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**F I S C A L   I M P A C T   R E P O R T**

S<sup>3</sup>SOR: Campos                      DATE TYPED: 02/05/02    HB \_\_\_\_\_

SHORT TITLE: Capital Projects Act                      SB 282

ANALYST: Kehoe

**APPROPRIATION**

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
			\$0.1 Undetermined (See narrative)	Recurring	GF/OSF

(Parenthesis ( ) Indicate Expenditure Decreases)\_\_\_\_\_

Relates to SB 44 and SB 50, in part.

**SOURCES OF INFORMATION**

General Services Department  
Property Control Division (PCD)  
LFC Files

**SUMMARY**

Synopsis of Bill

Senate Bill 282 creates the Capital Projects Act; establishes the Capital Projects Council; and provides procedures for evaluating and prioritizing proposed capital projects.

**Capital Projects Council**

Senate Bill 282 creates a council of experts and proposes a process to evaluate and prioritize all statewide and local capital outlay projects prior to consideration and funding by the Legislature.

The Capital Projects Council consists of 17 members to reflect the ethnic, economic, geographic and professional diversity of the state. The members include the secretary's of Finance & Administration, General Services, and Highway Departments; the Superintendent of Public Instruction; a member of the House appointed by the Speaker; a member of the Senate appointed by the President Pro Tempore; one member of each representing a two-year and four-year institution, the Native American community, counties, municipalities, and the construction industry; and five members representing the public at large, each one residing in a different Public Regulation Commission district. Except for representatives of the House and Senate, members are appointed by the Governor, with the advice and consent of the Senate. No more than six shall be members of the same political party and will serve three-year terms (staggered the first year).

The Council would submit criteria and procedures for evaluating, prioritizing and reporting requirements for approval by the 2003 Legislature. The Council would begin to accept and review capital proposals after July 1, 2003, and prioritize the proposals by December 1, 2003, and each year thereafter.

The duties of the Council include improving the process used to plan and prioritize capital projects and use of capital funding available; establishing criteria to evaluate, monitor and oversee review of capital project requests; and develop reporting requirements to ensure cost-effective implementation consistent with funding authorizations. The Council may appoint such committees and subcommittees as necessary to carry out its duties. All entities receiving government-funded capital projects would be required to assist the Council in carrying out the provisions of the Capital Projects Act. The bill requires that the Council prepare an annual operating budget for submission to the 2003 Legislature.

### **Capital Project Fund**

The current Capital Projects Fund is repealed and a new Capital Projects Fund is created to which appropriations for capital projects will be made. Money appropriated from all revenue sources, except Severance Tax Bond proceeds, would not revert and be used only for capital projects authorized by the Legislature. After July 1, 2003 projects funded through the Capital Projects Fund, with the exception of projects funded pursuant to the Public School Capital Outlay Act, Public School Capital Improvements Act, and individual projects specifically excluded from the Council's jurisdiction, would be subject to review and reporting requirements of the Council.

### **Capital Project Proposals**

After July 1, 2003, any agency, political subdivision, instrumentality or institution of the state may submit a proposal for a capital project to the Council. Each proposal would be required to contain the following: 1) a detailed description; 2) an explanation of need; 3) a description of the prime beneficiaries; 4) the estimated total cost and an explanation of how the cost was derived; 5) the amount and source of any matching funds; 6) an explanation of how the project will be implemented and maintained, and the amount and source of estimated maintenance costs; and 7) any other information required by the rule of the Council. After receipt of the proposal, the Council will conduct site visits and public hearings, as necessary, and then list all proposals in order of priority. The prioritized projects, methodology, and the

Council's recommendations will be submitted to the 2004 Legislature for proposed legislation and consideration.

### **FISCAL IMPLICATIONS**

Senate Bill 282 does not contain an appropriation. However, depending on the extent of support expected from all agencies receiving capital outlay funding, the costs could be significant. Additionally, Senate Bill 282 indicates that members of the council shall be reimbursed for per diem and mileage expenses that may be required to make on-site visits.

### **ADMINISTRATIVE IMPLICATIONS**

The Secretary of General Services would participate as a member of the Council. Capital requests for buildings, communication systems, vehicles and other equipment under GSD jurisdiction would be submitted to the Council. GSD divisions would comply with reporting requirements, which would hopefully co-exist with or replace current reporting requirements. According to PCD and the New Mexico Finance Authority, Senate Bill 282 creates a council whose work duplicates, to some extent, the current planning activities of the PCD, NMFA, Commission on Higher Education, State Agency on Aging and other agencies with a planning process for prioritizing capital projects.

### **OTHER SUBSTANTIVE ISSUES**

According to GSD, the proposed Council would consolidate capital planning into a comprehensive statewide function. With so many critical capital needs and limited resources, the proposed Council could provide valuable insight into priorities, especially on a local level. With a standardized request, review and reporting process, there could be better utilization of scarce capital funds and more accountability for appropriate and timely expenditures. It is a responsible approach to capital planning, which would be enhanced by encouraging coordination on a local and regional level to surface community priorities and ensure all capital needs are adequately considered.

Property Control Division is the major GSD recipient of capital project appropriations, which support new construction and renovation, repair and equipment replacement at the state's almost 850 buildings throughout New Mexico. Projects for state facilities compete with other local projects for capital dollars, but coordination at a local level to surface community priorities is not part of the process. In order to protect the public's real estate assets, a more comprehensive approach to recognizing problems and evaluating priorities is needed.

GSD and DFA jointly administer the 4-year plan which requires agencies to submit by July 1<sup>st</sup> each year their projected capital program for the next 4 years, and by mid-September the specifics of requests for the upcoming legislative session. The review and recommendation process each autumn includes DFA/GSD hearings with agencies and results in the Governor's capital budget. It is unclear whether this process would continue or be replaced by the Capital Projects Council.

LMK/njw