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FISCAL IMPACT REPORT

ORIGINAL DATE 02/18/11
LAST UPDATED 03/18/11 **HB** _____

SPONSOR Campos

SHORT TITLE Incomplete Capital Outlay Project Inventory **SJM** 9/aHTRC

ANALYST Baca/Kleats

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		Minimal	Minimal	Minimal	Non- recurring	LCS, LFC and DFA Operating Budgets

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee Amendment to Senate Joint Memorial 9 strikes lines 10 through 15 on page 3, the section which requests that state, county, local and tribal governments produce an inventory of capital outlay projects that have broken ground but are incomplete.

In its place, the HTRC amendment inserts a request that the Legislative Council Service, Legislative Finance Committee and the Department of Finance develop and distribute a questionnaire that surveys all state, county, local and tribal government entities to provide an inventory of capital outlay projects that have broken ground but are incomplete.

The HTRC amendment would result in an additional operating cost to LCS, LFC and DFA. This cost represents the administrative resources necessary for the creation and distribution of the requested questionnaire.

The standardized questionnaire is likely a more efficient mechanism for reporting the capital outlay project inventory than disparate, individual reports. Compliance to the request has also been eased by placing the request on three agencies rather than “all state, county, local and tribal governmental entities”.

Synopsis of Original Bill

Senate Joint Memorial 9 requests that state, county, local and tribal governments produce an inventory of capital outlay projects that have broken ground but are incomplete. Inventory results are to be completed by July 30, 2011, and submitted to the Legislative Council, the Legislative Finance Committee and the Secretary of the Department of Finance and Administration.

FISCAL IMPLICATIONS

It is anticipated that activities requested by this joint memorial can be carried out with existing resources by all entities. Thus, there is no fiscal impact on the General Fund.

SIGNIFICANT ISSUES

As reported in SJM 9, citing revenues that were much lower than anticipated, the 2009 Legislature directed the Legislative Council Service, the Legislative Finance Committee and the Department of Finance and Administration to review all unexpended capital outlay appropriations and identify \$150 million of voidable projects. This resulted in reverting and sweeping balances of projects determined to be at a standstill. In the past few years, the Legislature has focused on identifying capital outlay projects that are considered to be at a standstill, and continued the legislative oversight of all projects. In keeping with this directive, Legislative Finance staff produced a report stating that there are 1,546 projects outstanding that account for appropriations estimated at \$688 million. SJM 9 requests a continuation and an expansion of the oversight process by all governmental entities involved, such as municipalities, counties and tribal governments. Water associations, acequias and other groups are not mentioned specifically but may have been awarded capital outlay funds. All told, according to a Google search, New Mexico has over 1,000 entities with some type of governing responsibilities, many that have received some type of state capital outlay award.

Combined with continued Legislative concern, recent media coverage and a concession that it is difficult to take back awards that have been made, several legislative policy questions are heightened:

- Should awards for projects not yet started be rescinded?
- Should a MORATORIUM be placed on awards for new project requests?
- Should the Legislature direct all or most of new capital outlay funds to completing projects AS THE FIRST PRIORITY?
- Should the Legislature develop and adopt a policy defining its responsibility for local capital outlay projects and whether it has any responsibility?

ADMINISTRATIVE IMPLICATIONS

The existence of numerous capital outlay projects poses a challenge for the two Legislative Committee staff assigned to capital outlay activities. This difficulty attendant to this responsibility is compounded by the various jurisdictions involved and the number of projects funded that are at various stages of completion – and if they have been started. Presumably, all governmental entities receiving state capital outlay funds are able to track progress toward completion of funded projects and report as requested by SJM 9 with existing resources.

OTHER SUBSTANTIVE ISSUES

A report prepared by Legislative Finance Committee staff for use during the 2011 legislative session is presented below:

Unexpended Funds. The Legislature appropriated or authorized more than \$1.9 billion between 2007 and 2010 for 6,802 capital projects. As of November 18, 2010, approximately \$688.1 million for 1,546 projects remains outstanding. In accordance with LFC FY12 budget guidelines, the status of projects appropriated from both the general fund and severance tax bond capacity will be closely monitored for potential avoidance or reauthorization for solvency.

Capital Projects Greater than \$1 Million. As of September 21, 2010 balances for projects \$1 million and greater total more than \$474 million for 234 projects. The funds account for nearly 62 percent of all unexpended balances.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Information regarding the status of state funded capital outlay projects may not be as complete as desired by legislators.

LRB/bym