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FISCAL IMPACT REPORT

ORIGINAL DATE 1/19/16
SPONSOR McCamley **LAST UPDATED** 2/8/16 **HB** 77

SHORT TITLE Extend Santa Teresa Port of Entry Hours **SB** _____

ANALYST Clark

APPROPRIATION (dollars in thousands)

Appropriation					Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18	FY19	FY20		
	\$350.0				Recurring	General Fund

Parenthesis () indicate expenditure decreases

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18	FY19	FY20		
	Unknown					

Parenthesis () indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Up to \$203.4 - \$415.4	Up to \$203.4 - \$415.4	Up to \$406.8 - \$830.8	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HM 4
 Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From
 New Mexico Border Authority (NMBA)
 Department of Public Safety (DPS)

SUMMARY

Synopsis of Bill

House Bill 77 appropriates \$350 thousand from the general fund to the Border Authority (NMBA) for the purpose of extending the hours of operation at the Santa Teresa port of entry for northbound traffic to midnight for one year.

FISCAL IMPLICATIONS

The appropriation of \$350 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2017 shall revert to the general fund. This funding would be used to pay the federal Department of Homeland Security (DHS) to extend the hours of operation at the Santa Teresa port of entry.

Infrastructure improvements and extended hours of operation at the port of entry could result in increased trade, leading to an increase in tax revenues for the state.

The additional operating budget impact shown is an estimate based on data from the Department of Public Safety (DPS) regarding the cost to the agency to staff the port of entry for an additional four hours per day, although it may be possible DPS could shift resources to accommodate the impact. However, DPS estimates it will require an additional five inspectors at a cost of \$182.5 thousand. Including shift differential pay and uniform allowance, DPS reports the total personnel cost would be \$195.9 thousand.

DPS provided the following breakdown of potential additional costs:

Each new transportation inspector must also be certified under the Federal Motor Carrier Safety Act in truck inspection. This will require travel and associated costs of approximately \$1,500 for each inspector, for a total of \$7,500.

DPS believes the aforementioned costs would be the minimum required to expand hours of operation at the port of entry in ideal circumstances and assuming increased truck traffic remains within the estimate of up to 1,000 trucks per day and the agency has sufficient lead time to hire and certify the new inspectors.

However, it takes up to six months typically to hire and certify a new transportation inspector. DPS will not have sufficient time to hire additional staff for expanded port of entry hours if the start date is July 1, 2016. Overtime will be required to staff the port during the expanded hours during the initial six months. This cost will add an additional \$100 thousand to \$150 thousand, depending upon inspector or officer availability to cover during overtime hours.

Additionally, if permit sales increase, requiring permit clerks to be utilized, this would add an additional \$62 thousand to the total cost. In addition, the expanded hours will increase associated operational costs such as supplies, utilities, equipment repair, maintenance and replacement, etc., and these costs are not shown in the estimated additional operating budget impact table.

There may also be an additional operating budget impact for the New Mexico Department of Transportation (NMDOT) related to extending the hours of operation at the port of entry, although it may be possible NMDOT also could shift resources to accommodate the impact.

SIGNIFICANT ISSUES

Through a public-private partnership with Dell Inc., DHS agreed to a pilot project for one year to extend the southbound hours of operation at the Santa Teresa port of entry to midnight beginning in January 2016. This proposal would expand northbound hours to match. Without extending the northbound hours, any trade shipments during those hours would have to go through El Paso. By extending the hours of operation and increasing trade through the port, Santa Teresa could become a larger distribution and logistics hub for the area and offers the potential for additional jobs.

The precise cost to pay DHS to extend the northbound hours of operation is unknown, but initial cost estimates based on the agreement with Dell ranged from \$200 thousand to \$350 thousand. The details and final cost would need to be negotiated between DHS and NMBA, but it appears the initial estimates were too low, and DHS would likely charge closer to \$1 million due to significantly greater staffing needs at the port for northbound traffic versus southbound traffic.

NMBA reports it might not be possible for the agency to arrange a deal with DHS to extend the northbound hours to overlap with Dell's one-year extension of southbound hours. The federal government requires a lengthy application process that could push back the start date of the northbound extension into 2017, after Dell's one-year extension will end. There may still be a benefit to the state to extend the northbound hours and increase trade through the port of entry, but if Dell decides not to renew its contract with DHS, this benefit could be reduced, and the state would remain at a disadvantage compared with the longer hours of operation at the El Paso ports of entry.

PERFORMANCE IMPLICATIONS

NMBA has performance measures for northbound traffic at each port of entry, and this would likely result in higher performance results.

ADMINISTRATIVE IMPLICATIONS

DPS notes if it were to receive any funding for this purpose through NMBA, it might require DPS to submit reimbursement vouchers to NMBA for expenses associated with the expanded hours of operation if the agencies are unable to arrange a contract to transfer one lump sum in advance. This would be an administrative burden on both agencies, particularly for NMBA, which has just 4 FTE.

RELATIONSHIP

This bill relates to a special appropriation in the House version of the General Appropriation Act of \$200 thousand for the same purpose. It also relates to House Memorial 4, which requests the federal Department of Homeland Security increase infrastructure and extend the hours of operation at the Santa Teresa port of entry to midnight and asks the department to consider a federal public-private partnership to share the additional expenses.

ALTERNATIVES

DPS proposes the following alternative, although without increasing the funding in the bill, it remains unclear how both DHS and DPS would receive sufficient funding to cover the costs of extending operational hours.

Appropriate funds directly to the Department of Public Safety specifically for the expansion of port of entry operational hours. Unused funds may either be reverted to the general fund or carried over if it is needed to fund additional staff to conduct operations for extended time periods. Provide funding for a two-year period to provide financial flexibility while exact costs are determined and to allow DPS time to request a base appropriation if the expanded port of entry hours are determined to be beneficial and therefore need to be permanent.

JC/jo/jle/jo