



Capital Outlay Process

Capital outlay funds, in the context of government, are those used to build, improve or equip physical property that will be used by the public. Roads, computers, museums, playgrounds, schools, irrigation ditches, hospitals, lands, and furniture can all be capital outlay projects. In New Mexico, state capital outlay is authorized by the Legislature and generally is nonrecurring – one-time – money. Because of provisions in the New Mexico Constitution, capital outlay can only be used for government-owned facilities.

Sources of Capital Outlay

Much of the state's capital outlay is funded through three sources: general obligation bonds, severance tax bonds and nonrecurring general fund revenue. Amounts vary from year to year depending on the economy. Nonrecurring general fund moneys are particularly unpredictable. The state also issues bonds for state transportation projects, projects funded by the New Mexico Finance Authority, and other projects and typically those bonds are repaid with other revenue.

General obligation bonds are repaid through property taxes and must be approved through a general election. As a result, that money is only available in even-numbered years. General obligation bonds typically support projects for higher education, senior citizens, public schools, and libraries.

Severance tax bonds generally are repaid with revenue from taxes on oil, gas, coal and other natural resources “severed” from the land. The amount available through severance tax bonds is largely dependent on the health of the oil and gas industry.

Nonrecurring general fund revenue, the primary repository of state revenue, is typically the money left over after the Legislature has funded state government and public school operations and set money aside for reserves.

Priority Projects

The Department of Finance and Administration and the General Services Department are required by state law to develop a five-year plan for major state capital improvement projects and jointly identify and prioritize all state-owned improvement projects. State agencies develop lists of projects internally and are required by law to enter their priority projects into the Infrastructure Capital Improvement Plan database by July 1. A panel of executive and legislative staff reviews the database to determine which projects to include in the executive budget recommendation presented to the Legislature on the first day of the legislative session.

For projects sought by local governments, the Local Government Division of the Department of Finance develops the plan. Although participation in the process is voluntary, almost all county, municipal, tribal and special districts participate.

Legislative Process

Legislators, who sponsor the projects sought by the executive, can also propose capital outlay projects outside the governor's recommendation depending on the availability of funds. Commonly, the Legislature and executive prioritize funds for regional and state-owned and -operated projects. The remaining money is generally split between the House and Senate, which then allot an amount to each member for possible projects. However, this process has not been formalized in law or legislative rules.

When money is available, legislators introduce House or Senate capital outlay requests for projects requested by advocates, constituents, and local governments within their districts. Legislative committees hold hearings for large state agency and higher education projects and other projects as requested by the sponsor and approved by the committee chair.

The selected projects, sometimes referred as “pork,” then become part of the capital outlay bill. That bill is generally developed in the last two weeks of the session.

For More Information:

- The creation of the Infrastructure Capital Improvement Plan is guided in state law by Section 6-4-1 NMSA 1978 and Executive Order 2012-023.
- The LFC creates a quarterly report on capital outlay project status. That report and others are available on the LFC website at www.nmlegis.gov/lcs/lfc/lfccapitaloutlay.aspx.
- Capital outlay requests and reauthorization request forms can be found through the legislative bill finder: www.nmlegis.gov/lcs/BillFinder.aspx