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FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Gonzales **ORIGINAL DATE** 2/17/25

BILL

SHORT TITLE North Central NM Economic Development **NUMBER** Senate Bill 349

ANALYST Hilla

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$2,000.0	Nonrecurring	General fund
	\$35,000.0	Nonrecurring	General fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
DFA	No fiscal impact	\$550.0	\$550.0	\$1,100.0	Recurring	Other state funds

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to the General Appropriation Act

Sources of Information

LFC Files

Agency Analysis Received From
Department of Finance and Administration (DFA)
Economic Development Department (EDD)

Agency Analysis was Solicited but Not Received From
Office of Housing
New Mexico Counties (NMC)
New Mexico Councils of Government (COGs)

SUMMARY

Synopsis of Senate Bill 349

Senate Bill 349 (SB349) appropriates \$37 million from the general fund to the Department of Finance and Administration (DFA) to provide grants to public entities for housing planning and

construction in the North Central New Mexico Economic Development District (NCEDD). Any balance at the end of a fiscal year shall not revert to the general fund. No more than ten percent of the appropriations shall be used for the Department of Finance and Administration (DFA) to administer the grants.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

The appropriation of \$37 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund. DFA is allowed to use 10 percent, or \$3.7 million, for administrative costs, leaving \$33.6 million for allocation.

The 10 percent allowance for DFA’s administrative costs is much higher than for other funds created at the department. Laws 2024, Chapter 7, creates the New Mexico match fund at DFA, and allows the department to use no more than 3 percent of appropriations to the fund for administrative expenses. House Bill 2 currently has a \$75 million appropriation to the match fund, meaning DFA could use \$2.2 million for administrative costs. Providing a similar percentage of administrative costs in SB349 would allow consistency from previous legislation. Having the three percent for administrative costs means DFA can use \$1.1 million of the \$37 million appropriation in SB349.

SIGNIFICANT ISSUES

The \$2 million appropriation is to provide grants for housing planning and the \$35 million appropriation to provide grants to public entities for housing construction and infrastructure. There is no capped amount that each eligible entity can receive from the fund. The absence of a capped amount for the matching fund allows for a flexible, case-by-case approach. This flexibility ensures that each entity applying for the fund can receive needed financial support without being constrained by predetermined limits. However, no capped amount allows for varying funding requests and potential fiscal uncertainty. Without a capped amount, there may be difficulties in allocating resources efficiently and balancing competing needs within the state, especially if entities are seeking funding simultaneously. Also, the bill does not identify specific criteria or the process that an eligible entity must follow to qualify for funding, leaving DFA with complete discretion of the funds.

DFA states that SB349 does not provide long-term maintenance and sustainability of housing projects funded. DFA notes the bill does not outline equitable distribution of funds for various public entities in NCEDD, stating that clear guidelines are essential.

Other than the bill outlining that “disbursements of the fund shall be made by warrant of the secretary of finance and administration,” there is little accountability to keep track of the disbursement of funds. For similar appropriations, there are guardrails to ensure that the money being administered to the eligible entity is phased out and are being used for the awarded purpose. This bill should consider similar guardrails to ensure appropriate awarding. The bill is unclear as to what happens to unexpended balances eligible entities may have once their

project(s) are complete. The concern of reporting requirements, unspecific allocation criteria, and lack of performance metrics is also a concern noted by DFA.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to the \$75 million appropriation in the General Appropriation Act to the New Mexico match fund at DFA.

TECHNICAL ISSUES

The bill does not define “public entity” and is unclear what entities would be eligible for applying for funds. Public entity should be defined.

ALTERNATIVES

DFA states alternatives could be implementing changes to public-private partnerships, targeted housing tax credits, or housing voucher programs.

Entities in NCEDD could apply also for the New Mexico match fund to leverage federal funding relating to housing and infrastructure.

EH/hj/SL2