasoline tax was discussed at length, but it was decided that other funding sources would bring in more revenue. For example, she said, raising the gasoline tax $.01 per gallon will only bring an additional $7 million to the State Road Fund, while imposing a surcharge on vehicle registrations will generate $122 million.

Green Building Standards for State-Funded Building Projects

The subcommittee heard a presentation on incorporating green building standards into all state-funded building projects from Dan Lorimier and Gail Ryba, representing the Rio Grande Chapter of the Sierra Club. Mr. Lorimier reported that green buildings will be the regular buildings of the near future, just as buildings that comply with the federal Americans with Disabilities Act of 1990 are in the mainstream today, but were not very common 25 years ago.

Some green building principles include locating the building near public transportation; putting lights and other electronic devices on timers; using solar and wind power; using building materials with a percentage of recycled content; using materials that do not emit toxic fumes; and using natural day lighting of work surfaces.

Ms. Ryba said that incorporating green design principles costs about one to two percent more than conventional buildings during the design and construction phase, but can result in more than 50% in energy savings. When looking at the total life cycle costs of a green building compared to a conventional building, the green building is actually much cheaper. Factoring in other variables, such as human productivity in healthier buildings, leads to the conclusion that green buildings are far cheaper and safer than conventionally designed buildings.

Mr. Lorimier suggested that the subcommittee endorse a bill to require green building standards to provide a 50% energy savings over today's conventional buildings for all state-funded buildings, including all local government buildings.

Representative Sandoval asked whether materials costs have been factored in with this proposal. Craig O'Hare of the Energy, Minerals and Natural Resources Department said that a recent study in California found that, overall, construction costs of green buildings are approximately equal to conventional buildings when the reduced need for HVAC systems are

taken into account. Ms. Ryba said that builders and the public still need to be convinced that it is financially in their interest to build green.

Mr. O'Hare said that in response to the governor's recent executive order requiring all new state buildings to comply to green building standards, the Construction Industries Division (CID) of the Regulation and Licensing Department is creating a new green building bureau. He said the construction industry is not yet totally on-board with the new standards, but progress is being made.

Senator Snyder said she supports green building standards, but asked whether the Sierra Club is advocating for leadership in energy and environmental design certification, which is an expensive process. Mr. Lorimier said the group is only advocating for a requirement that buildings achieve a 50% energy reduction compared to conventional buildings. Senator Snyder said that although the state will be funding the extra cost to build green buildings, the local governments will be recouping the savings, because operational costs are part of local governments' budgets. Finally, Senator Snyder wondered why the CID is creating a new bureau when it cannot even perform its basic statutory responsibilities.

Ramah Navajo School Board Input on Capital Projects

Bennie Coho of the Ramah Navajo School Board described for the subcommittee the problems it has encountered trying to get access to past legislative appropriations. The Navajo Nation bureaucratic process has often led to long delays in receiving money appropriated to individual chapters, so chapters have resorted to getting those appropriations reauthorized by the legislature while waiting for the Navajo Nation to release the funds. Mr. Coho requested that any changes made to the reauthorization process take into account the particular problems facing the Ramah Chapter and other tribal entities.

Pilar Faulkner, lobbyist for the Ramah Navajo School Board, said that small Navajo communities have traditionally relied on the reauthorization process because the Navajo Nation has tied up funds for several years. She said the Ramah Navajo School Board is ready to spend the money appropriated to it, but the government in Window Rock will not release the funds. She said that the legislature recently passed a bill that would allow the Department of Finance and Administration (DFA) to be the fiscal agent for chapters, but the Navajo Nation rejected that idea. All Navajo-related appropriations must be funneled through Window Rock. She said that chapter members are still New Mexico residents, and they deserve to receive services from the state.

Representative Sandoval asked if there is still time to reauthorize the appropriations for the Ramah Chapter. Ms. Tackett said that they could be reauthorized in the upcoming session, and that staff could work with the chapter to ensure the reauthorization reform process would not exclude these types of fixes.

Ms. Faulkner said that the chapter and school board will attempt to reauthorize some of

the previous appropriations through Cibola County, so that the chapter can finally receive the funding it desperately needs.

Recommendations for the Reauthorization Process

Robert Apodaca, director of the Local Government Division of the DFA, Ms. Kehoe and Ms. Gregorio presented reform suggestions to make the reauthorization process better. The proposed reforms include:

- no reauthorizations for projects with balances under $50,000;
- reauthorizations can only be made once, except to fix errors;
- no splitting of money from one project into more than one project;
- reauthorizations must relate to the original purpose, unless directed toward completing another existing project or fully funding a new project;
- no reauthorizations may be written for projects that should have reverted according to law;
- reauthorizations may not be written for projects funded within the same legislative session;
- extension of time may only be granted for two years;
- reauthorization requests must be submitted in early January;
- agencies will be requested to research the current status of all reauthorization requests; and
- draft changes to language in the capital bill to ensure that all remaining balances revert within a 90-day period after the June 30 reversion date.

Ms. Gregorio said that the intent of reforming the reauthorization process is not to eliminate reauthorizations, but to make them more manageable and to eliminate some of the abuses of the system by creative technical manipulations by receiving entities. She also said that the proposed reforms could easily be modified to allay the concerns of the Ramah Navajo School Board.

Senator Smith suggested creating a fund into which reversions could be swept and set aside for small communities.

Mr. Apodaca said that most reversions and reauthorizations could be avoided if projects

are properly planned.

Senator Duran said that she would rather have the DFA and the State Board of Finance allow flexibility in interpreting language than reauthorizing to clarify language. Mr. Apodaca agreed, but cautioned that the DFA also does not want the system to be abused. Projects need to be specific, he said, and the department needs to follow the language in the law.

Representative Sandoval said he is concerned about the $50,000 minimum for reauthorizations being set too high. Mr. Apodaca said there needs to be a threshold amount because many projects are currently reauthorized that have a balance of only a few hundred dollars. The amount it costs the state to process the reauthorization is much greater than the actual amount reauthorized, he said.

There being no further business, the meeting adjourned at 4:10 p.m.

Revised: November 6, 2007

TENTATIVE AGENDA
for the
FOURTH MEETING
of the
CAPITAL OUTLAY SUBCOMMITTEE
of the
NEW MEXICO LEGISLATIVE COUNCIL
and the
LEGISLATIVE FINANCE COMMITTEE

November 6, 2007
Room 307, State Capitol
Santa Fe

Tuesday, November 6

10:00 a.m. **Call to Order**

10:05 a.m. **Approval of Minutes**

10:10 a.m. **Recommendations for Funding Acequia Projects**
—Paula Garcia, New Mexico Acequia Association

10:45 a.m. **Capital Outlay Request Form Review and Recommendations for Reauthorization Process**
—Renée Gregorio, Legislative Council Service
—Linda Kehoe, Legislative Finance Committee
—Robert Apodaca, Department of Finance and Administration

12:00 noon **Lunch**

1:30 p.m. **Subcommittee Discussion of Statewide Capital Projects**
Statewide Priorities by Agencies
Criteria for Selection
—Paula Tackett, Director, Legislative Council Service
—David Abbey, Director, Legislative Finance Committee

4:00 p.m. **Adjourn**

MINUTES
of the
FOURTH MEETING
of the
CAPITAL OUTLAY SUBCOMMITTEE
of the
NEW MEXICO LEGISLATIVE COUNCIL
and the
LEGISLATIVE FINANCE COMMITTEE

November 6, 2007
Room 307, State Capitol
Santa Fe

The fourth meeting of the Capital Outlay Subcommittee of the New Mexico Legislative Council and the Legislative Finance Committee for 2007 was called to order at 10:25 a.m. by Speaker of the House of Representatives Ben Lujan, co-chair, in Room 307 of the State Capitol in Santa Fe.

Present
Rep. Ben Lujan, Co-Chair
Sen. Ben D. Altamirano, Co-Chair
Sen. Carlos R. Cisneros
Sen. Kent L. Cravens
Rep. Brian K. Moore
Rep. Henry Kiki Saavedra
Sen. Michael S. Sanchez
Rep. Edward C. Sandoval
Sen. John Arthur Smith
Rep. Thomas C. Taylor
Rep. Jeannette O. Wallace
Rep. Teresa A. Zanetti

Absent
Sen. Dianna J. Duran
Sen. Carroll H. Leavell
Rep. W. Ken Martinez
Sen. Leonard Lee Rawson

Advisory Members
Rep. Janice E. Arnold-Jones
Sen. Timothy Z. Jennings
Sen. H. Diane Snyder
Sen. Stuart Ingle

Guest Legislator
Rep. Roberto "Bobby" J. Gonzales

Staff
David Abbey, Director, Legislative Finance Committee (LFC)
Ric Gaudet, Legislative Council Service (LCS)
Renée Gregorio, Capital Outlay, LCS

Linda Kehoe, Capital Outlay Coordinator, LFC
Jeannae Leger, LFC
Paula Tackett, Director, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of handouts given by meeting presenters are in the meeting file.

Tuesday, November 6

The minutes from the September 20-21 and October 16 meetings of the Capital Outlay Subcommittee were approved.

Recommendations for Funding Acequia Projects

Paula Garcia of the New Mexico Acequia Association (NMAA) and Craig Roepke from the Interstate Stream Commission gave a presentation to the subcommittee about funding acequia construction projects. They reviewed the work of the Acequia Construction Program Task Force, which met several times to make recommendations on streamlining the acequia construction process. The main recommendations of the task force are to:

- implement staged construction projects. Acequias should complete planning and design prior to seeking funding for construction;

- dedicate more resources to design and construction. Options for funding include dedicating a portion of the New Mexico Irrigation Works Construction Fund for acequia projects or creating an acequia project fund;

- provide technical assistance. The legislature should fund state agencies to provide for planning and design services for acequias; and

- continue the work of the task force in 2008.

Mr. Roepke said that it is critical that acequia capital projects be staged. Acequias need to get planning and design funding before they ask for construction money. Otherwise, a large amount of money that could otherwise be spent on ready projects gets held up, often for several years. Ms. Garcia said that most problems occur when an acequia goes to the legislature for funding of its project before getting technical assistance from the Interstate Stream Commission.

Senator Altamirano asked about the funding that the NMAA has received from the state. Ms. Garcia said that the NMAA has received contractual funding through the Department of Finance and Administration (DFA) to provide technical assistance to acequias. She said that the

NMAA has provided about 50 Infrastructure Capital Improvement Plans (ICIPs) for acequias.

Representative Saavedra asked why the NMAA encouraged the formation of some acequias inside the boundaries of the Middle Rio Grande Conservancy District. Ms. Garcia said that those acequias are unique, and have been recognized as acequias prior to the foundation of the district. She said that the conservancy district has only been providing water to certain points of the existing acequia systems. Those acequias decided to reorganize out of necessity, since their water users were not getting water or having their ditches maintained.

Senator Smith asked if there are any acequias that have qualified for funding from the executive's Water Innovation Fund. Ms. Garcia said she is not aware of any acequias that have received any assistance from the fund.

Senator Smith said that he is concerned that acequias, which get a large part of their construction programs funded by the federal government, would use state capital outlay funding as their required cost-share for projects, rather than assessing their own parciantes. He asked the presenters for a list of acequias that have received capital outlay funding from the state, and whether those acequias assess their parciantes to fund projects. Ms. Garcia said that the NMAA encourages its member acequias to assess parciantes, but they are not required by law to do so.

Capital Outlay Request Form and Recommendations for Reauthorization Process

Capital Outlay Request Form

Ms. Gregorio reviewed for the subcommittee the capital outlay request form that the LCS uses, and the changes that were made to the form in 2006.

Representative Arnold-Jones said that nonprofit organizations need to include proof of their nonprofit status with a capital outlay request.

Senator Jennings said that requiring local governments to sign an agreement to own and operate a facility before receiving funding can be problematic, because sometimes the desires of the local government conflict with the desires of the area's legislators. If the legislature wants to fund a project, even though that project is not on the local government's ICIP, it should be allowed to do so.

Representative Saavedra asked whether the governor is required to fill out capital outlay request forms for his projects, like everyone else. Robert Apodaca, director of the Local Government Division of the DFA, said that executive projects go through a review process, using criteria similar to that found on the LCS form.

Representative Zanetti said it would be helpful if the LCS could publish during the session a chart that shows who is planning on funding each project, and for what amount. That way, it would be easier to fund projects fully and make cooperative funding decisions.

Senator Snyder suggested modifying the form so that requesting entities can provide dollar amounts for each part of a project, such as planning, land acquisition, design, construction and equipping. If a project could not be fully funded, at least the legislature could fund a complete part of the project.

Representative Sandoval said that for 2008, the legislature should consider not funding any nonprofit entity, and try to develop a better system for nonprofit requests.

Senator Cravens asked for a complete status list of capital outlay projects in his district. Ms. Kehoe said that the LFC provides quarterly status reports for the high-cost projects, but to do a report for the 9,000 current projects would take several staff members months to accomplish. Senator Cravens said that the legislature does not need restrictions on how to spend money on projects, but legislators need staff, so they can make better-informed decisions.

Recommendations for Reauthorization Process

Ms. Gregorio described the proposed changes to the capital outlay reauthorization process that had been discussed at length in the October meeting. She said that staff worked with representatives of the Ramah Chapter of the Navajo Nation in order to remedy their concerns.

Representative Saavedra suggested changing the exception language to refer to tribal governments, rather than the more general language of "intergovernmental delays". Mr. Apodaca agreed, saying that the language as written was too permissive, and that reauthorizations would continue to be abused.

Senator Jennings said that the changes to the reauthorization process would make big changes to the process, and legislators would need time to learn all the new rules. He also thinks that it would not be a good idea to require legislators to get executive agency approval to proceed with a reauthorization.

Senator Smith said that regardless of the restrictions on reauthorizations the legislature imposes upon itself, he will enforce those guidelines on all the local governments in his district. He asked Mr. Apodaca what assurance the legislature will get that the executive is implementing sound planning guidelines in choosing its projects in order to stop the need for so many reauthorized projects. Mr. Apodaca said that for years the executive has been trying to get most of the proposed reauthorization reforms adopted for years. Senator Smith said that the legislature should not enact executive projects unless the executive agrees to follow the same rules as the legislature.

Senator Altamirano said that the reauthorization process needs to be changed before the upcoming session, although it may be prudent to have some of the reforms take effect the following year.

Representative Gonzales said that the $50,000 floor for reauthorizations will unfairly

benefit smaller projects. Further, entities that have a need for a small amount of money for a project will merely ask for $50,000 in order to skirt the restriction.

Senator Snyder said that rather than placing restrictions on the flood of reauthorizations, the legislature should focus on the causes of that problem: not fully funding projects in the first place and funding improperly planned projects.

Senator Sanchez said that he will suggest in the senate caucus a one-year moratorium on funding local projects.

Bennie Coho, director of the Ramah Navajo School Board, said that if the reauthorization limit is lowered to $15,000 from the proposed $50,000, his agency would have no problems with the changes to the process.

Michael Hawkes, executive director of the Alamo Navajo School Board, said that it is very difficult to get contractors to bid on projects in Alamo. He said that Alamo projects need to be reauthorized, not just because the Navajo Nation presents bureaucratic obstacles, but also because projects in remote areas often take much longer to complete. He said that the school board can complete all of its projects with a two-year extension.

Pilar Faulkner, representing the Ramah Navajo School Board, said that the people in Ramah will suffer if appropriations revert. Reauthorizations have been crucial to keeping the funding alive, she said.

LCS staff was directed to contact the president and tribal council of the Navajo Nation in an attempt to get the stalled projects moving.

Subcommittee Discussion of Statewide Capital Projects

The subcommittee went into executive session to discuss funding of potential statewide capital outlay projects.

After the discussion, the subcommittee adjourned at 4:30 p.m.

TENTATIVE AGENDA
for the
FIFTH MEETING
of the
CAPITAL OUTLAY SUBCOMMITTEE
of the
NEW MEXICO LEGISLATIVE COUNCIL
and the
LEGISLATIVE FINANCE COMMITTEE

December 11, 2007
Room 307, State Capitol
Santa Fe

Tuesday, December 11

10:00 a.m. **Call to Order**

10:05 a.m. **Approval of Minutes**

10:10 a.m. **Reauthorization Process Changes**
—Paula Tackett, Director, Legislative Council Service (LCS)
—Renée Gregorio, LCS

10:30 a.m. **2008 Legislative Capital Outlay Time Line**
—John Yaeger, Assistant Director for Legislative Affairs, LCS

11:00 a.m. **Capital Outlay and Late Audits by Local Government Entities**
—Hector H. Balderas, State Auditor
—Robert Apodaca, Director, Local Government Division, Department of Finance and Administration
—David Abbey, Director, Legislative Finance Committee (LFC)

11:30 a.m. **Capital Financing Options**
—Tom Pollard, LCS

12:00 noon **Lunch**

1:30 p.m. **Report on the Status of Capital Projects with Values of $1 Million or Greater**
—Linda Kehoe, Legislative Finance Committee (LFC)
—Jeannae Leger, LFC

2:00 p.m. **Statewide Capital Project Discussion**
—Paula Tackett, Director, LCS
—David Abbey, Director, LFC
—Linda Kehoe, LFC
—Renée Gregorio, LCS

3:30 p.m. **Adjourn**

MINUTES
of the
FIFTH MEETING
of the
CAPITAL OUTLAY SUBCOMMITTEE
of the
NEW MEXICO LEGISLATIVE COUNCIL
and the
LEGISLATIVE FINANCE COMMITTEE

December 11, 2007
Room 307, State Capitol
Santa Fe

The fifth meeting of the Capital Outlay Subcommittee of the New Mexico Legislative Council and the Legislative Finance Committee for 2007 was called to order at 10:15 a.m. by Representative Edward C. Sandoval in Room 307 of the State Capitol in Santa Fe.

Present
Rep. Ben Lujan, Co-Chair
Sen. Carlos R. Cisneros
Sen. Kent L. Cravens
Sen. Dianna J. Duran
Sen. Leonard Lee Rawson
Rep. Henry Kiki Saavedra
Rep. Edward C. Sandoval
Sen. John Arthur Smith
Rep. Thomas C. Taylor
Rep. Jeannette O. Wallace
Rep. Teresa A. Zanetti

Absent
Sen. Ben D. Altamirano, Co-Chair
Sen. Carroll H. Leavell
Rep. W. Ken Martinez
Rep. Brian K. Moore
Sen. Michael S. Sanchez

Advisory Members
Rep. Janice E. Arnold-Jones
Sen. H. Diane Snyder
Sen. Stuart Ingle
Sen. Timothy Z. Jennings

Staff
David Abbey, Director, Legislative Finance Committee (LFC)
Ric Gaudet, Legislative Council Service (LCS)
Renée Gregorio, Capital Outlay, LCS
Linda Kehoe, Capital Outlay Coordinator, LFC
Jeannae Leger, LFC
Tom Pollard, LCS
John Yaeger, Assistant Director for Legislative Affairs, LCS
Paula Tackett, Director, LCS

Guests
The guest list is in the meeting file.

Handouts

Copies of handouts given by meeting presenters are in the meeting file.

Reauthorization Process Changes

Ms. Gregorio presented the revised proposal to make changes to the capital outlay reauthorization process, based on comments from members at the November meeting. The language is as follows:

> The Capital Outlay Subcommittee encourages members to use reauthorizations sparingly, with an eye toward completing existing projects or fully funding new projects.
>
> 1. No reauthorizations for projects with balances under $20,000.
>
> 2. Reauthorizations can only be made once, except to fix errors.
>
> 3. Extension of time may only be granted for two years.
>
> 4. Draft changes to language in the capital outlay bill to ensure that all remaining balances revert within a 90-day period after the June 30 reversion date.
>
> Exceptions to the first two policies can be made only if the receiving state agency certifies to the LCS that the project needs to be reauthorized due to tribal government delays.

Senator Snyder said that money that reverts should not go back into the general capacity, but should be allocated to the sponsoring legislator's district. She mentioned problems that Albuquerque Public Schools (APS) has had in spending capital outlay funding. She wants funding for an area to stay in the area if money reverts.

Antonio Ortiz of the Public Education Department (PED) said that the PED supports the proposed changes. He said that the problem with APS capital outlay projects was that APS spent the money, but would delay requesting reimbursement from the department. The proposed 90-day reversion deadline would force school districts to submit paperwork in a timely manner, so that projects can be closed out and money reverted, if any is left.

Senator Snyder said it is not fair to areas in which school districts play politics to revert money back to the general fund. Ms. Tackett said that for general fund capital outlay appropriations, reverted money could be sent to the Capital Projects Fund, which is set aside for

capital outlay projects and appropriated from by the legislature. Severance tax bond money has to revert into the Severance Tax Bonding Fund, she said.

Robert Apodaca, director of the Local Government Division (LGD) of the Department of Finance and Administration (DFA), said that the DFA also supports the changes to the reauthorization process. He said the 90-day language is actually giving agencies 90 days to finish up their projects from the reversion date. This language also mirrors reversion language for operational budgets.

Representative Arnold-Jones said that APS is getting better with its capital project management. Mr. Ortiz agreed, and said that the new language would prevent district delays in requesting reimbursements in the future.

Speaker Lujan moved that language be added to #1 to provide that money that originated from the general fund be reverted to the Capital Projects Fund.

Senator Smith said that there could be a problem with #1, because some members pool money to fund a project. Ms. Tackett suggested that "for completed projects" be added to the language for clarification.

Representative Saavedra asked if legislators pay attention to upcoming reversions. Ms. Kehoe said that some legislators do. She said that the LFC sends a listing of projects that are due to revert. The LFC does not have sufficient staff to check on the status of all those projects, which makes it difficult for legislators to determine which projects need reauthorization and which ones should revert.

The motion to revert capital project money that originated from the general fund was adopted, with two objections.

All of the reauthorization changes were adopted by the subcommittee.

2008 Legislative Capital Outlay Time Line

Mr. Yaeger presented the proposed time line for capital outlay for the upcoming session. The time line is based on the time line followed by the legislature in the 2007 session. This being a short session, the time line is compressed, but still ensures that the main capital outlay bill gets to the governor early enough for the legislature to be able to address any vetoes.

Representative Sandoval said he is concerned that the House Capital Outlay Subcommittee will not have sufficient time to hear all of the House projects before the projects need to be chosen.

Senator Smith asked what is the purpose of not amending the capital outlay bill in the second chamber. Mr. Yaeger said that in order to save two to three days of time, the projects

from both chambers have been put into the bill, rather than amending it in the second chamber. This practice has been occurring for the past two years. Senator Smith said he wants to maintain the ability of amending the bill in the senate, in case cooperation between the two chambers breaks down.

The time line for the capital outlay bill in the upcoming session was adopted by the subcommittee.

Capital Outlay and Late Audits by Local Government Entities

State Auditor Hector Balderas, Mr. Apodaca and Mr. Abbey discussed with the subcommittee possible solutions to the problem of some local governments not completing their audits in a timely manner. State Auditor Balderas presented a report on the current audit status of counties, municipalities and school districts. Most government entities complete audits on time, but there are several that have difficulty and are many years behind. The state auditor has no statutory authority to force a government to complete its audits, he said. He said he does not want to punish entities that have difficulty in completing audits. He suggested that some sort of funding be allocated to the state auditor to assist those communities that have a demonstrated hardship in completing audits.

Mr. Apodaca presented a proposed budget certification rule that would help ensure local governments complete audits in order to have their budgets certified by the LGD. The draft rule provides for the LGD to work with governments to complete audits. Noncomplying governments will be reported to state public officers, and the LGD and state auditor will attempt to enter into a corrective action plan with the government. If the government does not cooperate with the state oversight entities, the LGD can withhold state funding for the entity. Holding back money to the entity would only be used as a last resort after the entity has refused to cooperate, Mr. Apodaca said.

Mr. Abbey said that currently the General Services Department has not submitted its fiscal year 2006 audit, nor have two counties, 13 municipalities and two school districts. An entity that is more than one year late in submitting its audit is considered seriously late, he said. He said the legislature should consider enacting a statute that would allow certain distributions to those seriously late entities, if necessary, to be withheld until their audits are up to date.

Representative Arnold-Jones asked if nonprofit entities that have contracts with a local government also need to be audited. State Auditor Balderas said that they do. Sometimes the nonprofit entity can be audited independently of the local government, he said.

Representative Zanetti asked how the state auditor deals with problem areas within a larger governmental entity that does not generally have auditing problems. State Auditor Balderas said that his agency is charged with the general oversight of government entities' audits. If an auditor in his office notices something that warrants further investigation, he can assign further resources to perform a compliance audit that takes a closer look at the program in

question. He said he wants the State Auditor's Office to be able to engage in more compliance auditing.

Representative Wallace recounted a situation in which a water and sanitation district was decertified by the Department of Environment because it refused to follow state law regarding budget issues. She asked how the LGD envisions helping entities catch up to their statutory mandates, without cutting them off completely from state funding. Mr. Apodaca said that, that is exactly the intent of the draft rule. The LGD wants to be able to help entities comply, and use withholding of funding only as a last resort.

Senator Smith said the LGD needs to focus on those few communities that refuse to cooperate with the state or complete their audits. Many communities are unable to be in compliance because their operating budgets are too small. State Auditor Balderas said that his office has 36 employees that review the 600 privately conducted audits every year. He wants to establish an emergency fund with authority to enforce an audit of seriously late government entities. However, steps need to be taken to ensure that local entities that receive the help demonstrate a real hardship.

Senator Snyder asked whether small communities can bundle a request for proposals in order to attract bidders for audits. State Auditor Balderas said they could do so. He said his office has very limited ability to get involved in helping local entities with their audits.

Capital Financing Options

Mr. Pollard gave a brief summary of options to finance state-owned facilities. He described the recent constitutional amendment that now allows the state to enter into lease-purchase agreements in order to acquire facilities. Currently, the state leases almost 60 percent of the space it occupies. The legislature should consider redirecting lease payments to finance construction of new state buildings, at considerable long-term savings.

Mr. Pollard used as an example the Human Services Department (HSD), which currently leases all of its Santa Fe facilities. If the HSD built a central office building and financed it through revenue bonds that directed its current lease payments toward the debt service, the state would achieve savings over current practice in just seven years, and after 30 years, would save more than $40 million.

Mr. Pollard said that owning rather than leasing is not always in the state's interest, but the buy versus lease trade-off needs to be considered each time an agency contemplates a move. In some areas where lease rates are lower, the benefit to the state will be less.

Representative Sandoval asked why nearly 92 percent of state office space in Las Cruces is leased. Mr. Pollard said he did not know the specifics of that city, but said that traditionally it has been easier for an agency to get lease funding in its operating budget than to obtain a capital outlay appropriation.

Representative Arnold-Jones asked about a proposed Department of Transportation (DOT) building that will be leased to the state on state-owned land. Mr. Pollard said that the state has entered into many build-to-suit leases, which tend to be the most expensive option

available. He said the state should look into owning rather than entering into that kind of lease.

Representative Zanetti asked if there are differences in insurance costs between state-owned and privately owned buildings. Mr. Pollard said he would investigate that question and incorporate that information into his model in the future.

Senator Rawson said that the Wells Fargo Bank Building, currently leased by the state, is for sale. He said the state should consider purchasing the building. He mentioned a study commissioned previously by the Administrative Office of the Courts to look into whether owning or leasing was a better option for the agency. Unfortunately, it commissioned the study with one of the largest lessors of property to the state, so of course the results of the study determined that leasing was better than owning.

Representative Sandoval raised the issue of appropriating capital outlay money for nonprofit entity projects. Representative Arnold-Jones said that nonprofit entities need to prove their tax-exempt status before receiving capital outlay funding. Representative Zanetti said she supports some sort of limits to funding nonprofit entities. She said that municipalities would be much less willing to engage in public-private partnerships if they were required to list those projects in their Infrastructure Capital Improvement Plans.

Report on the Status of Capital Projects with Values of $1 Million or Greater

Ms. Leger presented to the subcommittee the LFC quarterly status report of capital outlay projects that have been funded at $1 million or greater. She said the LFC will be reporting soon to the legislature the projects that are not progressing on time. Ms. Leger reported that of $1.1 billion appropriated from 2000 to 2007, $273 million has been expended and $846 million remains unspent. Most of the unspent money was appropriated in 2006 and 2007, so the huge unspent portion is not unusual.

Ms. Kehoe presented the LFC's forecast of available revenue, which is, as of December 2007, $223.8 million for general obligation bonds, $180.7 million for severance tax bonds and $150.4 million of general fund money. The total expected budget for capital outlay is forecast to be $554.9 million.

Statewide Capital Project Discussion

Ms. Tackett and Mr. Abbey discussed with the subcommittee the proposed capital outlay budget for statewide projects. The list of projects was modified after input from subcommittee members at the November meeting. Ms. Tackett suggested that the subcommittee could adopt the list in order to get the projects started in the legislative process.

Ms. Kehoe mentioned that the recommendation for the Children, Youth and Families Department does not include funding for major renovations at the Youth Diagnostic Development Center because it may be relocated.

Representative Zanetti asked why the DOT request was not included in the list. Ms. Kehoe said that the DOT did not request funding for GRIP I or GRIP II. She said current projected shortfalls are $500 million for GRIP I and $60 million to $70 million for GRIP II. She said the LFC is recommending $50 million to be allocated to the Highway Maintenance Fund to

offset declining federal funds.

Mr. Abbey said that the statewide list had extensive staff participation and site visits to many proposed projects. Additionally, many executive agencies participated in developing the list during the executive capital hearings.

Senator Cisneros said that the Cabresto Dam project needs more money. The dam currently poses a hazard to the public, he said. The State Engineer's Office (SEO) wants to breach the dam and leave it unrepaired, but that would be devastating to the downstream farmers who rely on the lake's water. He said he is not sure if the recommendation to reauthorize unspent SEO funds toward Cabresto Lake is the best way to ensure funding for the project. Ms. Kehoe said the SEO has $33.5 million in dam repair needs, and she does not understand why the agency only requested $120,000. She said she will ask staff at the SEO for more information about Cabresto Lake and how to get it prioritized. Senator Cisneros said the governor will veto an SEO reauthorization for Cabresto Lake unless the SEO agrees to the change. Ms. Kehoe said it could also be possible to include dams as possible recipients of funding from the Water Project Fund.

Representative Daniel R. Foley said that the governor already gets too much of a share of the capital outlay pie. He suggested that the governor's proposed economic development fund be taken off the statewide list. If the governor wishes to fund that project, he should take it out of his one-third share remaining.

Representative Saavedra asked if the redirection of revenue from Albuquerque's red-light camera program to fund the metropolitan court building would require a statutory change. Mr. Abbey said that it would. He said the LFC will report on the metropolitan court shortfall in January.

The subcommittee adopted the proposed statewide capital outlay projects for further consideration by the legislature.

Speaker Lujan suggested that the caucus chairs raise the idea of a moratorium on funding nonprofit entity capital projects.

There being no further business, the subcommittee adjourned at 2:30 p.m.

LEGISLATIVE COUNCIL SERVICE

48TH LEGISLATURE-SECOND SESSION-2008

CAPITAL OUTLAY REQUEST FORM

Revised 1/03/08

This is the printed version of the legislative council service's capital outlay request form. You may also access and download this form online by going to the legislature's web site (www.legis.state.nm.us). The form is available in PDF format or as an editable MS-Word document.

This capital outlay request form is designed to assist you in describing the project for which you are seeking funding. Completing this form is necessary to provide accurate information to the legislative council service for drafting purposes and for legislators to make informed decisions about funding projects. Submit this form to the legislative council service capital outlay office. **ALL CAPITAL OUTLAY REQUESTS MUST BE SIGNED BY THE SPONSORING LEGISLATOR.** If you intend to seek the support of more than one legislator in the funding of a project, a separate, signed form is required for each legislator sponsoring the project. If funding is requested from multiple legislators for the same project, please provide an identical project description for each legislator to sign. The sponsoring legislator must be provided with a copy of this completed form and supporting documentation, so **be sure to keep a copy** for this purpose. Also, be prepared to provide a copy of this form to other legislators and committees.

The legislature intends to fund projects that are well planned and budgeted and that have been deemed important to communities. Additionally, the legislature is trying to fund projects in phases. The legislature has developed a list of criteria for funding needed projects. The criteria list is available at the legislature's web site (www.legis.state.nm.us).

Additional Requirements for Nonprofit Entity, Economic Development and Non-ICIP Projects

1. If the capital asset is to be used by a nonprofit entity, the requester needs to submit with this form a written commitment from the state or a political subdivision of the state that the state or the political subdivision:
   A. is or will be the owner of the asset and the fiscal agent for the nonprofit entity;
   B. will lease the asset to the nonprofit entity at fair market value; and
   C. will ensure the nonprofit entity maintains the asset.
2. If the project is an economic development project that represents a public-private partnership under the Local Economic Development Act, the requester needs to submit with this form the local government's approval of the project, in accordance with its ordinance adopted pursuant to that act, that validates the local government's receipt of state funding for the project.
3. If the project is intended to be for a state agency or a political subdivision of the state, but is **not part of that agency's or subdivision's ICIP**, the state agency or political subdivision must agree, prior to funding, to own, operate and maintain the asset.

PLEASE REMOVE THIS TOP PAGE BEFORE SUBMITTING THE FOLLOWING COMPLETED AND SIGNED FORM TO THE CAPITAL OUTLAY OFFICE. BE SURE TO GIVE A COPY OF THE SIGNED AND COMPLETED FORM TO THE REQUESTING LEGISLATOR.

LEGISLATIVE COUNCIL SERVICE
48TH LEGISLATURE-SECOND SESSION-2008
CAPITAL OUTLAY REQUEST FORM

Legislative Sponsor: _____

Sponsor's Signature: _____

If brought in by legislative staff, please provide:
Secretary's Name: _____ Office Phone Number:_____
Always provide:
Project Contact Name: _____ Phone Number: _____
Contact Email: _____

PROJECT SPECIFICS NEEDED FOR DRAFTING

1. What is the **amount you are requesting** for the project?_____ (This amount is the individual legislator's requested amount, which may or may not be the same as the total cost of the project. Please answer further cost questions on the next page of this form as well.)

2. Brief **project description** (please include action words, such as "to plan and design" or "to design and construct" as well as what the project is, such as "a multipurpose center". Do not include justification for the project, only specifics on what is requested for the project):

_____
_____
_____
_____
_____
_____
_____
_____

3. Enter the **city, town, village, school district, chapter or pueblo** in which this project will be located. (If the project is not located in one of these, please leave blank.)

_____

4. Enter the **county** in which the project will be located: _____

5. **What entity is requesting funding** for this project?

Municipality:_____ County:_____
School District: _____ Indian Government:_____
Higher Ed. Institution: _____ Land Grant:_____
Water Association or District: _____ Acequia:_____
Other: _____

(only political subdivisions of the state are eligible for funding)

6. **What entity will own the project** upon completion?

_____

PROJECT DETAILS TO AID LEGISLATORS IN PRIORITIZING PROJECTS FOR FUNDING

Please answer the following questions related to project cost:

A. What is the amount needed to complete the project? _____

B. What is the total estimated cost of the project? _____

C. To your knowledge, will there be more than one legislative sponsor on this project? Yes ☐ No ☐

If so, who are the project's sponsors?_____

_____

Please provide a breakdown of the total estimated cost of the project, using the most accurate estimate to date, and indicate if that portion of the project has been completed:

	Completed	Not Completed
Planning:_____	☐	☐
Design: _____	☐	☐
Construction:_____	☐	☐
Zoning Approval:_____	☐	☐
Land Purchase:_____	☐	☐
ROW, Easements, Arch. Clearances_____	☐	☐
Environmental Impact Statement_____	☐	☐
Other (please specify):_____	☐	☐
Total: _____	☐	☐

Criteria Questionnaire

Need-Based Criteria

1. Is project on governmental entity's ICIP? Yes ☐ No ☐

2. Is project necessary to eliminate potential or actual health or safety hazards or other liability issues? Yes ☐ No ☐

3. Is project required by federal, state or judicial mandate? Yes ☐ No ☐

4. Will project prevent deterioration of asset or correct infrastructure problems of asset? Yes ☐ No ☐

5. Is project necessary to address population or client growth, and if so, will it provide direct services to that population or clientele? Yes ☐ No ☐

Planning Criteria

1. Has project been thoroughly planned? Yes ☐ No ☐

2. Is project ready to begin? Yes ☐ No ☐
   If not, when can it begin? _____

3. Has project received prior funding? Yes ☐ No ☐

List prior funding sources, dates and amounts:_____

_____

4. Can project be completed with this legislative appropriation? Yes ☐ No ☐

5. Have matching funds or a local share been secured for the project? Yes ☐ No ☐

List other funding sources and amounts:_____

_____

6. Have operational costs for completed project been identified and planned for? Yes ☐ No ☐

7. Has the project had public input and buy-in? Yes ☐ No ☐

8. Has the project been designed to be energy efficient in its operation? Yes ☐ No ☐

9. Can construction of the project be successfully phased, so that each phase will be operational? Yes ☐ No ☐

10. Has the **land** for the project been acquired? Yes ☐ No ☐

What entity will be or is the owner of the land? _____

11. Is the project for a state government agency or state building? Yes ☐ No ☐

A. If yes, is it in one of the following metropolitan areas?

☐ Santa Fe

☐ Albuquerque, including Los Lunas

☐ Las Cruces

B. If the project is in one of those metropolitan areas, is it in compliance with the state master plan for those areas? Yes ☐ No ☐

12. Is the project to be constructed on state-owned property, including property having a long-term lease from the state? Yes ☐ No ☐

13. If this project benefits a **nonprofit entity**, please check each question below and attach a written commitment from the state or a political subdivision of the state that the state or political subdivision:

A. is or will be the owner of the asset and the fiscal agent for the nonprofit entity; Yes ☐ No ☐

B. will lease the asset to the nonprofit entity at fair market value; Yes ☐ No ☐

C. will ensure the nonprofit entity maintains the asset. Yes ☐ No ☐

14. If this project is an economic development project, have you submitted the local government's approval of the project, in accordance with its ordinance adopted pursuant to the Local Economic Development Act? If you answer "Yes", please attach supporting documentation in the form of a copy of the local government ordinance that approves the project.

Yes ☐ No ☐

LEGISLATIVE COUNCIL SERVICE
48TH LEGISLATURE-SECOND SECONDSESSION-2008
CAPITAL OUTLAY REAUTHORIZATION REQUEST FORM
Revised 12/12/07

Legislative Sponsor: _____
Sponsor's Signature: _____
If brought in by legislative staff, please provide:
Secretary's Name: _____ Office Phone Number: _____
Always provide:
Contact Name: _____ Phone Number: _____
Contact Email: _____

Please note: On December 11, 2007, the Capital Outlay Subcommittee approved the following changes to the reauthorization process that may affect projects submitted for the 2008 session. If these changes render your reauthorization invalid for any reason, this form will be returned to the sponsoring legislator and an email sent to the contact person listed above.

- No reauthorizations for completed projects with balances under $20,000.
- Reauthorizations can only be made once, except to fix errors.
- Extension of time may only be granted for two years.

Indicate original citation of project:

Laws (year)_____, Chapter_____, Section_____, Subsection_____

Note: If you do not know the exact citation for the project, please give any information you do have, such as the year the project was originally authorized, the project name or the DFA or LCS project identification number.

_____
_____
_____
_____
_____

If previously reauthorized, indicate that citation or citations. Please refer to the second bulleted item above, which indicates a change to reauthorization procedures in 2008:

Laws (year)_____, Chapter_____, Section_____, Subsection_____

Laws (year)_____, Chapter_____, Section_____, Subsection_____

Laws (year)_____, Chapter_____, Section_____, Subsection_____

Does the expenditure period need to be extended for this appropriation?
Yes ☐ No ☐

Does the agency receiving the appropriation need to be changed?
Yes ☐ No ☐

If yes, what is the new receiving agency? _____

What was the original purpose of this appropriation? (If reauthorized, what is the most recent purpose?)_____
_____
_____

What is the language change you are requesting?_____
_____
_____
_____

Reauthorization Process Changes

During the 2007 interim, the capital outlay subcommittee adopted the following changes to the reauthorization process.

- No reauthorizations will be written for completed projects with balances under $20,000. Money that reverts will revert to the capital projects fund.
- Reauthorizations can only be made once, except to fix errors.
- An extension of time may only be granted for two years.
- Language will be drafted into the capital outlay bill to ensure that all balances remaining after a project's reversion date shall revert within a 90-day period after that June 30 reversion date.

(Please note that exceptions to the first two policies can be made only if the receiving agency certifies to the LCS that the project needs to be reauthorized due to tribal government delays.)

December 11, 2007

TIME LINE FOR CAPITAL OUTLAY BILL PRODUCTION, INTRODUCTION AND PASSAGE — 2008

This time line is based on the following assumptions:

- the house, senate and executive projects are contained in a single bill that originates in one chamber and is not amended in the second;
- the reauthorizations are contained in a separate bill and include house, senate and executive reauthorizations; and
- the legislature desires to send the main capital outlay bill to the governor so that he must act upon it while the legislature is still in session.

Session begins	January 15	
Reauthorization request submission deadline	January 20 (5:00 p.m.)	Existing deadline by practice
Legislative bill and capital request submission deadline	January 27 (5:00 p.m.)	Existing deadline by joint rule
GF surplus and STB & GO capacity determined	January 28	
Final decisions on mutually funded statewide projects	January 29	
Bill and capital outlay introduction deadline	January 30	Existing statutory deadline
House Bill 2 passes originating chamber	January 31	Existing deadline by joint rule
Members' and governor's lists printed and delivered	January 31	
Reauthorization bill passes originating chamber	February 1	
Members' and governor's funding decisions deadline	February 3 (5:00 p.m.)	

Language changes deadline (including House subcommittee and executive changes)	February 4 (12:00 noon)	
Bill drafting begins; no changes allowed	February 4	
Reauthorization bill passes second chamber	February 4	
House Bill 2 passes second chamber	February 5	Existing deadline by joint rule
Capital outlay bill passes originating chamber	February 7	
Capital outlay bill passes second chamber	February 8	
House Bill 2 sent to governor	February 8	Existing deadline by joint rule
Capital outlay bill sent to governor	February 9	
GO bond bill passes first chamber	February 11	
Governor must act on House Bill 2	February 12	Constitutional deadline if earlier deadlines met
GO bond bill passes second chamber	February 12	Bill will be acted on by governor after end of session
Governor must act on capital outlay bill	February 13	Constitutional deadline if earlier deadlines met
Session ends	February 14 (12:00 noon)	

Capital Outlay Subcommittee Adopted Nonrecurring Potential Uses

SOURCES	LFC					
Total General Fund Available	$ 150,300.0					
Total Severance Tax Bond Available	$ 180,700.0					
General Obligation Bond	$ 223,800.0					
TOTAL CAPITAL AVAILABLE	**$ 554,800.0**					

USES	Agency Request	Legislative Staff Scenario		Other State Funds	Current Available Funds	Comments
		STB/GF	GOB			
Administrative Office of the Courts						
Capital outlay needs of courts (see attachment "A")	$ 2,500.0					**$2,475.0 recommended by LFC in GAA for allocations made based on "unified process" and on project readiness.**
Aging & Long-Term Care Services Department						
Code Compliance and Other Renovations	$ 2,500.0		$ 2,500.0			A&LTSD & Area Agency on Aging recommendations.
Meals Equipment & Other Equipment	$ 2,600.0		$ 2,600.0			A&LTSD & Area Agency on Aging recommendations.
Vehicles	$ 4,100.0	$ 4,100.0				A&LTSD & Area Agency on Aging recommendations; reauthorize unexpended $3.3 million non-recurring funds from pharmacy fund for seniors to purchase vehicles.
"Critical" Construction & Renovations (See attachment "B")			$ 9,200.0			A&LTSD & AAA rated 16 projects as "critical". Historically, A&LTSD does not recommend funding for major construction and renovations, but delay in funding projects now could increase costs and impact the health and safety of seniors.
Bernalillo County Metropolitan Court						
Fourth floor build-out for additional judges	$ 4,300.0					Recommend Metro Court seek city contribution toward project, including proceeds from city traffic safety program. State currently subsidizes debt service for metropolitan court bonds.
Border Authority						
Santa Teresa port of entry inspection station (POE)	$ 6,000.0					See DPS; to plan, design & construct POE.
Santa Teresa Border Authority Headquarters	$ 550.0	$ 550.0			$ 500.0	To complete construction of authority facility.
Drainage plan/study Columbus POE	$ 100.0				$ 500.0	DOT received $500k in 2007 for the same purposes of this request.

Prepared by Legislative Staff

Capital Outlay Subcommittee Adopted Nonrecurring Potential Uses

USES	Agency Request	Legislative Staff Scenario		Other State Funds	Current Available Funds	Comments
		STB/GF	GOB			
Children, Youth and Families Department						
John Paul Taylor center (JPTC) - gym and vocational rooms	$ 3,200.0	$ 3,200.0			$ 2,500.0	To complete construction; plan and design currently under contract.
Youth Diagnostic Development ctr. (YDDC) waterline repairs	$ 1,000.0	$ 1,000.0				To replace main water line, install shut-off/gauge valves, and other improvements.
Automated security systems (all juvenile facilities)	$ 1,000.0	$ 1,000.0				Installation of security systems at all facilities.
YDDC - renovation of units for pilot project	$ 200.0	$ 650.0				Programming of a pilot project based on "Missouri model" at JPTC and programming for similar model statewide.
YDDC - remodel old Sandia	$ 4,000.0					CBPC may recommend relocation of YDDC; major repairs should be avoided at this time.
Corrections Department						
Kitchen renovations	$ 4,500.0	$ 4,000.0				For upgrades at Southern, Central & Roswell facilities.
Security upgrades - statewide	$ 9,000.0	$ 5,000.0				Inadequate funding in previous years becoming a safety risk for staff and inmates.
Repairs and maintenance - facilities statewide	$ 6,500.0	$ 5,000.0				Deferred maintenance is becoming increasingly worse.
Court of Appeals	$ 6,600.0	$ 6,600.0			$ 9,000.0	Funds will complete building; construction to start Spring 2008. Insure site location prior to funding.
Cumbres & Toltec Scenic Railroad Commission						
Track rehabilitation	$ 2,698.0	$ 2,000.0				Request based on needs according to 5-year master plan. Fund contingent on match by State of Colorado.
Department of Cultural Affairs						
DCA statewide repairs/ADA/upgrades	$ 7,098.0	$ 5,000.0				Renovations & repairs at facilities statewide.
NM History museum furnish & equip	$ 750.0	$ 750.0				Staff expected to occupy new museum in Spring 2008.
National Hispanic Cultural Center	$ 435.0	$ 400.0			$ 6,635.0	To complete construction, furnish and equip education complex.

Prepared by Legislative Staff

Capital Outlay Subcommittee Adopted Nonrecurring Potential Uses

USES	Agency Request	Legislative Staff Scenario		Other State Funds	Current Available Funds	Comments
		STB/GF	GOB			
Archaeology Center complete phase 1	$ 2,250.0	$ 2,200.0			$ 4,300.0	Public notice for land lease/purchase agreement now in federal register & NM periodicals; bid documents complete; construction to begin 2/08; construction, furnish & equip will be complete by 10/08.
Farm & Ranch Heritage Museum	$ 1,200.0	$ 1,100.0			$ 1,426.9	To complete construction, exhibits and venues of phase II.
Girard Wing restorations	$ 700.0	$ 700.0			$ 150.0	State funds will generate dollar to dollar federal match and will complete restoration.
Department of Environment						
Clean water state revolving fund	$ 1,500.0	$ 1,500.0				State to federal match will generate $7 million to provide low-interest loans for critical wastewater needs.
River ecosystem restoration initiative	$ 5,000.0					No statutory authority.
Department of Finance & Administration						
Water Innovation Fund	$ 4,000.0				$ 16,000.0	Program initiated without enabling legislation; as of July 2007, $16M remains unexpended.
Housing Trust Fund	$ 2,000.0	$ 2,000.0				Program created by enabling legislation & oversight; 2006 awards have been made, but DFA has not reimbursed MFA.
Home Equity with Required Occupation	$ 2,000.0					Loan program administered by MFA.
Colonias Infrastructure Improvements	$ 5,000.0				$ 12,000.0	Program initiated without enabling legislation; as of July 2007, $12 mil. remains unexpended.
Voting machines - paper ballots	$ 3,500.0					Authorize legislation for Board of Finance to forgive loan to county clerks.
Film & Media Initiative	$ 5,000.0				$ 12,400.0	Program initiated without enabling legislation; as of July 2007, $12.4 million remains unexpended.
Department of Game & Fish						
Lake Roberts dam & spillway renovation phase III	$ 3,500.0	$ 2,500.0			$ 2,850.0	To complete construction of spillway replacement; requires compliance by 12/10; construction bid expected by 7/08.
Rock Lake warm water hatchery phase VI	$ 3,500.0				$ 850.0	Phase V is in initial construction & should be completed prior to funding phase VI.
McGaffey lake dam assessment	$ 100.0	$ 100.0				
Laguna del Campo dam assessment	$ 100.0	$ 100.0				

Prepared by Legislative Staff

Capital Outlay Subcommittee Adopted Nonrecurring Potential Uses

USES	Agency Request	Legislative Staff Scenario		Other State Funds	Current Available Funds	Comments
		STB/GF	GOB			
Department of Health (DOH)						
Patient Health & Safety Deficiencies - BHI in Las Vegas	$ 6,000.0	$ 4,000.0				To address deficiencies impacting patient care (bathroom renovations, panic button system, fire system, security upgrades of forensic unit) at Behavioral Health Institute (BHI).
New Dental School - UNM Campus	$ 15,000.0					HED & DOH secretaries support, but project was not a UNM priority at HED hearings; LFC funded 5 WICHE slots; only 20% of medical school graduates practice in NM; need independent feasibility study, including most advantageous location.
Roswell Rehabilitation Center (to complete)	$ 2,500.0	$ 2,500.0			$ 10,300.0	To complete construction; previous bond funding with cigarette tax revenues.
New Veterans' Alzheimer's Unit in Truth or Consequences	$ 9,000.0	$ 9,000.0			$ 1,000.0	Plan, design is near completion; construction will begin Spring 2008; project is eligible for 75% reimbursement from federal Veterans' Administration.
Public Health Offices	$ 4,000.0	$ 2,000.0				Alamogordo, Espanola, Roosevelt, Sunland Park; county responsibility; prioritize funding for counties with limited capacity.
Scientific Lab Equipment	$ 450.0					**$450.0 recommended by LFC in GAA to support analytical equipment requested by DOH.**
Facility Upgrades Statewide	$ 5,000.0	$ 3,000.0				Other building deficiencies at BHI (roof, generator, chiller, window replacement), Veterans' Home (walkways, railings, exterior maintenance, and Sequoyah (holding pond construction).
Meadows Hospital Ph II - Las Vegas	$ 32,300.0					Necessary, but need to complete ongoing projects as listed above before starting new construction.
Department of Information Technology						
NM computing applications center	$ 6,000.0				$ 14,000.0	Department did not respond to request for performance data for project; new construction proposed on UNM campus.
Department of Military Affairs						
Santa Fe Aviation Readiness Center Renovation	$ 2,500.0	$ 2,500.0				State funding will generate $7.5 million federal match to complete construction.

Prepared by Legislative Staff

Capital Outlay Subcommittee Adopted Nonrecurring Potential Uses

USES	Agency Request	Legislative Staff Scenario		Other State Funds	Current Available Funds	Comments
		STB/GF	GOB			
2009 statewide armory maintenance/modernization	$ 1,600.0	$ 1,000.0				For deficiencies and mechanical upgrades statewide; up to 50% federal funds are available for "some" upgrades.
Rio Rancho Armory infrastructure improvements	$ 900.0	$ 900.0				State funds will generate dollar to dollar match to complete improvements.
Department of Public Safety						
Fleet replacements	$ 6,700.0	$ 3,700.0				**$2 million recommended by LFC in GAA to replace 98 vehicles; in addition, LFC recommended $1.5 million in DPS base budget ro replace 72 vehicles.**
Las Cruces state police district office	$ 3,500.0	$ 3,500.0			$ 2,500.0	To complete construction.
Las Vegas state police district office	$ 3,500.0	$ 3,500.0			$ 2,500.0	To complete construction.
Lordsburg POE	$ 8,300.0	$ 8,300.0			$ 2,500.0	To complete construction.
Forensic crime lab	$ 35,000.0	$ 2,500.0			$ 1,000.0	No activity at this time; DPS rejected 2007 funds to plan and design the facility in Albuquerque.; DPS supports site in Santa Fe; request increased $12 mil. since 2007; reauthorize current funding for the design and an independent feasibility study to det
Santa Teresa port-of-entry	$ 6,000.0	$ 4,500.0			$ 1,514.4	Supported by GSD, DOT, PSD, and Border Authority.
Economic Development Department						
Tesla automobile facility	$ 4,500.0				$ 3,500.0	If Tesla does not materialize, reauthorize current funds of $3.5 million to "economic development fund" contingent on creating the fund by enabling legislation.
Economic development fund	$ 5,000.0	$ 1,500.0				
National finance co. - land acquisition, infrastructure, const.	$ 5,000.0	$ 5,000.0				Project "Pinnacle" - govs. new initiative; appropriate funds to economic development fund.
Aircraft manufacturing plant - land acq. , infrastructure, const.	$ 5,000.0					Piper aviation - govs. new initiative
SMART Money	$ 15,000.0					Continuation of loan program administered by NMFA; $8.2 million remains unexpended of the $12 million appropriated in 2005 and 2007.

Prepared by Legislative Staff

Capital Outlay Subcommittee Adopted Nonrecurring Potential Uses

USES	Agency Request	Legislative Staff Scenario		Other State Funds	Current Available Funds	Comments
		STB/GF	GOB			
Fire Station at Santa Teresa port of entry	$ 1,500.0	$ 1,500.0				For hazmat emergency response and equipment near rail yard diesel fueling station for protection of POE, airport, industries, and the community; contingent on not being located in tax increment for development district.
Main street - statewide	$ 3,000.0					**LFC recommended $1 million in GAA for the mainstreet capital outlay grant fund.**
Energy, Minerals, & Natural Resources Department						
Replace fire trucks and crew carriers	$ 500.0	$ 500.0				Ten year-old fire trucks do not have water storage capacity.
Statewide park restoration	$ 2,000.0	$ 2,000.0				Governmental gross receipts tax capacity for parks committed for 5 years.
Drought mitigation & fire protection	$ 2,500.0					**Should be requested in GAA.**
General Services Department (GSD)						
Property Control Division (PCD) - Statewide facility repairs	$ 10,000.0	$ 7,000.0				To preserve and restore state facilities under PCD jurisdiction; cost over-runs from previous years funding not sufficient for repairs at buildings averaging 45 years old with an FCI of 12%--considered "very poor."
South complex infill	$ 1,500.0					Programming for use of space at south campus; should be addressed by CBPC master plan.
Santa Teresa POE (Also recommended by DPS)	$ 4,500.0					See DPS.
Lujan building in Santa Fe	$ 1,500.0	$ 1,500.0				Plan and design for mechanical upgrades.
Aircraft replacement	$ 4,000.0					May require further consideration.
Santa Fe Health & Human Services complex	$ 6,500.0				$ 1,800.0	Site not determined; wait for CBPC recommendation.
Las Cruces state office & disaster recovery center	$ 9,000.0					PCD should consider option of purchasing existing building rather than purchasing land for new construction; relocation of state employees would save $2 million annually in lease costs.
Turquoise Lodge upgrades	$ 1,000.0					PCD could use statewide facility repair funds for this purpose; repairs needed prior to soliciting potential tenant.

Prepared by Legislative Staff

Capital Outlay Subcommittee Adopted Nonrecurring Potential Uses

USES	Agency Request	Legislative Staff Scenario		Other State Funds	Current Available Funds	Comments
		STB/GF	GOB			
Higher Education Department (HED)						
Higher Education and Special School Requests (See HED recommendations)	$ 221,375.0		$ 190,900.0			Dental school request did not go through HED public hearings; energy efficiency fund requested by HED should be considered from STB or GF and established statutorily to establish accountability of funds.
Libraries - Statewide			$ 9,000.0			Library materials for higher education, public, and state libraries - $3 million each; amount may increase pending information from library consortium.
Homeland Security & Emergency Management Dept.						
Santa Fe operations center	$ 2,277.0					New construction; determine interoperability in current space.
Albuquerque mobilization center	$ 490.0					New construction.
Human Services Department (HSD)						
Los Lunas substance abuse treatment center	$ 6,000.0	$ 6,000.0			$ 5,000.0	To complete Phase I of women's treatment center; plan and design underway.
Statewide upgrades	$ 750.0					Renovs. at Belen, Bernalillo, Farmington & Albuquerque.
Indian Affairs Department						
Tribal Infrastructure Project Fund (TIPF)	$ 10,000.0	$ 5,000.0				Statutorily created in 2005, TIPF provides grants for tribal infrastructure statewide; preamble of bill currently authorizes balances of unused capital funds appropriated for Native American projects to revert to TIPF rather than original source of fundin
New Mexico State Fair						
Youth Facility	$ 500.0	$ 500.0				To plan and design a new youth/multi-purpose building.
Exposition building	$ 35,900.0					**$150,000 recommended by LFC in GAA for independent feasibility study of needs.**
Food court / central entertainment zone	$ 11,000.0	$ 5,500.0				Improvements to food and entertainment zone; needs based on master plan and public input.
Restroom renovations	$ 968.0	$ 900.0				

Prepared by Legislative Staff

Capital Outlay Subcommittee Adopted Nonrecurring Potential Uses

USES	Agency Request	Legislative Staff Scenario		Other State Funds	Current Available Funds	Comments
		STB/GF	GOB			
Public Education Department (PED)						
Pre-kindergarten classrooms	$ 5,000.0		$ 3,000.0			Reauthorize $500K (STB) balance appropriated to PED in 2006 and $3 mil. (STB & GF) appropriated to DFA in 2007 to Public School Capital Outlay Council for allocation & oversight; appropriate new funds to PSCOC.
Laptop initiative for 7th graders	$ 5,000.0					As per LFC audit, outcomes & benefits not known.
School bus replacements	$ 5,000.0		$ 5,000.0			Replace 64 school-owned buses; buses are 12 years old with high mileage.
Library books	$ 3,500.0		$ 2,000.0			Replenish statutory library fund to replace books with 12-year shelf life for public schools, including charter schools.
Automobiles (5)	$ 200.0					Should be requested in base budget.
Public Regulation Commission						
Educational facility with classrooms and offices	$ 300.0					New construction.
State Fire Marshal evidence storage	$ 175.0	$ 175.0				To plan and design storage space; an increase in fire investigations requires additional space for storage of evidence; an additional $160k in 2009 will complete project.
Spaceport Authority						
Spaceport road project	$ 15,000.0				$ 10,000.0	Utilize existing authority. Of $78.3 million authorized, $21.6 million was issued in 7/07; $4 million reauthorized from x-prize to spaceport road infrastructure in 2007 also remains unexpended; maintain contingency of lease signed by anchor tenant.
State Engineer's Office						
Ground water measurement - Statewide	$ 2,500.0					Should use Water Project Fund (amendments) authority for both ground and surface water measurement, both of which are related to adjudication.
Surface water measurement	$ 2,050.0					Should use Water Project Fund (amendments) authority for both ground and surface water measurement, both of which are related to adjudication.

Prepared by Legislative Staff

Capital Outlay Subcommittee Adopted Nonrecurring Potential Uses

USES	Agency Request	Legislative Staff Scenario		Other State Funds	Current Available Funds	Comments
		STB/GF	GOB			
Construction of Elephant Butte Channel	$ 1,250.0	$ 1,250.0				To complete construction phase of project.
Dam emergency repair - Statewide	$ 120.0					Estimated cost for statewide dam repairs is $33.5 million over next five years; should reauthorize unexpended funds that can't be immediately spent to projects and dams considered high hazard such as Cabresto Lake; current OSE unexpended balances total $6
Interstate Stream Commission						Consider funding acequia project fund administered by NMFA; current legislation requires legislative authorization of projects to be funded.
Pecos settlement	$ 5,000.0	$ 5,000.0				Continued funding for Pecos Settlement.
Supreme Court Building Commission						
Fire suppression system for Supreme Court building	$ 555.4					**$555.0 recommended by LFC in GAA for critical health and safety issue and fire code compliance.**
Taxation & Revenue Department						
Security upgrade at Lujan Bldg	$ 450.0	$ 450.0				To protect staff and visiting public and to address vandalism to vehicles.
Imaging equip - Revenue Processing Division	$ 450.0					Should request as a "special".
Construction of new Santa Fe MVD field office	$ 3,271.0	$ 3,200.0			$ 1,600.0	To complete construction; 2007 funds insufficient.
Taos MVD field office	$ 500.0	$ 500.0			$ 250.0	To complete renovations; 2007 funds insufficient.
Replacement of kiosk and eye testing machines	$ 1,585.7					**$1.6 million recommended by LFC in GAA for imaging equipment and replacement of kisk and eye-testing machines.**
Workforce Solutions Department (WSD)						
TIWA - health/safety & bldg design projects	$ 1,776.8	$ 1,776.8				Deficiencies have not been addressed and costs and conditions continue to deteriorate at all WSD facilities.
Statewide building integrity: roofs/HVAC/ADA	$ 702.0	$ 702.0				
Other State Fund Requests						
Miners Colfax Medical Center	$ 600.0			$ 600.0		
Department of Transportation - salt domes (2)	$ 600.0			$ 600.0		

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USES	Agency Request	Legislative Staff Scenario		Other State Funds	Current Available Funds	Comments
		STB/GF	GOB			
Public Employees Retirement Association	$ 1,500.0			$ 1,500.0	$ 9,656.7	To complete construction of PERA office building.
Base Recommendation Note: Agency total request does not include all projects in ICIP	**$ 685,576.9**	**$ 150,303.8**	**$ 224,200.0**	**$ 2,700.0**		
Other Non-Recurring Items for Consideration in GAA:						
Highway maintenance fund						**$25 million recommended by LFC in GAAS to supplement highway maintenance fund; existing sources are not sufficient to meet inflationary trends for oil and material costs and increase of miles maintained by DOT.**
Solid Waste Fund (as per legislator's request)						**$3 million recommended by LFC in GAA for solid waste facility grant fund to support communities statewide meet recycling and solid wast infrastructure needs.**
HSC - Patient Care Equipment						**$5 million recommended by LFC in GAA to purchase patient care equipment for use at Health Sciences Center.**
Capitol parking structure - additional funds						**Confirm funding needs following Capital Building Planning Commission meeting in January.**

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