

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 03/13/15
 SPONSOR SFC LAST UPDATED 03/19/15 **HB** _____
 Public Peace, Health, Safety & Welfare
 SHORT TITLE Capital Projects Administrative Fee Changes **SB** 723/SFCS/aSFI#1
 ANALYST Hanika-Ortiz

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$750.0 - \$1,000.0	Recurring	Admin Fees

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total			(\$500.0)		Recurring	General Fund (Savings)

(Parenthesis () Indicate Expenditure Decreases)

Relates to language in Section 9 (BAR authority for FY16) of CS HB2 et al.

SOURCES OF INFORMATION

LFC Files
 General Services Department (GSD)

SUMMARY

Synopsis of SFL#1 Amendment

The Senate Floor Amendment lowers the administrative fee to 3 percent, from 4 percent.

Synopsis of SFC Substitute

The SFC Substitute for SB 723 increases the administrative (admin) fee included in capital outlay appropriations under the jurisdiction of the GSD from one percent, for projects in Santa Fe county and one and a half percent for projects outside of Santa Fe county, to four percent.

FISCAL IMPLICATIONS

Language in the committee substitute that allows GSD's Facilities Management Division to increase its budget to accommodate an increase in admin fees totaling three percent of amounts appropriated for capital projects under its jurisdiction is contingent upon this bill being enacted.

The cash balance in the admin fees fund is currently about \$2 million, and DFA distributes about 25 percent each year to GSD to supplement its general fund appropriation. If \$50 million is appropriated this year for capital projects under its jurisdiction, 1 percent (under current law) would be \$500 thousand; 2 percent \$1 million; 3 percent \$1.5 million; and 4 percent \$2 million. An increase means less dependence on annual general fund appropriations for GSD operations.

GSD reports the additional funds will allow more projects to be planned, initiated and completed within the funding years, as well as enable greater visibility into project status for stakeholders.

SIGNIFICANT ISSUES

The admin fee pertains to capital projects for facilities under the jurisdiction of the Facilities Management Division of the GSD which includes the NM Corrections Department, Department of Public Safety, Department of Health, and Children, Youth and Families Department.

Last December, FMD had six FTE managing 62 appropriations for 160 capital projects totaling \$144 million. That meant an average of 26 projects totaling \$24 million per project manager.

GSD notes the increase in the admin fee will allow for more project managers and related support staff per number of capital projects, allowing for more of the project manager's time to be spent in the field monitoring progress of projects and inspecting work performed by vendors.

PERFORMANCE IMPLICATIONS

The timeliness of planning, initiating, and completing capital projects will be increased.

ADMINISTRATIVE IMPLICATIONS

FMD reports the increase in the admin fee will not only be used to hire more project managers and staff, but also to implement technology tools to more efficiently report on project metrics.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The current admin fee to support capital outlay projects will remain at the lower rate.

AMENDMENT

Cap the admin fee at 3 percent, as opposed to 4 percent, to mirror what is in HB 2/HAFCS/aSFC.

AHO/bb/aml/je