

Capital Outlay Training Legislative Process

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LEGISLATIVE FINANCE COMMITTEE

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What We'll Discuss Today

1. LFC's role in the capital outlay process
2. Development of capital outlay framework
3. Legislative session process
4. Oversight of funded projects

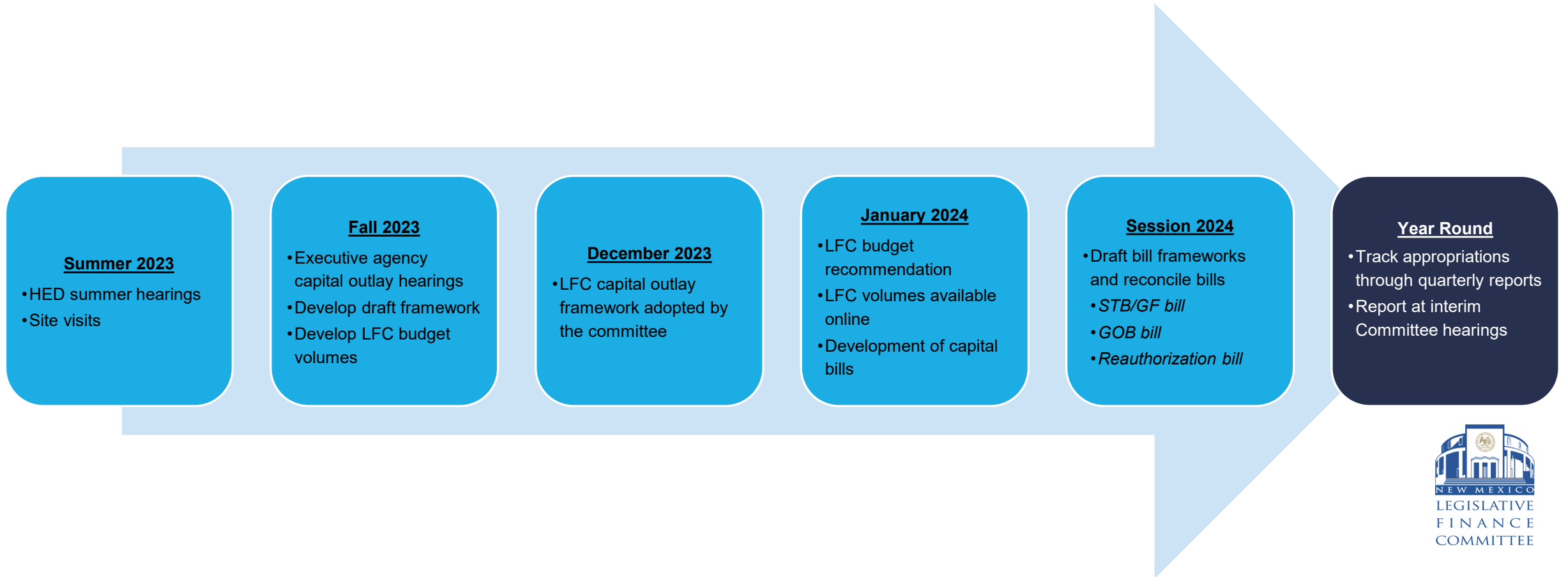


What is the LFC?

- The Legislative Finance Committee is a 16-member committee of senators and representatives.
- Created in 1957, the LFC was established as the fiscal management arm of the Legislature.
- The Committee makes budgetary recommendations to the full Legislature for funding state government, higher education, and public schools.
- The LFC is staffed with full-time analysts, economists, and evaluators who prepare research, reports, and briefs for consideration by legislators.

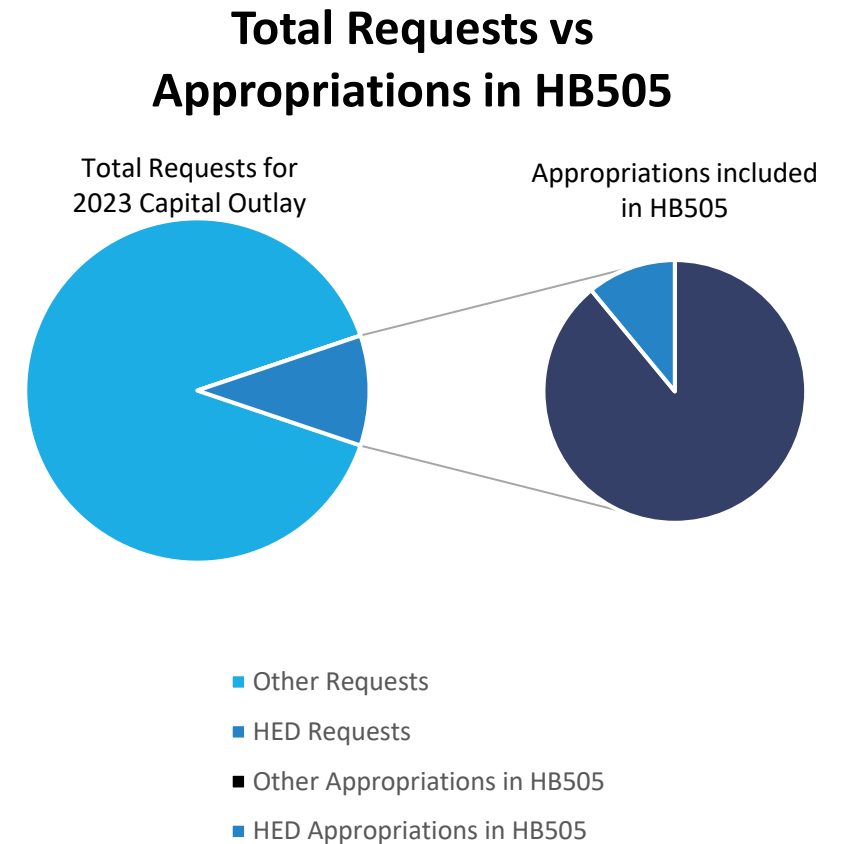
Insight: Unlike most other states, in New Mexico both the governor and LFC propose comprehensive state budgets to the Legislature.

Annual Capital Outlay Cycle



How do requests compare to funding?

- The total requests for capital outlay far exceed available funds.
- 2023 Session
 - Capital outlay requests totaled \$4.8 billion
 - Higher education institutions requested
 - \$331.7 million through LCS process
 - \$222.4 million through HED summer hearing process
 - Total appropriations included in the 2023 bill \$1.2 billion
 - 25% of total agencies, institutions and local entities' requests



Committee Approved Criteria

Under the direction of the LFC, staff develops the “framework” to serve as the foundation of the introduced capital bills applying the following criteria approved by the committee:

- ✓ Project will eliminate potential health and safety hazards and liability,
- ✓ Project protects assets, including direct services to students, staff, or the general public,
- ✓ Project is necessary to comply with state or federal licensing, certification, or regulatory requirements,
- ✓ Project is in the state five-year ICIP, is ready to commence or requires funding for completion,
- ✓ Project provides future operating cost-savings with a reasonable rate of return, and
- ✓ Project leverages other funding sources, such as federal matching funds.

Legislative Session

1. LFC Framework

- The framework for state agency and higher education projects adopted at the December LFC meeting serves as the introduced version of the capital bill.
- LFC staff present the framework to committees and caucuses as requested.

2. Reconciliation with the Executive

- Legislative leadership and the executive negotiate the total size of the capital package and how available funding will be divided.
- Under direction from legislative leadership and the executive, LFC and DFA staff reconcile differences in funding recommendations for state agency and higher education projects included in the statewide framework.

3. Committee Substitute

- LCS creates a committee substitute bill that reflects the consensus statewide framework and includes projects sponsored by individual legislators and the governor.
- This version of the bill is ultimately considered by the full Legislature.



What is the importance of tracking projects?

- \$3.3 billion from all funding sources for approximately 4,100 projects was outstanding statewide (as of December 2022)
 - “Outstanding funds” include unspent but encumbered funds for capital projects in process.
- Higher education balances totaled almost \$264 million or 14.8 percent of outstanding funds (as of December 2022)
- LFC reports are only as good as the data provided by agencies and institutions to the state
- LFC quarterly reports are posted online
- Legislators receive quarterly reports on capital projects and may use reports to inform future funding decisions.

(https://www.nmlegis.gov/Entity/LFC/Capital_Outlay_Quarterly_Reports)

The screenshot shows the New Mexico Legislature website's 'Capital Outlay Quarterly Reports' page. At the top, there is a navigation menu with links like Home, Legislators, Legislation, Committees, Publications, What's Happening, Webcast, Quick Links, Highlights, and Contact Us. Below the navigation is a breadcrumb trail: Committees / Interim Committees / Legislative Finance Committee / Capital Outlay. A secondary navigation bar contains links for LFC Overview & Opportunities, Committee Members and Meetings, Annual Budget, Policy and Session Reports, Program Evaluation Unit Reports, Agency Report Cards & Accountability, Newsletter, Understanding Government Finances, and Information for State Agencies. Below this is a grid of categories: Revenue, Economic Reports & Tax Policy; Capital Outlay; Early Childhood & Education; Economic & Workforce Development; Health & Human Services; Justice & Public Safety; Natural Resources; and General Government. The main content area is titled 'Capital Outlay Quarterly Reports' and features a calendar-style navigation for the year 2022, with 'November' selected. A list of reports for November is shown, including 'MEMO November 2022', '\$1M or Greater Quarterly Report', 'WTB Summary - August 2022 - Attach B', 'Colonias Summary - August 2022 - Attach C', 'IAD TIF Summary - August 2022 - Attach D', and 'Authorized but Unissued Bonds'. To the right of the report list are several links to hearing briefs and project updates. At the bottom, a large table displays a list of capital outlay projects with columns for project ID, name, location, status, and funding amounts.

Project ID	Project Name	Location	Status	Funding Source	Amount	Notes
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Questions

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