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

SPONSOR Harden
ORIGINAL DATE 02/04/10
LAST UPDATED
HB

SHORT TITLE Capital Project Reversions and Reauthorizations **SB** 237

ANALYST Kehoe/Burns

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
($55,102.7)	NFI	Nonrecurring	General Fund
($70,982.6)	NFI	Nonrecurring	Severance Tax Bond

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Senate Bill 182

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	FY11	FY12		
$55,102.7	NFI	NFI	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Department of Transportation (DOT)

SUMMARY

Synopsis of Bill

Senate Bill 237 proposes reversion of all balances from all funds for capital projects appropriated in 2005 and 2006, proposes reversion of all balances from all funds for all completed projects, and proposes reducing by 10 percent all outstanding capital project funds appropriated in 2007, 2008, and 2009. The bill contains an emergency clause.

FISCAL IMPLICATIONS

Senate Bill 237 proposes balance reversions for 315 general fund projects and 164 for severance tax bond capital outlay projects appropriated in 2005 and 2006 (Laws 2005, Chapter 347; Laws 2006, Chapter 107; and Laws 2006 Chapter 111). The 2005 and 2006 reverts approximately $31. 2 million to the general fund and $17 million to the severance tax bonding fund. The bill proposes reversions of balances for 65 completed projects totaling $1.6 million in general fund and $963 thousand in severance tax bond.

Senate 237 further reduces by 10 percent all outstanding capital projects appropriated in 2007, 2008, and 2009. The effect of the 10 percent reduction reverts $22.3 million to the general fund and approximately $53 million to severance tax bonding fund.

The net effect of Senate Bill 237 makes available approximately $55.1 million to the general fund and voids approximately $71 million for reversion to the severance tax bonding fund on the effective date of this bill, and within thirty days of the effective date. The following chart more clearly identifies the reversions proposed in Senate Bill 237:

	Number of Projects	GF	STB
2005 Sweep	192	$ 10,353,140	$ 4,621,491
2006 Sweep	287	$ 20,804,174	$ 12,419,327
Completed Projects	65	$ 1,616,918	$ 962,671
2007 10%	1337	$ 13,582,363	$ 8,955,443
2008 10%	1424	$ 6,079,198	$ 14,950,729
2009 10%	712	$ 2,666,955	$ 29,072,939
Total	**4017**	**$ 55,102,747**	**$ 70,982,600**

The provisions of this bill will not apply to active projects, if within 30 days of the effective date of the bill the Secretary of DFA determines the following: 1) matching federal, local, state, or NMFA funds, when combined with the appropriation are sufficient to fully fund the project; the project will likely be completed by December 31, 2010; or the secretary of DFA determines the project is likely to be completed by June 30, 2010.

SIGNIFICANT ISSUES

Current fiscal year 2010 reserves are effectively less than one percent which is inadequate in any economy, but especially so in these highly uncertain times. If the savings from the governor's executive order and furlough occur, fiscal year 2010 ending reserves will be $125 million or 2.5 percent. The capital voids proposed in Senate Bill 237 would support increased general fund reserves.

ADMINISTRATIVE IMPLICATIONS

The proposed voids in Senate Bill 237, and in particular the 10 percent reduction of all outstanding capital projects will have a tremendous administrative impact on all state agencies responsible for administering capital projects. The reduction will require amending all existing grant agreements between the agencies and the grantees.

RELATIONSHIP

Senate Bill 237 is similar to the bill developed in accordance with Laws 2009, Chapter 5, 1st SS (House Bills 17 and 33) directing the Legislative Council, Legislative Finance Committee, and the Department of Finance and Administration to review all unexpended capital outlay projects funded by the general fund and identify "a minimum of $150 million of voidable capital outlay projects by November 12, 2009." Chapter 5 further directed the three agencies to identify voidable projects for submittal to the Legislature in 2010 in the form of a bill for the purpose of addressing a portion of the state's solvency issue. As directed by Chapter, Senate Bill 182 introduced in the 2010 Legislative Session has been referred to the Senate Finance Committee and is awaiting action.

LMK:KB/svb