

# PROCESS FOR CAPITAL OUTLAY APPROPRIATIONS

## **Notice of Obligation**

STATE OF NEW MEXICO  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
STATE BUDGET DIVISION  
CAPITAL OUTLAY BUREAU

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[http://nmdfa.state.nm.us/Capital\\_Outlay\\_Bureau.aspx](http://nmdfa.state.nm.us/Capital_Outlay_Bureau.aspx)

November 4, 2016

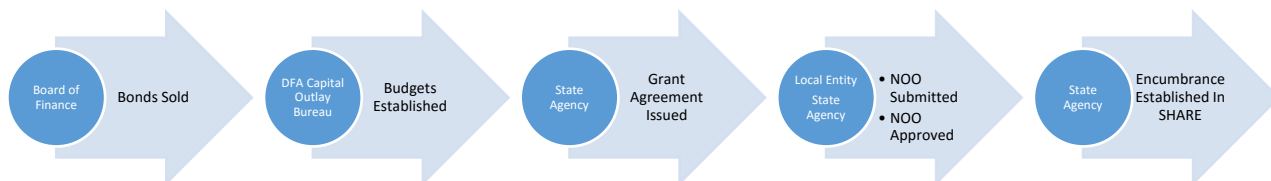
Article II of the Intergovernmental Grant Agreement (IGA) establishes the requirements and process for reimbursement of capital projects. It states that “the Grantee shall only be reimbursed monies for which the Department has issued and the Grantee has received a Notice of Department’s Obligation to Reimburse Grantee (hereinafter referred to as “Notice of Obligation”). The Notice of Obligation (NOO) is used to establish an encumbrance. Once a NOO is approved, the agency is authorized to establish the encumbrance in SHARE.

**PLEASE NOTE: AN ENCUMBRANCE CANNOT BE ESTABLISHED WITHOUT A NOTICE OF OBLIGATION.**

The following steps must be taken to establish the NOO:

1. Grantee submits a third-party agreement in accordance with the Grantee’s procurement code and the approved scope of work and budget.
2. Grantee shall complete and submit:
  - a. a third-party agreement;
  - b. a copy of the Grantee’s procurement code;
  - c. documentation of how the third-party agreement was procured (copy of bids, copy of RFP, copy of public notice, etc.);
  - d. Complete Notice of Obligation form
    - i. “Third Party Obligation Amount” may exceed the grant agreement amount
    - ii. “Amount of this Notice of Obligation to Reimburse” **cannot** exceed grant agreement amount
3. Agency verifies:
  - a. the third-party agreement falls within the scope of work defined in the grant agreement;
  - b. the language of the appropriation;
  - c. the budget;
  - d. the third-party contractor was secured by the procurement process in place for Grantee; and
  - e. the third-party agreement contains “non-appropriation and termination” language.
4. Once Agency determines the third-party agreement and Notice of Obligation meet the criteria, Agency signs the Notice of Obligation submitted by the Grantee.
5. Once the Grantee receives the signed Notice of Obligation, the Grantee may proceed with the third-party agreement. Grantees should be advised that if they proceed with the project before the Notice of Obligation is approved by the State Agency they are doing so at their own risk.
6. Agency issues a purchase order in SHARE encumbering the funds for the amount indicated on the Notice of Obligation. **ENCUMBRANCES IN SHARE CAN ONLY BE ESTABLISHED ONCE THE NOTICE OF OBLIGATION HAS BEEN APPROVED BY THE STATE AGENCY.**

**PROCESS FOR ESTABLISHING AN ENCUMBRANCE**



**NOTICE OF OBLIGATION TO REIMBURSE GRANTEE**

**DATE:** \_\_\_\_\_

**TO: Grantee Representative:** \_\_\_\_\_

**FROM: Department Representative:** \_\_\_\_\_

**SUBJECT: Notice of Obligation to Reimburse Grantee**

**Project Number:** \_\_\_\_\_

As the designated representative of the Department for Grant Agreement number [insert] entered into between Grantee and the Department, I certify that the Grantee has submitted to the Department the following third party obligation executed, in writing, by the third party's authorized representative:

Vendor or Contractor: \_\_\_\_\_

Third Party Obligation Amount: \_\_\_\_\_  
*(Obligation amount can be greater than grant agreement amount.)*

Termination Date: \_\_\_\_\_

I certify that the State is issuing this Notice of Obligation to Reimburse Grantee for permissible purposes within the scope of the project description, subject to all the terms and conditions of the above referenced Grant Agreement.

Grant Amount minus AIPP (if applicable): \_\_\_\_\_

The Amount of this Notice of Obligation: \_\_\_\_\_

The Total Amount of all Previously Issued Notices of Obligation: \_\_\_\_\_

Available Balance as of this Date: \_\_\_\_\_

Department Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_