SENATE BILL 79

49TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2010

INTRODUCED BY

Pete Campos

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FOR THE LEGISLATIVE FINANCE COMMITTEE

AN ACT

RELATING TO PUBLIC MONEY; REQUIRING CAPITAL OUTLAY EXPENDITURES TO RECEIVE THE SAME SCRUTINY AS OPERATIONAL EXPENDITURES; CREATING THE CAPITAL OUTLAY PLANNING AND MONITORING DIVISION IN THE DEPARTMENT OF FINANCE AND ADMINISTRATION; CREATING A JOINT PERMANENT LEGISLATIVE CAPITAL OUTLAY REVIEW COMMITTEE; PROVIDING POWERS AND DUTIES; PROVIDING STAFF; MAKING TRANSFERS; RECONCILING MULTIPLE AMENDMENTS TO THE SAME SECTION OF LAW IN LAWS 2001; MAKING AN APPROPRIATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

- [NEW MATERIAL] CAPITAL OUTLAY REVIEW COMMITTEE Section 1. CREATED--MEMBERSHIP--APPOINTMENT--VACANCIES.--
- The "capital outlay review committee" is created as a permanent joint interim legislative committee. committee shall be composed of nine members from the house of .180713.1

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representatives and nine members from the senate appointed by the New Mexico legislative council. The council shall draw members from the legislative finance committee, and, notwithstanding the provisions of Subsection D of Section 2-3-3 NMSA 1978, the committee may include members of the New Mexico legislative council. The members of the capital outlay review committee shall be appointed from each house so as to give the two political parties having the most members in each house the same total proportionate representation on the committee as prevails in that house; provided that in the computation, major fractions shall be counted as whole numbers, and in no event shall either of the two major parties have less than one member from each house. The members shall serve for terms of two years or less expiring on the first day of the regular session held in odd-numbered years. A member may be removed from the committee by the New Mexico legislative council for nonattendance according to New Mexico legislative council policy.

- No action shall be taken by the committee if a majority of the total membership from either house on the council rejects such action.
- C. For the forty-ninth legislature, the chairperson shall be a senate member and the vice chairperson shall be a house member.
- [NEW MATERIAL] SUBCOMMITTEES.--Subcommittees Section 2. .180713.1

may be created only by majority vote of all members appointed to the capital outlay review committee. A subcommittee shall be composed of at least one member from the house of representatives and one member from the senate, and at least one member of the minority party shall be a member of the subcommittee. All meetings and expenditures of a subcommittee shall be approved by the full committee in advance of the meeting or expenditure, and the approval shall be shown in the minutes of the committee.

Section 3. [NEW MATERIAL] CAPITAL OUTLAY REVIEW COMMITTEE
DUTIES.--

- A. The capital outlay review committee shall:
- (1) oversee functions and processes of the capital outlay planning and monitoring division of the department of finance and administration and the several state agencies that propose or review capital project requests pursuant to the Capital Outlay Planning and Monitoring Act;
- (2) adopt standards and guidelines for evaluating requests for capital project funding, including consideration of how singular projects fit in with the state capital improvements plan;
- (3) adopt a standard capital project request form that includes the information required by staff and the committee to evaluate requests;
- (4) prioritize capital project requests.180713.1

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1	received from the capital outl
2	division and legislators based
3	and make recommendations to th
4	prioritized projects;
5	(5) require
6	agencies, institutions, instru
7	subdivisions that receive fund
8	projects to ensure that:
9	(a) fur
10	implemented in a cost-effective
11	purpose of the appropriation;
12	(b) fur
13	proceeding in a timely manner;
14	(c) mon
15	source of the capital project
16	(6) conduct
17	infrastructure capital improve
18	legislature;
19	(7) directly

lay planning and monitoring d on the standards and guidelines ne legislature for funding the

- periodic reports from state umentalities and political ding for state and local capital
- nded capital projects are ve manner and consistent with the
- nded capital projects are and
- ney is reverted to the funding in a timely manner;
- ongoing reviews of state and local ements plans and report to the
- y or through its staff participate in hearings held by the capital outlay planning and monitoring division and other hearings held by state agencies responsible for reviewing capital project proposals and planning; and
- (8) perform such other duties as it deems necessary or that are assigned to it by the New Mexico legislative council.

B. Unless otherwise provided by law, the following
proposed projects are exempt from committee review, though not
from consideration of the projects in relation to the annual
and five-year state capital improvements plan:
(1) capital projects funded pursuant to the
Public School Capital Outlay Act;
(2) department of transportation road projects
funded in whole or in part by federal highway funding;
(3) capital projects that will be funded by

(4) capital projects authorized by the legislature that are specifically excluded by law from the committee's review.

loans or grants from the New Mexico Finance Authority Act and

Section 4. [NEW MATERIAL] STAFF.--

not from the general fund; and

- A. The staff for the capital outlay review committee shall be provided by the legislative council service and the legislative finance committee.
- B. The legislative council service and the legislative finance committee may, subject to legislative appropriation:
- (1) appoint and employ such professional, technical and clerical assistance as they and the committee deem necessary to carry out the duties of the committee; and
 - (2) enter into contracts for professional,

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technical or clerical assistance as necessary.

Section 5. [NEW MATERIAL] INTERAGENCY COOPERATION. --

- Each agency, institution and instrumentality of the state and its political subdivisions shall, upon request, assist the capital outlay review committee in carrying out its duties.
- В. The agencies that fund exempt capital projects or that approve capital project funding that has not been evaluated by the committee, including community development projects, public school facilities authority projects, transportation projects and loan or grant fund projects, shall provide timely reports to the committee that describe those projects and provide funding amounts and other information requested by the committee to ensure interagency coordination in the evaluation, funding and monitoring of capital projects.

Section 6. [NEW MATERIAL] AUDITS.--The committee may request the legislative finance committee, the state auditor or the capital outlay planning and monitoring division of the department of finance and administration to conduct financial, compliance or performance audits on any capital project.

Section 7. [NEW MATERIAL] SHORT TITLE--CAPITAL OUTLAY PLANNING AND MONITORING ACT.--Sections 7 through 13 of this act may be cited as the "Capital Outlay Planning and Monitoring Act".

[NEW MATERIAL] DEFINITIONS.--As used in the Section 8. .180713.1

Capital Outlay Planning and Monitoring Act:

A. "capital project" means the acquisition, repair, alteration, demolition, renovation, construction or reconstruction of a public building or other public works owned by the state or a political subdivision, including planning and design and including professional engineering, surveying, architectural and landscape architectural services directly related to the capital project; purchase of land for a public building or other public works; site improvements to public property; purchase and installation of equipment of a long-term nature for a public building or other public works; purchase of furniture as part of a renovation or construction of a public building; purchase of motor vehicles or heavy equipment with a life expectancy of five years or more; and hardware and software for voice, radio, video and data communications; and

B. "division" means the capital outlay planning and monitoring division of the department of finance and administration.

Section 9. [NEW MATERIAL] DIVISION CREATED--POWERS AND DUTIES.--

- A. The "capital outlay planning and monitoring division" is created in the department of finance and administration. The division shall:
- (1) direct capital project planning for the executive branch, for state institutions and for political .180713.1

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subdivisions that seek state funding for capital projects, either directly or through coordination with other responsible state and local agencies;

- coordinate with the New Mexico finance (2) authority, the New Mexico mortgage finance authority and federal agencies that provide capital project funding for local governments, other eligible entities and rural areas;
- (3) work with state agencies, state institutions, political subdivisions and the legislature to develop priorities to be funded through the legislature's capital outlay process;
- (4) make recommendations to the governor on capital projects to be proposed for funding by the legislature;
- (5) oversee, either directly or through other responsible state agencies, all state-funded capital projects to ensure timely execution of approved capital projects, proper expenditures of state funding and timely reversion of unexpended balances;
- develop procedures to ensure current and complete accounting and reporting on capital projects;
- maintain a central database on capital (7) projects that includes the up-to-date fiscal and programmatic status of each capital project;
- (8) identify stagnant capital projects that should be deauthorized or capital projects that have been .180713.1

completed and fund balances that should be reverted;

- (9) provide training and assistance to state agencies and political subdivisions on planning, budgeting and administration of capital projects, including proper accounting and monitoring and completion of capital projects within statutory deadlines and the reversion of unexpended funds as required by law; and
- (10) work with the board of finance division of the department of finance and administration to ensure that capital projects authorized by the legislature are properly certified for the issuance of bonds and to ensure that capital projects proceed in a timely manner and meet federal and state requirements.
- B. The division may conduct financial, compliance and performance audits on capital projects on its own or in conjunction with the state auditor or legislative committees.
- C. All state agencies shall assist the division as required for the division to carry out its duties.

Section 10. [NEW MATERIAL] PLANNING COMMITTEE. --

A. The "executive capital planning committee" is created as an interagency and intergovernmental planning and coordination committee to assist the division in carrying out its duties. The committee shall include employees of the following agencies who have direct responsibility for planning or overseeing capital projects for their agencies:

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2	general services department;
3	(2) the capitol buildings planning commission;
4	(3) the cultural affairs department;
5	(4) the department of transportation;
6	(5) the local government division of the
7	department of finance and administration;
8	(6) the department of environment;
9	(7) the aging and long-term services
10	department;
11	(8) the higher education department;
12	(9) the public school facilities authority;
13	(10) the New Mexico finance authority;
14	(11) the New Mexico mortgage finance
15	authority; and
16	(12) the directors of the councils of
17	governments.
18	B. The division shall invite representatives of
19	federal agencies that provide loans and grants to New Mexico
20	communities for infrastructure and other capital projects to
21	participate in meetings of the committee and may invite other
22	participants as it deems necessary.
23	C. The division shall not pay per diem and mileage

(1) the property control division of the

or any other compensation, perquisite or allowance to members

of the committee for service in the committee.

	D.	The	commi	ttee	shall	assis	st th	ne divi	Lsion	in
capital p	lanni	ng an	d the	deve	elopmer	nt of	the	state	capit	:a1
improveme	nts p	lan.								

Section 11. [NEW MATERIAL] STATE CAPITAL IMPROVEMENTS
PLAN.--

- A. The division and the property control division of the general services department shall, with the assistance of the committee, prepare and annually update a five-year "state capital improvements plan" that details the major capital projects recommended to be undertaken by the state or to be undertaken with state aid or under state regulation. The plan shall:
- (1) include an economic forecast and a discussion of economic activities that bear on the need for state or local infrastructure and how completed capital projects have changed the prior-year plan;
- (2) classify capital projects with respect to urgency and need for realization;
- (3) recommend a time sequence for construction or purchase of specific capital projects;
- (4) contain an estimated cost of each capital project, as well as the probable operating and maintenance costs of each project;
- (5) identify any revenue that will be generated by a capital project;

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- (6) identify existing or additional sources of funds needed for construction and operation of each capital project;
- (7) identify the owner of every capital project; and
- (8) provide other information for any capital project or for the state capital improvements plan as determined by the division.
- B. All capital project recommendations of the executive shall be based on the state capital improvements plan.
- Section 12. [NEW MATERIAL] CAPITAL PROJECT REQUESTS-GUIDELINES--INFRASTRUCTURE CAPITAL IMPROVEMENTS PLANS-SUBMISSION TO DIVISION.--
- A. By January 15 of each year, the division shall publish capital project guidelines to be followed by all state agencies and political subdivisions that plan to seek partial or full funding for any capital project in next year's legislative session.
- B. The guidelines shall include provisions to guide state agencies that review capital project requests or infrastructure capital improvements plans from state agencies and infrastructure capital improvements plans from political subdivisions. The state capital improvements plan and each political subdivision's infrastructure capital improvements

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1	plan shall be updated each year.
2	C. The review guidelines shall include:
3	(1) requirements for political subdivision
4	infrastructure capital improvements plans to be submitted to
5	appropriate state agencies;
6	(2) requirements for analyzing immediate and
7	future needs of the state, regions of the state and localities;
8	and
9	(3) requirements for analyzing requests in
10	light of:
11	(a) critical needs of the state,
12	including political subdivisions;
13	(b) the necessity of the capital project
14	to meet a critical need;
15	(c) the necessity of the capital project
16	to address a health and safety concern;
17	(d) the capital project's priority on
18	either the state capital improvements plan or a local
19	infrastructure capital improvements plan;
20	(e) the ability to phase the capital
21	project, if necessary, and the availability of funding to
22	complete at least one full, workable capital project phase;
23	(f) the ability of the ultimate
24	governmental recipient to provide necessary and adequate staff
25	and funding for operations and maintenance for the capital
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1	project;
2	(g) the expected useful life of the
3	capital project;
4	(h) the available alternatives to the
5	capital project as requested;
6	(i) consideration of whether a
7	renovation project will forestall substantial capital outlay
8	costs in the short and long terms;
9	(j) the availability of sources other
10	than state funding for the capital project, including matching
11	funds;
12	(k) the most appropriate funding sources
13	for types of capital projects; and
14	(1) other considerations determined by
15	the division, after consultation with the executive capital
16	planning committee and the legislative capital outlay review
17	committee.
18	D. By May l of each year, all infrastructure
19	capital improvements plans are due to state agencies, as
20	follows:
21	(1) local government plans are due to the
22	local government division of the department of finance and
23	administration;
24	(2) water and wastewater plans that are
25	developed by special districts or that are separate from a
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municipal or county infrastructure capital improvements plan are due to the department of environment;

- (3) regional plans that involve more than one local government are due to the local government division;
- (4) area agency on aging or local aging program plans are due to the aging and long-term services department;
- (5) public post-secondary educational institution plans are due to the higher education department;
- (6) state museums and state monuments plans are due to the cultural affairs department;
- (7) state agency plans for state agencies under the jurisdiction of the property control division of the general services department are due to the property control division;
- (8) state and local government plans required by the capitol buildings planning commission are due to the capitol buildings planning commission; and
- (9) New Mexico state fair, state parks division of the energy, minerals and natural resources department, state armory board, New Mexico school for the deaf, New Mexico school for the blind and visually impaired, judicial and any other capital improvement plans or capital project requests that are not specifically assigned to another state agency are due to the division.

- E. All state agencies that are responsible for reviewing capital project requests shall submit their recommendations to the division by August 1 of each year.
- F. The division shall review the recommendations and hold hearings on the recommendations by September 15 of each year. The division shall report its findings to the governor and the capital outlay review committee by October 1 of each year. The division's report to the capital outlay review committee shall include proposed changes to the state capital improvements plan and a listing of all capital project requests received, findings of each reviewing agency and findings of the division.
- G. The division shall publish the annual state capital improvements plan, an abstract of which shall be included in the executive budget recommendations for the following fiscal year.
- Section 13. [NEW MATERIAL] CAPITAL PROJECT AUDIT FUND-CREATED--AUDITS--FEES.--
- A. The "capital project audit fund" is created as a nonreverting fund in the state treasury. The fund consists of appropriations, transfers of the administrative fee provided in Subsection B of this section and any other money credited to the fund. The legislature shall appropriate money in the fund to the state auditor's office and the legislative finance committee to conduct agreed-upon procedures for audits on any .180713.1

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1 capital projects to ensure compliance with federal laws, 2 internal revenue service rules pertaining to the issuance and 3 use of tax-exempt bonds, other pertinent federal regulations, state laws and any pertinent rules adopted by the state 5 treasurer, board of finance division of the department of finance and administration, state auditor or other state 7 agency. 8 An audit fee of no more than two-tenths of one В. 9 10

B. An audit fee of no more than two-tenths of one percent of the total of each year's capital projects appropriations and bond authorizations, including general obligation bond authorizations, realized by a proportionate reduction of each appropriation or bond authorization, shall be set aside to fund capital project audits.

C. The division shall assist in the identification of capital projects to be audited.

Section 14. Section 6-21-31 NMSA 1978 (being Laws 1992, Chapter 61, Section 31) is amended to read:

"6-21-31. POWERS AND DUTIES.--The New Mexico finance authority oversight committee shall:

A. monitor and oversee the operation of the New Mexico finance authority;

B. meet on a regular basis to receive and review reports from the authority on implementation of the provisions of the New Mexico Finance Authority Act and to review and approve [regulations proposed] rules for adoption pursuant to .180713.1

that	act:

- C. monitor and provide assistance and advice on the public project financing program of the New Mexico finance authority;
- [D. oversee and monitor state and local government capital planning and financing and take testimony from state and local officials on state and local capital needs;
- E. provide advice and assistance to the New Mexico
 finance authority and cooperate with the executive branch of
 state government and local governments on planning, setting
 priorities for and financing of state and local capital
 projects;
- F-] D- undertake an ongoing examination of the statutes, constitutional provisions, [regulations] rules and court decisions governing state and local government capital financing in New Mexico; and
- [G.] E. report its findings and recommendations, including recommended legislation or necessary changes, to the governor and to each session of the legislature. The report and proposed legislation shall be made available on or before December 15 each year."
- Section 15. Section 7-27-12 NMSA 1978 (being Laws 1961, Chapter 5, Section 10, as amended by Laws 2001, Chapter 37, Section 1 and by Laws 2001, Chapter 338, Section 1) is amended to read:

"7-27-12. WHEN SEVERANCE TAX BONDS TO BE ISSUED.--

- A. The state board of finance shall issue and sell all severance tax bonds when authorized to do so by any law that sets out the amount of the issue and the recipient of the money.
- B. The state board of finance shall also issue and sell severance tax bonds authorized by Sections 72-14-36 through 72-14-42 NMSA 1978, and such authority as has been given to the interstate stream commission to issue and sell such bonds is transferred to the state board of finance. The state board of finance shall issue and sell all severance tax bonds only when so instructed by resolution of the governing body or by written direction from an authorized officer of the recipient of the bond money.
- C. Except as provided in Subsection D of this section, proceeds from supplemental severance tax bonds shall be used only for public school capital outlay projects pursuant to the Public School Capital Outlay Act or the Public School Capital Improvements Act.
- D. Proceeds from supplemental severance tax bonds issued pursuant to Paragraph (2) of Subsection A of Section 19 of Chapter 6 of Laws 1999 (1st S.S.) shall be used for the purposes specified in that paragraph.
- E. Except as provided in Subsection F of this section, the state board of finance shall issue and sell all .180713.1

supplemental severance tax bonds when so instructed by resolution of the public school capital outlay council pursuant to Section 7-27-12.2 NMSA 1978.

- F. The state board of finance shall issue and sell supplemental severance tax bonds authorized by Paragraph (2) of Subsection A of Section 19 of Chapter 6 of Laws 1999 (1st S.S.) when so instructed by resolution of the [commission on] higher education department.
- G. The state board of finance shall deduct twotenths of one percent from the proceeds of severance tax bonds
 sold in any year for capital projects; provided that this
 provision does not apply to severance tax bonds issued pursuant
 to Subsections B through F of this section. The money deducted
 shall be credited to the capital project audit fund to conduct
 audits of capital projects funded with state funds."

Section 16. Section 9-6-1 NMSA 1978 (being Laws 1977, Chapter 247, Section 1) is amended to read:

"9-6-1. SHORT TITLE.--Sections [1 through 7 of this act]

9-6-1 through 9-6-5.1 and 9-6-15 NMSA 1978 may be cited as the

"Department of Finance and Administration Act"."

Section 17. Section 9-6-3 NMSA 1978 (being Laws 1977, Chapter 247, Section 3, as amended) is amended to read:

"9-6-3. DEPARTMENT OF FINANCE AND ADMINISTRATION-CREATION--TRANSFER AND MERGER OF DIVISION FUNCTIONS--MERGER AND
CREATION OF DIVISIONS.--

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1	A. The "department of finance and administration"
2	is created. The department shall consist of those divisions
3	created by law or executive order, as modified by executive
4	order pursuant to Subsection C of this section, including but
5	not limited to:
6	(1) the board of finance division;
7	(2) the financial control division;
8	(3) the local government division;
9	(4) the management and contracts review
10	division; [and]
11	(5) the state budget division; and
12	(6) the capital outlay planning and monitoring
13	division.
14	B. The secretary is empowered to organize the
15	department and the divisions thereof specified in Subsection A
16	of this section and may transfer or merge functions between
17	divisions in the interest of efficiency and economy.
18	C. The governor is empowered to merge divisions of
19	the department or to create additional divisions by executive
20	order in the interest of efficiency and economy."
21	Section 18. Section 9-6-5.1 NMSA 1978 (being Laws 1983,
22	Chapter 296, Section 7) is amended to read:
23	"9-6-5.1. PLANNING POWERS AND DUTIES OF SECRETARY OF
24	FINANCE AND ADMINISTRATIONThe secretary of [the department

 $\frac{1}{2}$ finance and administration, in addition to the other powers

and duties conferred:

- A. shall review federal grant applications and provide management assistance;
- B. shall coordinate, in accordance with directives from the governor's office of policy and planning, state agency plans for economic, natural resource, energy resource and human resource development;
- C. shall provide aid to planning and development districts in developing grant proposals and cooperate with other local entities in developing grant proposals;
- [D. shall acquire, study and review all plans for capital projects proposed by state agencies and render advice on the plans. The secretary shall maintain long-range estimates and plans for capital projects and develop standards for measuring the need for and utility of proposed projects;
- E.] D. may contract for, receive and [utilize] use any grants or other financial assistance made available by the United States government or by any other source, public or private;
- [F.] E. may provide planning and funding assistance to units of local government, council of government organizations, Indian tribal governments situated within New Mexico and [to] nonprofit entities having for their purpose local, regional or community betterment. The secretary, incident to any such programs, may enter into contracts and .180713.1

1	agreements with such units of local government, council of
2	government organizations, Indian tribal governments, nonprofit
3	entities and the federal government and may participate in or
4	receive aid from any federal or private program in relation to
5	such a planning program or assistance;
6	$[G_{ullet}]$ F_{ullet} shall confer with the state budget division
7	[of the department of finance and administration] and the
8	capital outlay planning and monitoring division in developing
9	comprehensive plans to assure coordination of planning and
10	budgeting functions;
11	$[H_{ullet}]$ G_{ullet} shall coordinate the state clearinghouse
12	review process;
13	[H.] H. shall develop a status of the state report;
14	$[rac{ extsf{J}_{ullet}}{ extsf{I}_{ullet}}]$ shall review and coordinate comment by
15	state agencies on draft environmental impact statements;
16	$[K_{\bullet}]$ <u>J.</u> shall provide community development block
17	grant technical assistance to local governments;
18	$[\underbrace{\text{L.}}]$ $\underline{\text{K.}}$ shall administer, in consultation with and
19	upon advice and direction from the community development block
20	grant policy committee, the program for the state community
21	development block grant program;
22	$[\frac{M_{ullet}}{L_{ullet}}]$ shall serve as staff to the New Mexico
23	association of regional councils;
24	$[\frac{N_{\bullet}}{M_{\bullet}}]$ shall maintain a state planning library;
25	and

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[0.] N. shall provide planning assistance to county and multi-county districts relative to application by such districts for financial assistance and for regional plan development."

TEMPORARY PROVISION -- TRANSFER OF FUNCTIONS, Section 19. MONEY, APPROPRIATIONS AND PROPERTY. -- On the effective date of the provisions of this act, all functions, money, appropriations, records, furniture, equipment and other property of the capital projects unit of the local government division of the department of finance and administration are transferred to the capital outlay planning and monitoring division of the department of finance and administration.

Section 20. REPEAL.--Section 6-4-1 NMSA 1978 (being Laws 1975, Chapter 282, Section 3, as amended) is repealed.

Section 21. EFFECTIVE DATE. -- The effective date of the provisions of this act is July 1, 2010.

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