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SENATE BILL 392

53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017

INTRODUCED BY

Pete Campos and Sander Rue

AN ACT

RELATING TO CAPITAL EXPENDITURES; ENACTING THE CAPITAL OUTLAY
REFORM ACT; PROVIDING POWERS AND DUTIES; CREATING THE CAPITAL
PLANNING AND ASSISTANCE DIVISION OF THE DEPARTMENT OF FINANCE
AND ADMINISTRATION; CREATING THE CAPITAL OUTLAY OVERSIGHT TASK
FORCE; EXPANDING THE MEMBERSHIP OF THE CAPITOL BUILDINGS
PLANNING COMMISSION; REQUIRING AN ANNUAL STATEWIDE CAPITAL
IMPROVEMENTS PLAN.

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

SECTION 1. [NEW MATERIAL] SHORT TITLE.--Sections 1 through 8 of this act may be cited as the "Capital Outlay Reform Act".

SECTION 2. [NEW MATERIAL] DEFINITIONS.--As used in the Capital Outlay Reform Act:

A. "capital project":

1	(1) means the acquisition, repair, alteration,
2	demolition, renovation, construction, reconstruction,
3	furnishing or equipping of a public building, a public work, a
4	motor vehicle or heavy equipment that:
5	(a) is owned by an eligible entity;
6	(b) is located wholly in New Mexico; and
7	(c) has a useful life of at least six
8	years;
9	(2) includes:
10	(a) the planning, design and
11	professional engineering, surveying, architectural and
12	landscape architectural services that are directly related to a
13	capital project;
14	(b) when for a public building or public
15	work, the purchase of: 1) rights of way; 2) easements; 3)
16	land; 4) property; 5) water rights; and 6) site improvements;
17	(c) the purchase and installation of
18	equipment with a useful life of at least six years for a public
19	building or other public work;
20	(d) the purchase of furniture and
21	fixtures as part of a capital project; and
22	(e) a project that does not result in a
23	capital asset with a useful life of at least six years if the
24	project: 1) consists of the demolition of a capital asset; 2)
25	consists of watershed or forest improvements; 3) is an economic
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development project funded in accordance with the Local Economic Development Act; or 4) is deemed by the commission as being one for which funding with capital outlay resources is in the best interest of the state; and

(3) does not include:

capital projects whose funding derives solely from a loan or grant from the New Mexico finance authority, the water trust board, the tribal infrastructure board, the colonias infrastructure board or a combination of those sources; and

- (b) road projects funded by the department of transportation;
- В. "commission" means the capitol buildings planning commission;
- "division" means the capital planning and assistance division of the department of finance and administration:
 - "government entity" means:
- a state agency, a state institution or a political subdivision of the state that is in compliance with the Audit Act; or
- (2) a federally recognized tribe or pueblo located wholly or partially in New Mexico that is in compliance with its tribal or pueblo government's requirements to ensure fiscal responsibility; and

1	E. "task force" means the capital outlay oversight
2	task force.
3	SECTION 3. [NEW MATERIAL] CAPITAL OUTLAY OVERSIGHT TASK
4	FORCECREATEDMEMBERSHIPSUBCOMMITTEESSTAFF
5	A. The "capital outlay oversight task force" is
6	created as an interim committee of the legislature and consists
7	of seventeen members as follows:
8	(1) five members of the house of
9	representatives appointed by the speaker of the house of
10	representatives;
11	(2) five members of the senate appointed by
12	the senate committees' committee or, if the appointments are
13	made in the interim, by the president pro tempore of the senate
14	after consultation with the committees' committee and with the
15	agreement of a majority of its members;
16	(3) the chair of the house standing committee
17	charged with reviewing capital outlay requests or the chair's
18	designee;
19	(4) the chair of the senate standing committee
20	charged with reviewing capital outlay requests or the chair's
21	designee;
22	(5) the secretary of general services or the
23	secretary's designee;
24	(6) the secretary of transportation or the
25	secretary's designee;
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- the secretary of cultural affairs or the (7) secretary's designee;
- (8) the secretary of finance and administration or the secretary's designee; and
- (9) one member appointed by the governor who has expertise in the planning, engineering, architecture or construction of large commercial or public capital projects.
- For each set of the appointments as outlined in Paragraphs (1) and (2) of Subsection A of this section, the appointments shall be made so as to match as closely as possible the political composition of the chamber, except insofar as is necessary to ensure that at least one member from each party is appointed. An appointing authority may remove a member it appoints for the member's nonattendance at task force meetings; if the member is a legislator, that removal shall accord with New Mexico legislative council policy.
- C. Except for initially appointed members, who shall serve one-year terms, members of the task force shall serve two-year terms that expire on the first day of regular legislative sessions held in odd-numbered years. A vacancy in a seat on the task force shall be filled according to the terms applicable to the original appointment. A member may serve consecutive terms on the task force.
- The appointing authorities for legislative members shall designate the chair and vice chair of the task .206384.3

force. During the fifty-third legislature, a member of the senate shall serve as the chair, and a member of the house of representatives shall serve as the vice chair. Thereafter, the seats of chair and vice chair shall rotate between the two chambers.

- E. The chair of the task force may, subject to the approval of the New Mexico legislative council, create a subcommittee of the task force that consists of at least one member from the house of representatives, one member from the senate and one cabinet secretary and whose legislative members collectively represent the two major political parties. The subcommittee shall make an expenditure only if the task force approves it in advance and if that approval is shown in the task force's minutes.
- F. The legislative council service shall provide staff for the task force. Staff from the division and from the legislative finance committee shall assist legislative council service staff in performing task force-related functions.
- SECTION 4. [NEW MATERIAL] CAPITAL OUTLAY OVERSIGHT TASK
 FORCE--POWERS AND DUTIES.--

A. The task force shall:

(1) monitor the commission's work related to, and progress on, the statewide capital improvements plan and the commission's work related to the endorsement of capital outlay expenditure authorization legislation;

- (2) develop an understanding of the elements of that plan and legislation;
- (3) consult with the commission and the division on the development and adoption of the statewide capital improvements plan, on annual updates to that plan and on capital outlay expenditure authorization legislation;
- (4) identify general categories of infrastructure needs and establish broad, objective criteria and a scoring methodology for the commission to employ when selecting capital projects for inclusion in the statewide capital improvements plan; and
- (5) before the beginning of each regular session of the legislature, report the results of its analyses and oversight and its related recommendations, if any, to the legislature and the governor.

B. The task force may:

- (1) direct its staff to research requests from legislators for capital projects that are not included in the statewide capital improvements plan or in capital outlay expenditure authorization legislation; and
- (2) request that the commission consider those requests for inclusion in the statewide capital improvements plan or in capital outlay expenditure authorization legislation.
- C. If the task force endorses a capital project .206384.3

that is not included in commission-endorsed capital outlay expenditure authorization legislation, the task force shall express its endorsement of the project through legislation separate from the commission-endorsed authorization legislation.

SECTION 5. [NEW MATERIAL] DIVISION--POWERS AND DUTIES.--

A. The division shall:

- (1) provide information and reports as requested by the commission and the task force;
- (2) receive infrastructure capital improvements plans from entities applying for capital project funding and forward each plan, either in its entirety or relevant portions of it, to the appropriate state agency for review;
- (3) receive state agency recommendations on infrastructure capital improvements plans, receive government entities' identified priorities for capital project funding and make recommendations to the commission on the development of the statewide capital improvements plan;
- (4) assist government entities with the development and implementation of their annual multiyear infrastructure capital improvements plans and preventive maintenance plans;
- (5) provide training and assistance to government entities on the planning, budgeting and .206384.3

2	assistance related to:
3	(a) the proper accounting, monitoring
4	and completion of capital projects; and
5	(b) compliance with laws imposing
6	project deadlines and requiring the reversion of unexpended
7	project funds;
8	(6) develop procedures to ensure current and
9	complete accounting and reporting on capital projects
10	authorized by the legislature for funding;
11	(7) maintain a central database on capital
12	projects that:
13	(a) includes the fiscal and programmatic
14	status of each capital project; and
15	(b) allows for government entities that
16	sponsor capital outlay projects authorized by the legislature
17	for funding to file electronic, quarterly status reports on
18	appropriations, encumbrances and expenditures that also include
19	other information, if any, required by the division;
20	(8) to facilitate the timely execution of
21	capital projects, the proper expenditure of state money and the
22	timely reversion of unexpended capital project balances,
23	oversee, either directly or indirectly through the state agency
24	charged with overseeing the project, all capital projects
25	authorized by the legislature for funding;

administration of capital projects, including training and

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(9) identify stagnant capital projects authorized by the legislature for funding and make recommendations to the commission as to those projects' reauthorization or deauthorization;

(10) cooperate with government entities that sponsor capital outlay projects authorized by the legislature for funding to ensure that each capital project proceeds in the time frame required by the legislation authorizing funding for the project and to ensure that projects meet applicable federal and state requirements;

(11) provide to the legislative council service the information on capital projects required for the service to draft capital outlay expenditure authorization legislation;

(12) before the date funding for capital projects becomes available, report to the state board of finance on whether, for each capital project authorized by the legislature for funding, the government entity sponsoring the project is in compliance with:

(a) budget and quarterly report submissions to the local government division of the department of finance and administration or the public education department, as applicable; and

(b) capital project-related reporting requirements established by the division; and

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- (13) promulgate rules defining the division's statutorily established powers and duties.
- The division may evaluate, for compliance and performance, capital projects authorized by the legislature for funding.
- When developing recommendations for capital project expenditure funding authorization, deauthorization or reauthorization in accordance with Subsection A of this section, the division and reviewing state agencies shall coordinate with other capital project planning and funding agencies and instrumentalities in the state, including the New Mexico finance authority, the water trust board, the tribal infrastructure board, the colonias infrastructure board and the public school capital outlay council, and shall coordinate with the federal agencies that provide capital project funding for state and local governments, to:
- ensure that the commission has the information it needs to, as appropriate, consider the infrastructure improvement needs in the state and the funding sources available to satisfy those needs; and
- allow the commission to prioritize those (2) needs according to the task force-established project-selection criteria and scoring methodology.
- The New Mexico finance authority, the water trust board, the tribal infrastructure board and the colonias .206384.3

infrastructure	board	sha11	regularly	report	to	the	division	on:

- (1) the capital project proposals received from government entities by the authority or board as part of the authority's or board's funding application process;
- (2) the capital projects sponsored by those entities and selected by the authority or board for funding and, for each project selected:
 - (a) the amount of funding awarded; and
- (b) whether that award is sufficient to
 fund: 1) the entire project; or 2) an identifiable, discrete
 phase of the project; and
- (3) the authority's or board's annual and long-range plans.
- E. The department of transportation shall regularly report to the division on the department's annual and long-range state transportation infrastructure plans.
- F. The division shall include in the statewide capital improvements plan the plans submitted in accordance with Paragraph (3) of Subsection D and Subsection E of this section.
- G. A government entity that applies for capital outlay project funding or whose capital project is authorized by the legislature for funding shall cooperate with the division as necessary for the division to perform its duties in accordance with this section.

1	H. The division shall regularly update the
2	commission and the task force on the status of proposed,
3	ongoing and completed capital projects.
4	SECTION 6. [NEW MATERIAL] STATEWIDE CAPITAL IMPROVEMENTS
5	PLANCREATIONPLAN REQUIREMENTSGUIDELINESPLAN
6	SUBMISSIONS
7	A. The commission shall prepare, publish and
8	annually update a statewide capital improvements plan that:
9	(1) spans at least five future years;
10	(2) is based on best practices in, and
11	national standards for, capital budgeting;
12	(3) details the capital projects recommended
13	for state funding and identifies which of those projects would
14	fall under state regulation;
15	(4) includes a summary of changes from the
16	prior year's plan;
17	(5) includes capital projects geographically
18	diverse from one another;
19	(6) prioritizes capital projects recommended
20	for funding using the project-selection criteria and scoring
21	methodology established by the task force;
22	(7) classifies capital projects with respect
23	to urgency and need;
24	(8) identifies, for each project:
25	(a) a recommended time sequence for
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1	construction or purchase;
2	(b) the estimated cost;
3	(c) the estimated overall cost of
4	operation and maintenance;
5	(d) the revenue, if any, that will
6	result from the project;
7	(e) existing or additional sources of
8	funding needed for project construction, operation and
9	maintenance;
10	(f) the eligible entity of ownership;
11	and
12	(g) the entity that will operate it;
13	(9) includes a description of outstanding
14	capital projects authorized for funding with state money, and,
15	for each:
16	(a) the estimated completion date; and
17	(b) the initial cost, estimated
18	completion cost and estimated first-five-years operational
19	cost; and
20	(10) includes other capital project or
21	statewide capital improvements plan information, if any,
22	required by the commission or the task force.
23	B. The commission shall recommend a capital project
24	for funding with state money only if it is included in the
25	statewide capital improvements plan.

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- C. Using the project-selection criteria and scoring methodology established by the task force, the commission shall develop guidelines for evaluating capital project requests that include as considerations:
- the critical needs, including the public health and safety needs, the project would address;
- if the government entity proposing the project is not a state agency or instrumentality, the ability of the entity to secure matching funding from non-state sources for the project;
- the availability of other sources of (3) funding for the project, including funding from state and federal planning and funding agencies and instrumentalities;
- the feasibility of phasing the project, if necessary, and the availability of funding to complete at least one full, functional phase;
- (5) the ability of the government entity proposing the project to provide for the operation and maintenance of the project;
 - (6) the estimated useful life of the project;
- the available alternatives to the project (7) as requested;
- the possibility of renovation as a means (8) to minimize substantial capital outlay spending in the short and long terms;

			(9)	th	e most	ap	propriate	funding	source	or
sources	for	the	type	of	projec	et;	and			

- (10) other project elements, if any, identified as evaluation considerations by the commission.
- D. A government entity applying for the inclusion of a capital project in the statewide capital improvements plan shall follow the application guidelines established by the commission.
- E. By May 1 of each year, a government entity applying for the inclusion of a capital project in the statewide capital improvements plan shall submit its infrastructure capital improvements plan, which shall span at least five future years, to the division. The division shall forward the entire plan or a portion of the plan, as appropriate, to the appropriate state agency for its review.
- F. By July 1 of each year, a state agency that receives a proposal for state funding of a capital project shall review the proposal and develop a recommendation on whether the project should be funded with state money. The agency shall submit that recommendation to the division. For capital projects proposed by government entities that are not state agencies or instrumentalities, the recommendations shall include a comprehensive analysis of the entity's capacity and effort to fund the requested capital project from sources other than the state and its ability to operate and maintain the

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capital project, if applicable.

By November 1 of each year, the commission shall submit the statewide capital improvements plan and the current priority list of capital projects to the task force. priority list of capital projects shall be based on the project-selection criteria and scoring methodology established by the task force.

[NEW MATERIAL] CAPITAL OUTLAY PROJECT SECTION 7. FUNDING--COMPLIANCE REQUIREMENTS.--Funding for a capital project shall be released only if the government entity sponsoring the project is in compliance with:

- budget and quarterly report submissions to the local government division of the department of finance and administration or the public education department, as applicable; and
- capital project-related reporting requirements established by the division.

SECTION 8. [NEW MATERIAL] REPORTS.--A government entity whose capital project is authorized by the legislature for funding shall electronically file with the division quarterly status reports on project appropriations, encumbrances and expenditures.

Section 6-21-31 NMSA 1978 (being Laws 1992, SECTION 9. Chapter 61, Section 31) is amended to read:

"6-21-31**.** POWERS AND DUTIES. -- The New Mexico finance .206384.3

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2	A. monitor and oversee the operation of the [New
3	Mexico finance] authority;
4	B. meet [on a regular basis] regularly to receive
5	and review reports from the authority on implementation of [the
6	provisions of] the New Mexico Finance Authority Act and to
7	review and approve regulations proposed for adoption pursuant
8	to that act;
9	C. monitor, [and provide assistance and advice]
10	assist and advise on the public project financing program of
11	the [New Mexico finance] authority;
12	[D. oversee and monitor state and local government
13	capital planning and financing and take testimony from state
14	and local officials on state and local capital needs;
15	E. provide advice and assistance to
16	D. assist and advise the [New Mexico finance]
17	authority and cooperate with the executive branch of state
18	government and local governments on planning, setting
19	priorities for and $\underline{\text{the}}$ financing of state and local capital
20	projects;
21	[F. undertake an ongoing examination of] E .
22	continually examine the statutes, constitutional provisions,
23	regulations and court decisions governing state and local
24	government capital financing in New Mexico; and
25	[G.] $F.$ report its findings and recommendations,

authority oversight committee shall:

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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 $\underline{\text{of}}$ each year."

SECTION 10. 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.--

A. The "department of finance and administration" is created. The department shall consist of those divisions created by law or executive order, as modified by executive order pursuant to Subsection C of this section, including [but not limited to]:

- (1) the board of finance division;
- (2) the financial control division;
- (3) the local government division;
- (4) the [management and contracts review]

 capital planning and assistance division; and
 - (5) the state budget division.
- B. The secretary [is empowered to] of finance and administration may organize the department and the divisions [thereof] specified in Subsection A of this section and may transfer or merge functions [between] among divisions in the interest of efficiency and economy.

1	C. The governor [is empowered to] may, by executive				
2	order and in the interest of efficiency and economy, merge				
3	divisions of the department or [to] create additional divisions				
4	[by executive order in the interest of efficiency and				
5	economy]."				
6	SECTION 11. Section 15-10-1 NMSA 1978 (being Laws 1997,				
7	Chapter 178, Section 5, as amended) is amended to read:				
8	"15-10-1. CAPITOL BUILDINGS PLANNING COMMISSION				
9	CREATEDPOWERS AND DUTIES				
10	A. The "capitol buildings planning commission" is				
11	created. The commission shall be composed of: [four]				
12	(l) eight members of the legislature, [two]				
13	four from each house, who are appointed by the New Mexico				
14	legislative council;				
15	(2) the secretary of general services or the				
16	secretary's designee [the state treasurer or the state				
17	treasurer's designee];				
18	(3) the secretary of transportation or the				
19	secretary's designee;				
20	(4) the secretary of cultural affairs or the				
21	secretary's designee;				
22	(5) the secretary of finance and				
23	administration or the secretary's designee [the commissioner of				
24	public lands or the commissioner's designee and];				
25	(6) the chair of the supreme court building				
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commission or the chair's designee; and

- (7) four members appointed by the governor who have expertise in planning, engineering, architecture or construction of large commercial or public capital projects.
- B. A vacancy in a seat on the commission shall be filled according to the terms applicable to the original appointment. A member may serve consecutive terms on the commission.
- C. For their attendance at commission meetings, commission members are entitled to receive per diem and mileage as nonsalaried public officers in accordance with the Per Diem and Mileage Act, unless a different law providing for compensation for attendance at commission meetings applies to the member, in which case that law shall control. Members shall receive no other compensation, perquisite or allowance for their service on the commission.

[B.] D. The commission shall:

- study and plan for the long-range facilities needs of state government in the greater metropolitan areas of Las Cruces, Santa Fe and Albuquerque and, after developing an initial master plan for the state facilities in those areas, conduct a review of state properties throughout the state for the development of an overall master plan;
 - review proposed lease-purchase agreements (2)

1	pursuant to Section 15-10-2 NMSA 1978;
2	(3) work with the genera
3	and other state agencies in developing re
4	addressing deferred maintenance on state
5	disposal strategies for aging facilities
6	serve their mission; [and]
7	(4) utilizing life cycle
8	the general services department in develo
9	regarding whether the state should lease,
10	purchase needed additional facilities;
11	(5) prepare, publish and
12	statewide capital improvements plan in ac
13	6 of the Capital Outlay Reform Act;
14	(6) make recommendations
15	funding sources for prioritized capital p
16	endorsement of capital outlay expenditure
17	<u>legislation that:</u>
18	(a) authorizes fun
19	severance tax bonds, supplemental severar
20	general obligation bonds or from nonrecur
21	appropriations; and
22	(b) authorizes fun
23	bonds for a capital project only if: 1)
24	useful life of at least six years; and 2)
25	included in the statewide capital improve

al services department ecommendations for facilities and no longer able to e costing, work with pping recommendations lease-purchase or <u>d annually update a</u> ccordance with Section <u>s to the legislature on</u> projects through the <u>authorization</u> ding from the sale of <u>nce tax bonds or</u> ring general fund ding from the sale of the project has a the project is in the statewide capital improvements plan or the .206384.3

2	in which public health or safety is at immediate risk or the
3	commission determines that the project addresses an imminent
4	threat of significant property damage;
5	(7) establish a minimum capital project-size
6	requirement for inclusion in the statewide capital improvements
7	plan, which may be waived by the commission for reasons related
8	to funding source or health or safety considerations;
9	(8) determine, based on considerations that
10	include the financial capacity of the entity and the entity's
11	performance in implementing and maintaining a preventive
12	maintenance program, the amount of matching funding that a
13	government entity that is not a state agency, instrumentality
14	or institution must contribute toward a capital project
15	sponsored by the entity; and
16	(9) endorse legislation providing for the
17	reauthorization or deauthorization of capital projects that the
18	commission deems to lack sufficient progress.
19	E. The following proposed capital projects are
20	exempt from review by the commission, but are not exempt from
21	inclusion in the statewide capital improvements plan:
22	(1) capital projects funded in accordance with
23	the Public School Capital Outlay Act;
24	(2) capital projects whose funding derives
25	solely from a loan or grant from the New Mexico finance
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commission determines that the project addresses an emergency

authority, the water trust board, the tribal infrastructure board, the colonias infrastructure board or a combination of those sources; and

(3) road projects funded by the department of transportation.

[6.] F. The legislative council service shall provide staff for the commission in coordination with the staff architect and other staff of the facilities management division of the general services department, staff of the legislative finance committee and staff of the capital planning and assistance division of the department of finance and administration.

 $[rac{ extsf{D-1}}{ extsf{G.}}]$ The commission shall meet regularly and shall report annually to the legislature and the governor on an annual update of the master plan for the long-range facilities needs of state government in the greater metropolitan areas of Las Cruces, Santa Fe and Albuquerque and throughout the state."

SECTION 12. TEMPORARY PROVISION--TRANSFER OF FUNCTIONS, MONEY, APPROPRIATIONS AND PROPERTY.--On the effective date of this act, all functions, money, appropriations, records, furniture, equipment and other property of the capital projects bureau of the local government division of the department of finance and administration are transferred to the capital planning and assistance division of the department of finance and administration.

SECTION 13. REPEAL.--Section 6-4-1 NMSA 1978 (being Laws 1975, Chapter 282, Section 3, as amended) is repealed.

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