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FISCAL IMPACT REPORT

ORIGINAL DATE 02/10/10
 LAST UPDATED 02/18/10 **HB** _____

SPONSOR SFC _____

SHORT TITLE Severance Tax Bond Projects **SB** 112/SFCS/aHTRC

ANALYST Kehoe/Leger/Burns

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
\$41,800.0		Nonrecurring	Severance Tax Bond Fund
\$1,200.0		Nonrecurring	Game & Fish Bond Retirement Fund
\$2,300.0		Nonrecurring	Game Protection Fund
\$350.0		Nonrecurring	State Road Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment increases capital expenditures from \$34.3 million to \$41.8 million from severance tax bond capacity. The Board of Finance of the Department of Finance and Administration reported an increase in STB capacity revenues based on recent certification of needs for projects authorized in Laws 2009, Chapter 7, First SS (Senate Bill 29). The amendment provides as follows:

Item 1 makes technical changes to the title of the bill to include reauthorizations.

Item 2 expands the language for the use of the colonias funding currently in the bill.

Item 3 increases the appropriation from \$2 million to \$2.5 million for a financial services economic development project (Fidelity) in Bernalillo County.

Item 4 increases the appropriation from \$3 million to \$6 million for a technical support center (Hewlett Packard) in Rio Rancho.

Item 5 adds \$1 million for renovations and infrastructure improvements, including razing of closed facilities at Eastern New Mexico University and \$3 million for roof improvements and replacement at New Mexico Junior College.

Items 6 and 8 provide for technical changes to the bill.

Item 7 proposes to include 25 reauthorizations within the bill. The reauthorizations propose expanding language, extending the period of time for expenditure, changes an administering agency, and reauthorizes existing balance funds for certain other capital projects. Major reauthorizations include the following:

- Sections 17 and 38 reauthorize nearly \$3 million originally appropriated for the equestrian facility and for state building improvements and are reauthorized to the New Mexico State Fair Commission to renovate and improve Carrie Tingley Coliseum and other facilities on the Expo New Mexico campus.
- Sections 18 and 19 reauthorize \$1 million originally appropriated for state building repairs and renovations and are reauthorized to the General Services Department to purchase, install, equip and furnish, the new Tri-Service Laboratory and includes moving new and existing furniture and equipment to the facility.
- Section 20 reauthorizes \$2 million originally appropriated for the equestrian facility to the University of New Mexico to plan, design, demolish, furnish, construction, renovate and equip the baseball stadium.
- Section 21 reauthorizes \$700,000 originally appropriated for fairground and rodeo facilities improvements and is reauthorized to the University of New Mexico to acquire a magnetic resonance imaging scanner for use by the Office of the Medical Investigator at the tri-services facility.
- Sections 25, 27, 28, 29, and 30 reauthorize \$1.5 million (Section 27) originally appropriated for the equestrian facility and is reauthorized to plan, design, construct, equip and furnish a safety inspection station in Santa Teresa and extends the time for expenditures until fiscal year 2012. .
- Section 34 reauthorizes \$5 million originally appropriated for purchase of property owned by the United States General Services Administration and the United States Forest Service and expands the use of funds to also allow for acquisition of certain parcels of vacant land within the former College of Santa Fe Campus.
- Section 35 reauthorizes nearly \$5 million originally appropriated for fair and arena rodeo facilities and is reauthorized to the Energy, Mineral, and Natural Resources Department for restoration projects and the purchase of conservation easements statewide.
- Section 36 reauthorizes \$300,000 originally appropriated for rodeo facilities and is reauthorized to the Department of Public Safety for state police fleet replacements and improvements.

- Section 37 reauthorizes \$500,000 originally appropriated for the equestrian facility and is reauthorized to the Carlsbad Branch of New Mexico State University for mechanical and infrastructure renovations.

Synopsis of Original Bill

Senate Finance Committee Substitute for Senate Bill 112 authorizes \$34.3 million from severance tax bond capacity for various capital outlay projects statewide, and authorizes \$3.9 million from other state funds for various capital outlay projects statewide. The bill contains an emergency clause. A spreadsheet listing the recipients and proposed allocations within this bill is attached.

FISCAL IMPLICATIONS

The authorization totaling \$38.2 million contained in this bill is a non-recurring expense to severance tax bond (STB) capacity and other state funds (bond interest and retirement fund game protection fund, and state road fund). Except for appropriations to the capital program fund, money from STB proceeds and any other fund contained in this bill may not be used to pay indirect project costs.

The balance of an appropriation made from state funds to the Indian Affairs Department or the Aging and Long-Term Services Department for a project located on lands of an Indian nation, tribe or pueblo shall revert to the tribal infrastructure project fund within the time-frames set forth in this bill. For the purpose of the sections 1 and 2 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.

Unless otherwise specified, the unexpended balance from severance tax bond proceeds will revert to the STB fund no later than the following dates: 1) for a project for which STB were issued to match federal grants, six months after completion of the project; 2) for a project issued to purchase vehicles, including emergency vehicles and other vehicles requiring special equipment, heavy equipment, books, educational technology, or other equipment or furniture not related to a more inclusive construction or renovation project, at the end of the fiscal year two years following the fiscal year in which the severance tax bonds were issued for the purchase; and 3) any other projects for which STB were issued, within six months of completion of the project, but no later than the end of fiscal year 2014.

All remaining balances from the proceeds of STB issued for projects in this bill shall revert to the STB fund three months after the latest reversion date specified in this bill. The balance of an appropriation made from “other state funds” shall revert in the time frame set within the bill to the originating fund.

In compliance with the Severance Tax Bonding Act, the State Board of Finance (BOF) is authorized to issue and sell STB in an amount not to exceed the total of the amounts appropriated in this bill. BOF must also comply with the Internal Revenue Code of 1986, as amended. The agencies named in this bill shall certify to BOF when the money from the proceeds of the severance tax bonds authorized in the bill is needed for the purposes specified in the applicable section of the bill. Before an agency certifies for issuance of the bonds, the project must be developed sufficiently so that the agency reasonably expects to: 1) incur within six months after

the applicable bonds have been issued a substantial binding obligation to a third party to expend at least five percent of the bond proceeds for the project; and 2) spend at least eighty-five percent of the bond proceeds within three years after the applicable bonds have been issued.

Based on the certification of project readiness by grantees, the BOF authorizes the sale of bonds. The issuance of tax-exempt bonds for projects not ready to commence leaves the state open to noncompliance with the Internal Revenue Service Code. Failure to spend STB proceeds in a timely manner causes the state, under IRS regulations, to have to rebate interest earnings the state could otherwise use to reduce the cost of a project or to reduce debt service costs.

SIGNIFICANT ISSUES

This bill recommends 21 projects authorized from STB capacity and two (2) projects authorized from other state funds. Of the 21 projects, 17 projects reflect needs impacting public health and safety deficiencies and completion of projects at state-owned and operated facilities. The bill also authorizes two economic development projects totaling \$5 million--\$2 million for the Bernalillo County financial services economic development project (Fidelity), and \$3 million for the Rio Rancho Tech Support Center (Hewlett Packard). The bill also appropriate \$2 million for colonias infrastructure improvements and \$2.5 million for tribal infrastructure projects.

LMK:JL/svb:mt

Capital Outlay Projects

SFC Substitute for SB 112

Legislative Council Service

49th Legislature, 2nd Session, 2010

Funded Projects by Fund and Agency

ID	Project Title	Track	Agency	County	Total Amount
Fund: STB					
2459	STW-AOC SECURITY EQUIP & INFRA STATEWIDE		AOC	Statewide	1,000,000
2388	STW-CYFD YDDC ALB FCLTY CAMBIAR NM REN & EQUIP		CPF	Bernalillo Co.	400,000
2461	STW-CYFD YDDC CAMPUS UPGRADES		CPF	Bernalillo Co.	500,000
2460	STW-CYFD YDDC/CAMINO NUEVO SECURITY SYSTEMS		CPF	Bernalillo Co.	500,000
2383	STW-DOH SCIENTIFIC LAB EQUIP & FURNISH		CPF	Bernalillo Co.	500,000
2462	STW-TRD MVD CLOVIS FIELD OFFICE IMPROVE		CPF	Curry Co.	400,000
145	STW-DPS SANTA TERESA PORT OF ENTRY CONSTRUCT		CPF	Dona Ana Co.	2,500,000
2597	STW-DPS LAS CRUCES/LAS VEGAS DIST OFFICES		CPF	Multiple Co.	820,000
2456	STW-DOH NMBHI NEW MEADOWS & PONDEROSA CONSTRUCT		CPF	San Miguel Co.	7,000,000
422	STW-CD SOUTHERN & CENTRAL FCLTIES HVAC/INFRA		CPF	Statewide	2,000,000
142	STW-DOH FACILITIES HEALTH/SAFETY IMPROVE		CPF	Statewide	2,400,000
134	STW-GSD STATE BLDGS DEMOLISH/DECOMMISSION		CPF	Statewide	500,000
148	STW-GSD STATE BUILDINGS REPAIR & RENOVATE		CPF	Statewide	3,480,000
137	STW-CAD FACILITIES REPAIR/IMPROVE STATEWIDE		CAD	Statewide	1,100,000
135	STW-CTSRRR TRACK REHAB		CTSRR	Rio Arriba Co.	400,000
155	STW-SEO DAMS EMERGENCY REPAIR-BLUEWATER/HATCH		SEO	Multiple Co.	1,000,000
2809	STW-BERN CO FINANCIAL SVCS ECONOMIC DEV PROJECT		DFA	Bernalillo Co.	2,000,000
2810	STW-RIO RANCHO TECH SUPPORT CENTER		DFA	Sandoval Co.	3,000,000
2402	STW-COLONIAS INFRASTRUCTURE IMPROVE		DFA	Statewide	2,000,000
138	STW-DPS LAW ENFORCEMENT VEHICLES		DPS	Statewide	300,000
181	STW-IAD TRIBAL INFRASTRUCTURE PROJECTS		TIPF	Statewide	2,500,000
					34,300,000
Fund: GFB					
2598	STW-GFD ROCK LAKE WARM WATER FISH HATCHERY-GFB		GFD	Guadalupe Co.	1,200,000
					1,200,000
Fund: GPF					
2599	STW-GFD ROCK LAKE WARM WATER FISH HATCHERY-GPF		GFD	Guadalupe Co.	2,300,000
					2,300,000
Fund: SRF					
200	STW-DOT CLINES CORNERS SALT DOMES CONSTRUCT		DOT	Torrance Co.	350,000
					350,000
STB Total					34,300,000
Other State Fund Total					3,850,000
Grand Total					38,150,000