

Infrastructure Needs and Funding

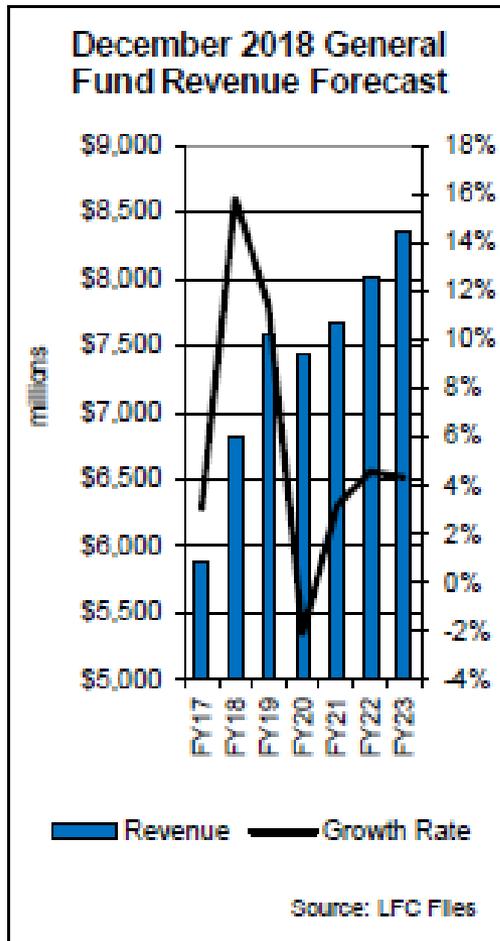
Senator Pete Campos

October 24, 2019

What We'll Cover Today

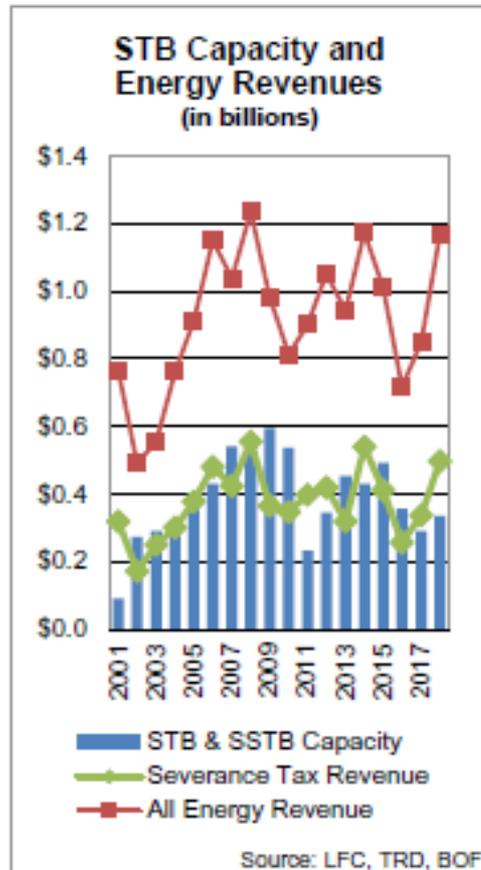
- State Revenue Sources
- Infrastructure & Facility Needs
- Prioritization
- Funding Sources
- How can we do better?

State Revenues



- General Fund revenue outlook is positive
- But, driven by oil production in the Permian Basin
- More dependent than ever on oil revenues (36% of FY19 General Fund Revenue)

State Revenues



- Severance tax bonding capacity is also driven by revenues from the energy industry
- Overall, outlook remains strong and similar to this time last year
- General obligation bonds (GOB) also available in 2020

State Revenues

- 2020 Bonding Capacity Estimates (August 2019)
 - GOB: \$199.2 million
 - STB for Statewide and Local Projects: \$367.7 million
 - STB Earmarks: \$80.8 million
 - Water Trust Board: \$40.4 million
 - Colonias Projects: \$20.2 million
 - Tribal Infrastructure Fund: \$20.2 million
 - Supplemental STB for Public Schools: \$206.9 million
- This may seem like a lot of funding, but needs still far exceed our available resources

Capital Needs

Local FY20 Requests
Top Five Priorities by
Category
(estimated project costs)

Category	Requested Amount
Water	\$426,217,584
Transportation	\$367,330,426
Quality of Life	\$196,091,421
Public Safety	\$32,921,953
Environment	\$29,940,477
Housing	\$25,306,795
Health	\$24,675,948
Economic Development	\$895,000
Facilities - Other	\$99,737,145
Equipment - Other	\$13,427,138
Other	\$22,030,256
Total	\$1,238,574,143

Source: DFA-Local Government Division

- The General Services Department and Cultural Affairs Department reported over \$300 million of deferred maintenance needs at state-owned facilities
- About \$300 million of 2020 capital funding requested by public colleges and universities
- Over \$1.2 billion identified in local government ICIPs last year for top priorities
 - All local ICIPs total over \$9 billion

Capital Needs

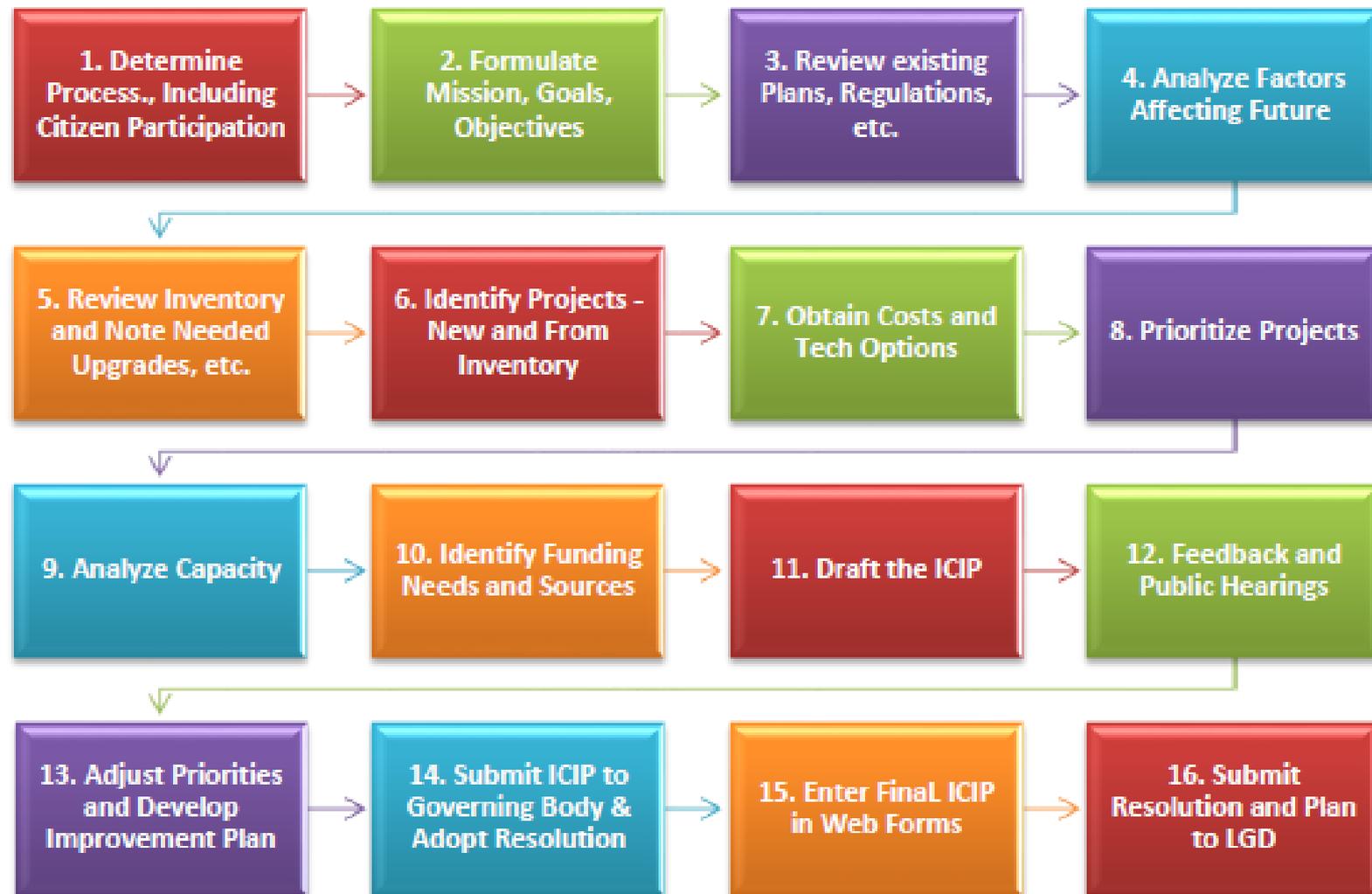
Reported Capital Needs	
Local ICIPs (2018)	\$9 billion
State Agency ICIPs (2018)	\$649 million
Higher Ed. Requests (2019)	\$283 million
DOT Estimate (2018)	\$871 million
TOTAL	\$10.8 billion

- \$793 million of the local needs (from ICIPs) last year were for road or water projects
- The Department of Transportation estimates a need of \$12.4 billion for new construction over the next 20 years
- DOT's estimate for annual construction and maintenance needs was \$871 million in fall 2018

Maximizing Funding

- Despite the state's positive financial position, capital needs at the state and local level exceed available funding
- Important as ever to match state funding opportunities (grants, loans, capital outlay appropriations) with federal and non-profit sources
 - A number of state programs are underutilized. These tend to be grants that require some local match (e.g. ISC's 90-10 program for acequias) and loans (NMED and NMFA revolving loan funds).
- Planning (and communicating that plan) is key to doing this. The ICIP process is a tool to do so.

Steps in Developing a Local ICIP



Capital Planning Best Practices

- **Strategic Linkage:** A long-range plan for all capital assets to meet agency or community goals and objectives should be linked to annual performance plans that identify capital assets and how they help achieve goals and objectives
- **Needs & Gap Assessment:** Identify resources needed to fulfill immediate requirements and anticipated needs, considering existing resources and their condition
- **Alternatives Evaluation:** Consider a wide range of alternatives to addressing performance gaps before committing to purchasing or building a capital asset
- **Established Process and Criteria:** Adopt a formal process to prioritize and select projects, including public input and criteria to gauge the risk of acquiring a capital asset (opportunity cost) and its importance to achieving goals and objectives

Guidelines for Local Projects

- The House and Senate have not formally adopted guidelines for local projects
- A 2016 work group of staff from DFA, LFC, New Mexico Counties, and the New Mexico Municipal League developed guidelines, including a focus on projects that:
 - Exceed \$50,000
 - Reduce health/safety hazards and liability issues
 - Leverage other funding sources
 - Are included on ICIPs as a local priority
 - Are ready to begin within 12 to 18 months
 - Per IRS rules, bond funded projects must encumber 5% within six months of bond sale and spend 85% within three years
 - For projects benefitting a non-governmental entity, there is a willing fiscal agent and necessary third-party agreement
 - Compliance with audit requirements

What can we do better?

■ **Leadership deficit**

- Have we spread ourselves too thin?
- Do we need to provide more and better support to state agencies and local communities on capital projects?
- How can local, regional, and state leaders improve collaboration?

■ **Long-term vision**

- Are 5-year capital plans (ICIPs) enough?
- Are capital priorities too influenced by political/electoral changes?
- Are we appropriately prioritizing needs versus wants?

■ **Statewide & Regional focus**

- What can we do to better coordinate local ICIPs and priorities across communities?
- What tools could improve how we select and fund projects?
- Processes exist to comparatively vet all senior center, public school, and higher education capital projects. Do we need more of this?

What can we do better?

- After steadily growing from 1970 to 2010, New Mexico's population has been virtually stagnant since 2010 with many attributing this to a lack of economic opportunity
- New Mexico is making significant investments in early childhood and public education programs, but we should think about the capital assets and financial obligations we are passing on to future generations
- Times are good now and needs still exceed our available resources
 - We can't get used to steak because we don't know when we might have to go back to a diet of beans
- With proper planning and a long-term focus, we can set up New Mexico's future generations for better opportunities than we have seen in the recent past



QUESTIONS?