

Sources and Uses of State Capital Funding



**PRESENTATION TO
TRANSPORTATION INFRASTRUCTURE REVENUE
SUBCOMMITTEE
JULY 23, 2014**

**STEPHANIE SCHARDIN CLARKE
DIRECTOR, STATE BOARD OF FINANCE**

**JIMMY RODRIGUEZ
EXECUTIVE CAPITAL ANALYST, DFA CAPITAL OUTLAY BUREAU**

Overview of General Obligation Bond Program

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- The State Constitution allows the issuance of General Obligation Bonds with voter approval.
- The par amount of GOBs outstanding may not exceed 1% of assessed value of property statewide. Currently 1% is about \$550 million.
- Projects are appropriated by the Legislature each even-numbered legislative session and ballots are included on each general election ballot. Bonds are issued every two years following voter approval.
- Historically, GOBs fund primarily higher education infrastructure, and to a lesser extent, library acquisitions, senior centers, public school infrastructure.

Overview of Severance Tax Bonding Program

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- The modern Severance Tax Bond program dates to 1973 along with the creation of the Severance Tax Permanent Fund.
- Senior STB's may be issued up to the point where debt service can be paid with 50% of prior fiscal year Severance Tax Bonding Fund revenue.
- Beginning in 1999, as a result of the Zuni lawsuit, the STB program was expanded so that additional revenue could be used to pay debt service on Supplemental Severance Tax Bonds (SSTBs) for public school facility improvements.
- Currently 50% of prior fiscal year revenue is used for senior STBs and 45% of prior fiscal year revenue can be used for SSTBs, for a total of 95% of revenue.

Types of Severance Tax Bonds Issued

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	Senior	Supplemental
Short Term "Sponge" Notes	<p>Various Capital Projects (Legislative, Tribal, Colonias, Water) Taxable (Allows projects with Private Use and Non-Capital Purposes) Sold to State Treasurer each June and December 1-2 Day Notes ("Pay As You Go") Projects Authorized by Legislature</p>	<p>Public School Capital Projects Taxable Sold to State Treasurer each June and December 1-2 Day Notes ("Pay As You Go") Projects Certified by Public School Capital Outlay Council</p>
Long Term Bonds	<p>Various Capital Projects (Legislative) Tax-Exempt (Must exclude projects with Private Use and be for Capital Purposes) Sold Competitively (Typically each Spring) 10-Year Bonds Projects Authorized by Legislature</p>	<p>Public School Capital Projects Tax-Exempt Sold Competitively (Have Not Been Issued Since 2010) 10-Year Bonds Projects Certified by Public School Capital Outlay Council</p>

Severance Tax Volatility

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- STBF revenues are derived from the production of oil, natural gas, and other minerals. The value of these products is naturally volatile.
- Hurricanes, pipeline constraints, geopolitical events, and supply and demand all contribute to revenue volatility.
- However, bonding capacity is estimated based on a 10-year level issuance policy that evens out bonding capacity to some extent. Distributions to the Severance Tax Permanent Fund remain volatile.

*Sources and Uses of Funds
Bonding Capacity Available for Authorization
December 2013 Estimate
(dollars in millions)*

Sources of Funds	ACTUALS			FORECAST				
	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
General Obligation Bonds (2)	139.3	-	166.9	-	190.0	-	190.0	-
Senior STBs								
Severance Tax Bonds	121.2	173.6	166.1	194.2	194.2	194.2	194.2	194.2
Severance Tax Notes	76.2	112.0	90.5	107.7	86.0	68.1	56.3	45.1
Subtotal Senior STBs	197.5	285.6	256.6	301.9	280.2	262.3	250.5	239.3
Supplemental STBs								
Supplemental Severance Tax Bonds	-	-	-	-	-	-	-	-
Supplemental Severance Tax Notes	148.7	167.8	175.2	205.8	203.8	198.9	193.7	190.5
Subtotal Supplemental STBs	148.7	167.8	175.2	205.8	203.8	198.9	193.7	190.5
Total Sources of Funds	\$485.5	\$453.4	\$598.7	\$507.7	\$674.1	\$461.1	\$634.2	\$429.9

Uses of Funds	ACTUALS			FORECAST				
	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19

GOB Projects Approved by Referendum (2)

Projects Subject to Legislative and Voter Approval				-	190.0	-	190.0	-
Higher Education	119.3	-	139.8					
Library Acquisitions	9.8	-	10.8					
Senior Centers	10.3	-	16.4					
Public Education	-	-	-					
Subtotal GOBs	139.3	-	166.9	-	190.0	-	190.0	-

Senior STBs

10% Water Trust Board Projects	26.4	33.3	28.5	30.2	28.0	26.2	25.0	23.9
5% Colonias Projects	13.2	16.6	14.2	15.1	14.0	13.1	12.5	12.0
5% Tribal Projects	13.2	16.6	14.2	15.1	14.0	13.1	12.5	12.0
Authorized but Unissued STB Projects (1)	-	-	-	25.2	-	-	-	-

Projects Subject to Legislative Appropriation				216.3	224.2	209.8	200.4	191.5
Acequias & Dams (rivers, conservation)	16.3	7.5	36.0					
Water & Wastewater (water lines, wells, sewer, treatment, etc.)	10.0	9.6	49.4					
Children & Family Facilities (domestic violence shelters, daycare, housing, etc.)	0.6	1.1	2.5					
Public Schools, Charter Schools & Special Schools (facilities, equipment)	4.7	11.4	14.8					
Health Facilities	13.2	9.7	1.0					
Community Facilities	8.2	7.2	13.1					
Public Buildings & Equip. (govt offices, rest areas, fair facil, etc.)	18.6	37.4	4.3					
Cultural Facilities (libraries, museums, arts, etc.)	4.0	10.4	4.8					
Higher Education (facilities, equipment)	10.3	40.2	7.7					
Highways, Roads & Bridges (streets, overpasses, drainage, lights, etc.)	4.5	40.3	23.5					
Transportation (airports, railroads)	1.5	1.4	2.0					
Vehicles (buses, trucks, heavy equipment, etc.)	2.7	4.2	6.2					
Corrections Facilities	23.7	13.1	2.4					
Judicial (facilities, equipment)	1.9	3.5	1.2					
Law Enforcement & Public Safety	9.3	13.8	13.1					
Military & Veterans	9.3	1.3	2.7					
Senior Citizens	4.0	4.1	0.6					
Economic Development	1.0	0.7	5.4					
Utility & Solid Waste (power, landfills, equipment, etc.)	0.7	2.2	2.8					
Miscellaneous	-	-	6.0					
Subtotal Senior STBs	197.5	285.6	256.6	301.9	280.2	262.3	250.5	239.3

Supplemental STBs

Education Capital	148.7	167.8	175.2	205.8	203.8	198.9	193.7	190.5
Total Uses of Funds	\$485.5	\$453.4	\$598.6	\$507.7	\$674.1	\$461.1	\$634.2	\$429.9

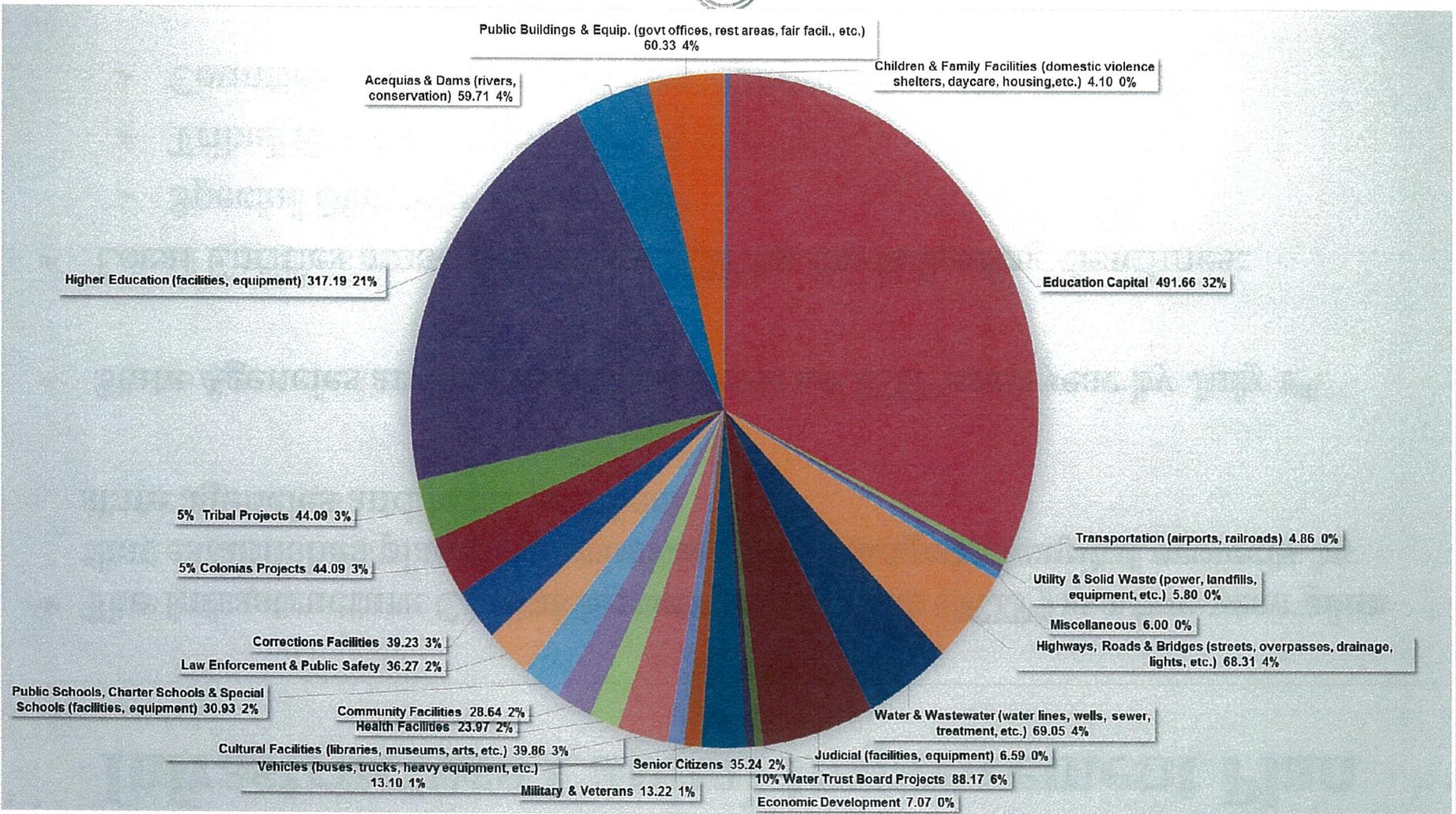
Notes:

(1) Includes projects authorized in Laws 2012, 2013, and 2014 that have not yet met requirements for project funding.

(2) General Obligation Bond sources and uses are shown in the fiscal year in which the legislature appropriates, which is one fiscal year prior to bond issuance. FY14 General Obligation Bond issuance depends on voter approval in November 2014.

Uses of STB and GOB: FY12 through FY14

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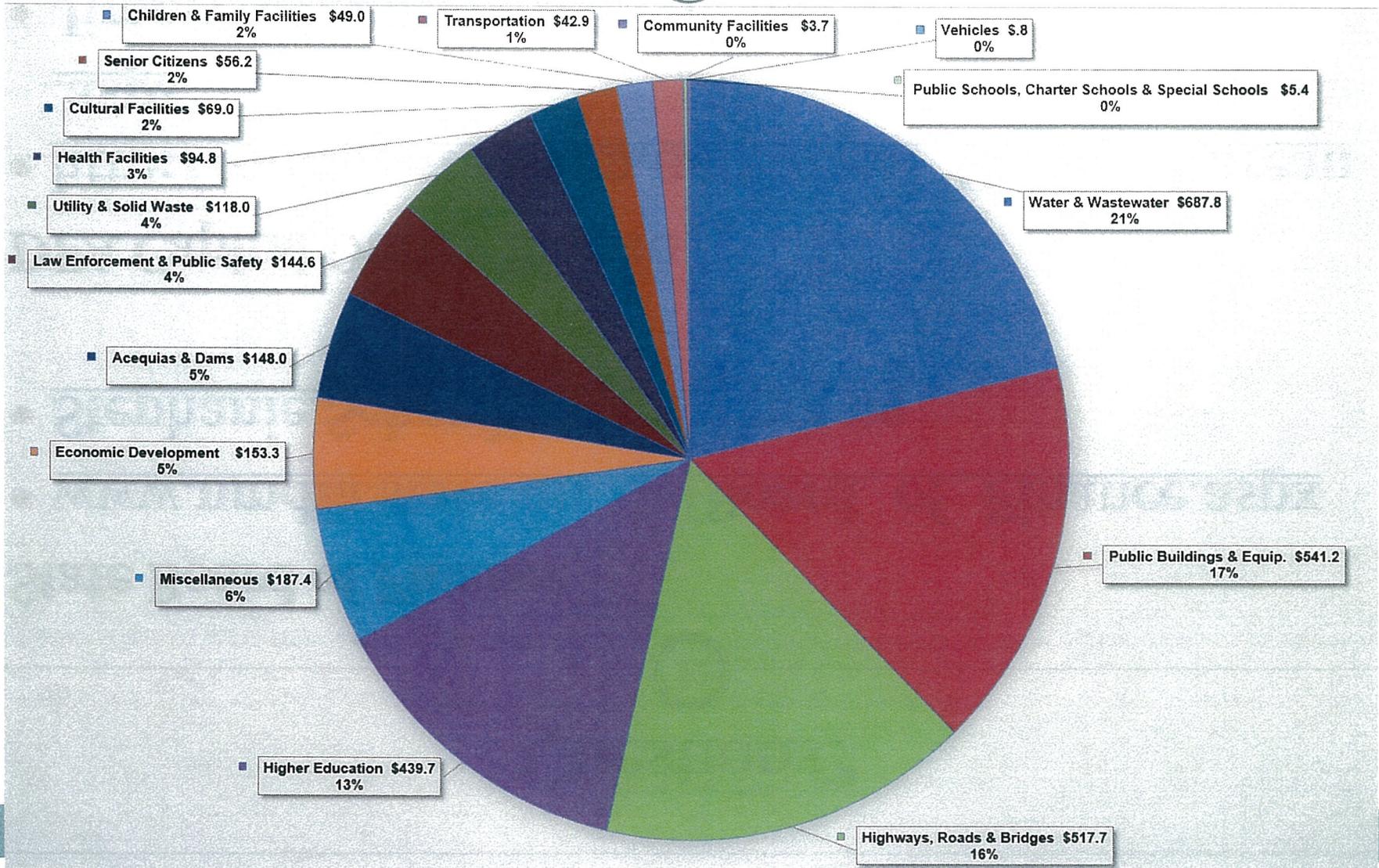
Infrastructure Capital Improvement Plan

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- The Infrastructure Capital Improvement Plan (ICIP) is a five year plan that establishes planning priorities for anticipated capital projects by state agencies and local entities.
 - State Agencies are required to submit an ICIP each year by July 1st.
 - Local Entities must submit an ICIP by the following deadlines:
 - Special Districts – June 16th
 - Tribal Entities – July 14th
 - Counties and Municipalities – September 2nd
- The Local Government Division of DFA publishes ICIP information for local entities on its website by mid November.

2015 ICIP Capital Requests

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Questions?

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State Board of Finance

- www.nmdfa.state.nm.us/Board_of_Finance.aspx
- Stephanie.Schardin@state.nm.us

DFA Capital Outlay Bureau

- http://nmdfa.state.nm.us/Capital_Outlay_Bureau.aspx
- JimmyN.Rodriguez@state.nm.us