

What do typical capital outlay projects include?

- planning, designing, constructing, equipping, and furnishing community centers, senior centers, fire stations, libraries, courthouses, and other buildings;
- purchasing vehicles, such as for fire departments, senior centers, or police departments;
- street improvements;
- park renovations or equipment;
- acequia improvements;
- water and wastewater systems;
- improvements to existing buildings to comply with the Americans with the Disabilities Act of 1990;
- construction or renovations to state institutions of higher education; and
- construction or improvements to buildings on tribal lands.

Are operating expenses allowed?

Capital Outlay funds are **not** for operating expenses, salaries, materials and supplies, events, brochures, pamphlets and publications, retroactive reimbursements of previous payments, loan payments, anything for the federal government (BLM, BIA, etc.) or anything for a private, nongovernmental entity (nonprofits).

How Is Capital Outlay Funded?

Three main sources fund capital outlay projects: proceeds from severance tax bonds, nonrecurring revenue in the General Fund and proceeds from general obligation bonds. The state of the economy drives the capacity of each. Because general obligation bonds are repaid through property taxes and must be approved by the voters in a general election, money for these projects is only available in even-numbered years. Severance tax bonds are repaid with revenue from resources severed from the land, such as oil and gas.

What are the Documentation Requirements?

Capital assets must be owned by the state or a political subdivision of the state. If the asset is leased to another organization, the owner will be asked to certify ownership and that the item will be leased at fair market value prior to the release of funding.

How do we ask for a capital outlay project?

All capital outlay projects must be sponsored by a local legislator(s). The applicant needs a clear idea of the project's scope of work; the estimated cost of the project; and an indication of who will benefit from the project and how soon the money is needed. The project must have a clear and identifiable source of revenue for maintenance and operation after its completion. The project must be included in the local government's Infrastructure Capital Improvements Plan (ICIP). To get the project listed on an ICIP, contact

will need to be made with a municipality, county or other recognized unit of government, school, or special district.

How soon do we need to spend after we receive the funding?

Rolling stock and equipment and technology purchases using capital outlay funds must be completed within two years. Emergency funds, because of their nature and because some planning and design may be required, must be spent within two years. Construction, land acquisition, or building acquisitions must be completed within four years of the funds being made available. The onus is on the grantee to spend the money. If the money is not spent in a timely manner the funds will revert to the State of New Mexico.

It is important that the funds be spent quickly. The Legislature considers these funds to be economic development stimulus monies to help spur or encourage economic development to occur in your community. Capital Outlay funds are generated from the sale of bonds. The bonds are essentially loans the state acquires with various revenues pledged by the state to make the loan payments. Fiscally, it does not make sense to borrow money and pay interest on the loans for money that is sitting in a bank unused. The bonds are usually for a 10-year period so the proposed project must have a life of at least 10 years or more.

Nonprofit organizations may apply for Capital Outlay funds, but their application must be sponsored by a local unit of government—a county or municipality. The local government will be the applicant and recipient of the funds and the owner of the project. What this means is that the local government will own the building, vehicle, equipment, or land—whatever the project and the nonprofit agency will need to rent or lease the project from the local government. This provision is in place to avoid problems with the “anti-donation clause” of the New Mexico Constitution. If the nonprofit agency already owns the building or project and Capital Outlay funds will be used to renovate or expand the project, the nonprofit agency will need to permanently deed the project over to the local government prior to the funds being made available from the State. The local government must also agree to serve as the fiscal agent for the project.

Capital Outlay funds do not require a local match. There is no minimum dollar request and there is no maximum although, as a rule of thumb, projects should not be for amounts smaller than \$25,000. Projects should be kept to a reasonable dollar amount considering the funding available to the Legislature for these types of projects.

Are Local Economic Development Act (LEDA) projects eligible for Capital Outlay?

Capital outlay projects that represent a public-private economic development partnership under a local or regional economic development plan may be eligible for funding. LEDA projects must be approved in accordance with local or regional ordinance, and a copy of the project participation agreement between the local government and the qualifying entity must accompany the capital outlay funding request.