Capital Outlay Training Legislative Process

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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

Summer 2023

•HED summer hearings •Site visits

Fall 2023

Executive agency capital outlay hearings
Develop draft framework
Develop LFC budget volumes

December 2023

•LFC capital outlay framework adopted by the committee

<u>January 2024</u>

LFC budget recommendation
LFC volumes available online
Development of capital bills

Session 2024

• Draft bill frameworks and reconcile bills • *STB/GF bill*

- GOB bill
- •Reauthorization bill

<u>Year Round</u>

Track appropriations through quarterly reports
Report at interim Committee hearings



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

Total Requests vs Appropriations in HB505



- Other Requests
- HED Requests
- Other Appropriations in HB505
- HED Appropriations in HB505

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)

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Questions

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