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

		ORIGINAL DATE	3/10/19		
SPONSOR	Cisneros/Trujillo, J.	**LAST UPDATED**		**HB**	
SHORT TITLE	Capital Outlay Expenditures			**SB**	280/SFCS/ec
				ANALYST	Armstrong/Rabin

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	**FY20**		
$655,672.7	$202,248.8	Nonrecurring	General Fund
$47,895.0		Nonrecurring	Public School Capital Outlay Fund
$9,770.0		Nonrecurring	Water Project Fund
$6,298.7		Nonrecurring	Equipment Replacement Revolving Funds
$4,000.0		Nonrecurring	Primary Care Fund
$2,053.0		Nonrecurring	Capitol Buildings Repair Fund
$2,000.0		Nonrecurring	University Income Fund
$1,698.0		Nonrecurring	New Mexico Unit Fund
$1,000.0		Nonrecurring	Big Game Enhancement Fund
$390.0		Nonrecurring	State Lands Maintenance Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	**FY20**	**FY21**		
$23,690.0	$23,690.0	$23,690.0	Recurring	Severance Tax Permanent Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to SB535

SOURCES OF INFORMATION
LFC Files

SUMMARY

Synopsis of Bill

The Senate Finance Committee substitute for Senate Bill 280 authorizes $933 million, including $857.9 million from the general fund and $75.1 million from other state funds to fund capital outlay projects statewide. The bill contains an emergency clause. *A listing of the projects funded in this bill is attached.*

FISCAL IMPLICATIONS

Unprecedented levels of nonrecurring general fund revenues related to historically high oil and gas production present the opportunity to cash-finance capital projects rather than relying on bonding. At a time when the state is flush with money, the ability to pay for these projects in cash generates long-term savings by eliminating the cost of interest, the rates of which continue to increase. Rather than being used for debt service, the severance tax revenue could be transferred into the severance tax permanent fund over a 10-year period, increasing the size of the fund and thereby increasing earnings and transfers to the general fund in future years. LFC economists estimate this would increase the severance tax permanent fund by $281.2 million over 10 years, which would in turn generate an additional $35.1 million of general fund revenue over the same period.

Summary - No Senior STB Capacity Issued in 2019 ($ millions)

Net Senior STB Capacity: $236.9 STPF Annual Impact: $23.69

	STPF - Fund Size			Distribution to General Fund		
	With STB	Without STB	Difference	With STB	Without STB	Difference
FY19	$5,164.1	$5,164.1	$0.0	$220.6	$220.6	$0.0
FY20	$5,329.4	$5,353.0	$23.7	$225.1	$225.1	$0.0
FY21	$5,489.0	$5,537.6	$48.6	$229.5	$229.5	$0.0
FY22	$5,645.5	$5,720.0	$74.5	$237.0	$237.2	$0.2
FY23	$5,787.9	$5,889.2	$101.2	$244.7	$245.3	$0.7
FY24	$5,864.6	$5,993.2	$128.6	$249.7	$251.1	$1.4
FY25	$5,938.1	$6,094.6	$156.5	$257.7	$260.0	$2.3
FY26	$6,009.6	$6,194.2	$184.6	$264.3	$267.8	$3.5
FY27	$6,079.6	$6,292.7	$213.0	$270.0	$274.8	$4.8
FY28	$6,149.1	$6,390.8	$241.7	$274.9	$281.0	$6.1
FY29	$6,218.6	$6,489.2	$270.7	$279.0	$286.4	$7.4
FY30	$6,431.4	$6,712.6	$281.2	$282.4	$291.1	$8.7

Cumulative Difference

By FY	General Fund	STPF
FY24	$2.3	$101.2
FY30	$35.1	$281.2

To allow these savings to flow into the severance tax permanent fund as intended, Board of Finance and legislative staff worked together to adjust statutory language regarding the calculations for the severance tax permanent fund transfers and for future bonding capacity, which is contained in Senate Bill 535. SB280 does not include such language; however, the bill does contain language to ensure the Board of Finance still issues bonds or notes for the earmarks for the water project fund, colonias infrastructure project fund, and tribal infrastructure project fund.

The appropriations and authorization to expend funds in this bill are nonrecurring expenses to the general fund and other state funds. Any unexpended or unencumbered balance shall revert to the originating fund. For the purposes in Section 1 of this bill, “unexpended balance” means the remainder of an appropriation after reserving for unpaid costs and expenses covered by binding written obligations to third parties.

SIGNIFICANT ISSUES

Even with the $933 million included in SB280, funding requests for state and local infrastructure needs are far greater than available funding. State agency priority capital requests total nearly $641 million, and the top five priorities for local governments total $1.2 billion. The proposed projects and funding for state agency facilities in this bill are based on criteria, site visits, review of infrastructure capital improvement plans, monthly meetings with major departments, and testimony at hearings held in the interim. The majority reflect the most critical projects impacting public health and safety and ongoing projects requiring additional funds to complete. The proposed funding will address fire and environmental codes and possible violations, Americans with Disabilities Act regulations, and other licensing and certification requirements that could mean significant additional costs to the state if funding is delayed. Addressing the most critical infrastructure projects will reduce operating expenses for maintenance and allow funds to be used for agency programming.

The majority of funding for state agencies in this bill is for facilities under the jurisdiction of the General Services Department, Facilities Management Division (FMD). The division is responsible for the repairs and maintenance of 6.9 million square feet of space in 750 buildings throughout the state, including hospitals, prisons, juvenile facilities, state police district offices, and other office space serving the public.

SB280 includes language regarding State Audit Act compliance, requiring that a political subdivision with a disclaimed or adverse opinion on its most recent audit shall not receive an appropriation or act as fiscal agent. State agencies charged with certifying project readiness are tasked with finding another appropriate political subdivision to serve as fiscal agent.

Significant projects authorized in the bill include:

- $29.3 million for the Children, Youth and Families Department’s Child Wellness Center,
- $33 million for the Department of Public Safety’s evidence and crime lab facility,
- $16 million for improvements and repairs to correctional facilities statewide,
- $4.5 million for improvements and repairs to Cultural Affairs Department facilities statewide,
- $9 million for improvements and repairs to Department of Health facilities statewide,
- $5 million for repairs to state agency buildings statewide,
- $20 million for renewable energy, energy storage, and energy efficiency system infrastructure improvements at state-owned buildings statewide;

- $15 million for public safety radio and communications equipment and infrastructure (including $5 million for Hidalgo County),
- $10 million for rural broadband infrastructure,
- $24 million for Impact Aid school districts to build above statewide adequacy standards,
- $10 million for teacher housing for Impact Aid school districts,
- $4.3 million for a student dormitory and cafeteria for the New Mexico School for the Arts,
- $9 million for the Santa Fe airport,
- $4.8 million for the Doña Ana county airport,
- $1.1 million for the Las Cruces airport, and
- $1.5 million for emergency funding for local government infrastructure needs statewide.

ADMINISTRATIVE IMPLICATIONS

While facility repairs are a major concern, the ratio of project management compared with the number of major projects are not always adequate to address the needs in a timely manner.

RELATIONSHIP

SB280 relates to Senate Bill 535, which ensures the savings from not issuing severance tax bonds will flow to the severance tax permanent fund.

JA/sb/al