



New Mexico State Senate

State Capitol
Santa Fe

SENATOR GEORGE K. MUÑOZ

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From the Senate Finance Chair's Desk!

There is currently \$3.5 billion in outstanding capital funds in the state of New Mexico. This is not a sustainable fiscal position to be in because it means the state is paying interest on projects that aren't making adequate progress towards completion and we are holding up funds that could otherwise go towards other equally worthy projects. Therefore, Senate Finance will meet as a committee of the whole to evaluate existing projects and make determinations on what could be done in regard to the roughly 4,200 projects in the pipeline that are incomplete or not moving in capital projects.

Furthermore, projects that we are paying interest on and could be paying penalties to the IRS for non-completion will be more thoroughly reviewed.

To ensure that projects are vetted well in this process, Senate Finance will host **Capital Outlay Hearings during the first few weeks of the 2023 legislative session** at the direction of the honorable Senator Gonzales. All state agencies, local governments, municipalities, tribal governments, and beneficiaries of capital outlay funding are invited to provide Senate Finance with context on their stalled projects and propose solutions to address those hold ups. In other words, we will use these hearings to gather information on the reason behind why a project isn't making adequate progress towards completion, which could be due to a myriad of factors. For example, a project may not be moving due to increased construction costs due to inflation, administrative hurdles at the local or state level, supply chain shortfalls, or the project is simply not viable for whatever other reason. Furthermore, **we expect you to critically evaluate the viability of your projects and be prepared to provide us with evidence of their viability.**

It is our goal to make sure that the state's capital investments actually do what they were intended to do and that is to complete critical infrastructure throughout our great state. Please take the time to consider the following:

- What is the actual cost of projects due to increased construction costs and inflation? How much funding do you need to complete those specific projects? Be prepared to give us an actual funding number.
- How can you shift funding from a few partially funded projects to other more viable and urgent projects to help facilitate their timely completion and reduce this backlog? If a project hasn't

COMMITTEES:

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• Finance

MEMBER:

• Committees' Committee

INTERIM COMMITTEES:

VICE CHAIR:
• Legislative Finance
Committee

MEMBER:

• Legislative Council
• Public School Capital
Outlay Oversight Task Force
• Revenue Stabilization &
Tax Policy Committee
• Transportation Infrastructure
Revenue Subcommittee

made any progress over a substantial time period, would it not be more beneficial to shift the funding from that project to something else? Be prepared to provide Senate Finance with some suggestions if and where appropriate/possible to shift capital funding from one project to another (this can be done through the reauthorization process where project funding is reauthorized for other targeted purposes). These are difficult decisions that have to be made and we prefer to give you the opportunity to make them since you have a better understanding of your capital projects.

- Do your capital projects have any agreements in place? What phase are they in? Has this project ever been reauthorized? Are you using other funds to make progress on a project and plan on being reimbursed by the state upon completion? Be prepared to present the actual status of the project, including a current project expense report.

If a project isn't making adequate progress within 2 years of its initial appropriation, you need to really evaluate its viability. **We will be highly critical of all capital outlay and reauthorization requests this year and highly encourage you to take the initiative to bring us solutions that address the needs of your community, the state and the backlog of capital projects.** Furthermore, vehicle purchases should not be made as a bonded capital project.

The hearings are tentatively scheduled as follows:

- Thursday, January 19th 2023 from 9:00 am to 10:30 am: Higher Education Institutions
- Monday, January 23th 2023 from 9:00 am to 10:30 am: State Agencies
- Tuesday, January 24th 2023 from 9:00 am to 10:30 am: State Agencies
- Wednesday, January 25th 2023 from 9:00 am to 10:30 am: Local and Tribal Governments
- Thursday, January 26th 2023 from 9:00 am to 10:30 am: Local and Tribal Governments
- Friday, January 27th 2023 from 9:00 am to 10:30 am: Local and Tribal Governments
- Monday, January 30th 2023 to Friday February 3rd 2023 as needed.

A follow up correspondence will be provided and posted online on the nmlegis.gov website on Wednesday January 18th with a more detailed schedule. The hearings will be hybrid and stakeholders may join virtually. There is a lot of prep that will go into these hearings on both our part and yours. If you have any questions please communicate them with any of our SFC staff by calling 505-986-4893 or emailing Phelps Anderson (sfc.analyst1@nmlegis.gov), Marie Chavez: (sfc.analyst3@nmlegis.gov), Viridiana Cisneros (sfc.analyst4@nmlegis.gov), or Adrian Avila (adrian.avila@nmlegis.gov). If you have any questions about why an item has been flagged by LFC then please contact our LFC analysts Cally Carswell (cally.carswell@nmlegis.gov, 505-986-4569), and Nina Chavez (nina.chavez@nmlegis.gov, 505-986-4566).

Together we have an opportunity to fix our capital system, but that requires all of us to make difficult and deliberate choices moving forward.

Sincerely,



Senator George Munoz

PLEASE REVIEW THE FOLLOWING RESOURCES

The following resources will be used by Senate Finance to inquire about specific projects you have been appropriated money to complete. If any of these reports identify your project as being in the **RED**, in the **YELLOW**, or as having been authorized but with unissued bonds then please be prepared to provide an update on that project.

<u>LFC \$1 million or Greater Capital Outlay Quarterly Report, November 2022</u> 	<u>LFC Capital Outlay Memo & Quarterly Report, November 2022</u> 
<u>Outstanding Capital Outlay Local Projects Update, September 2022</u> 	<u>Board of Finance authorized but unissued bonds as of September 2022</u> 

SFC REPORTING MECHANISM

Please complete the following form for each project of yours that has been flagged by any of the above resources. **All responses must be submitted at least 48 hours prior to your capital outlay hearing.**

[SFC Reporting Mechanism – Flagged Capital Outlay Update and Report](#)



<https://forms.gle/y37dvvqRcrTK4mk88>