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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/10

SPONSOR Campos, P. LAST UPDATED _____ HB _____

SHORT TITLE Study Capital Outlay Review & Prioritization SJM 21

ANALYST Pava

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|------|-------------------------|------------------|
| FY10 | FY11 | | |
| | NFI | Recurring | General Fund |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Public Education (PED)
 Department of Finance and Administration (DFA)
 Higher Education Department (HED)

SUMMARY

Synopsis of Bill

Senate Joint Memorial 21 requests that the Legislative Finance Committee (LFC), the Department of Finance and Administration (DFA), and the Legislative Council Service (LCS) establish a capital outlay review committee for the purpose of collaborating and developing a process to prioritize, review and monitor capital outlay projects. The committee would have the authority to request performance audits and be required to submit a capital projects framework by January 1, 2011, including priority setting; procedures to ensure accounting and reporting; and other significant criteria required.

The committee proposed in SJM 21 is directed to invite representatives of federal agencies that provide loans and grants to NM communities to participate in its meetings and invite others who influence the amount and type of funding available for capital outlay projects.

FISCAL IMPLICATIONS

There is no appropriation or fiscal impact.

DFA notes: SJM 21 could have funding implications for travel expenses considering the number of committee members, meeting frequency and locale if there is to be mileage and per diem reimbursement. There could be salary and administrative costs charged with carrying out the memorial's resolution.

PED notes: School districts in NM receive projects sponsored by legislators through direct appropriations. Future capital outlay projects could be affected and prioritized based on the actions of this new committee. If these allocations are to be prioritized and included with all other capital outlay projects statewide, schools may not receive the same amount of funding as in the past. If school district projects are not ranked high in this process, they would have to wait in line to receive funding. This could have a significant impact on districts if the funding is not available for several years. The updated assessment of NM school facilities shows a total estimated current cost for the life-cycle building renewal and repair needs of approximately \$3.8 billion. This amount is needed to bring up all schools in NM to the state adequacy standards. Appropriating funds to school districts through capital projects bills would maximize public resources for the benefit of public schools.

SIGNIFICANT ISSUES

NMHED notes: They have a structured process of 8 - 10 criteria relating to the postsecondary institutions for the evaluation of capital projects. NMHED would need to work with this new committee to ensure the criteria established are understood and applicable to postsecondary institutions.

PERFORMANCE IMPLICATIONS

Membership of the 'Capital Outlay Planning and Review Committee' could also be comprised of representatives from the LFC, DFA, and LCS. In that case a joint powers agreement may be needed among the three entities as a collaborative effort among different government entities. However, adding work load to already strained staff due to the hiring freeze could lead to delays in services to other state agencies as well as DFA Local Governments.

ADMINISTRATIVE IMPLICATIONS

DFA notes: SJM 21 if passed would be a huge undertaking to create a process to prioritize and review capital outlay requests as well of procedures to accurately account for and to report on all outstanding capital projects. These procedures and processes would require a significant amount of working group meetings and extensive man hours to come up with the viable solution the legislature is seeking.

Although NMHED is not administering this process, the extra reporting requirements may require additional staffing for them to support this program.

RELATIONSHIP

SJM21 relates to SB79 - Capital Planning and Monitoring.

OTHER SUBSTANTIVE ISSUES

PED notes: The proposed committee would consolidate capital planning into a comprehensive statewide function. With so many critical capital needs and limited resources, the proposed council could provide insight into priorities, especially on a local level. With a standardized request, review and reporting process, there could be better utilization of scarce capital funds and more accountability. Projects should be carefully prioritized and selected based on such things as emergency situations and health and safety issues. Priorities should reflect if projects need additional funding in the future for completion or if projects could be funded from monies elsewhere.

Projects for state-owned public facilities compete with other local projects for capital dollars. In other words, school districts are competing with the counties and local governments for funding for capital projects. A more uniform system may be needed to help allocate funding in a fair and equitable manner.

The DFA Local Government Division currently has an Infrastructure Capital Improvements Plan (ICIP) in place for local communities and some aspects of this bill may conflict with their existing process. PED does not currently have an ICIP for school districts. Public School Facilities Authority (PSFA) has a standards-based process for prioritizing construction-related projects. The agencies forming this committee may need to work with PED to come up with a way to prioritize non-construction school district projects. For example, a school may need library books, technology, and sports equipment; but currently there is no plan in place at PED to tell which project is most critical for the school. Projects are typically prioritized at the district level.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Legislative appropriations for capital projects will continue to be allocated, appropriated and monitored in the current manner.

DFA notes: The intent of SJM 21 seems to be to create a more rational and fair process of administering capital outlay projects between the Executive and Legislative branches of state government. As it is, the administration of capital outlay projects is unwieldy, cumbersome and often frustrating and will continue to so without collaboration between the Legislature and the Governor. The intent behind SJM 21 is a step in the right direction.