F I S C A L   I M P A C T   R E P O R T

		LAST UPDATED	2/2/24
SPONSOR	Dixon/Armstrong/Hochman-Vigil	**ORIGINAL DATE**	1/31/24
SHORT TITLE	Infrastructure Planning & Dev. Division	**BILL NUMBER**	House Bill 232/aHTPWC
		ANALYST	Carswell

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	$750.0	$1,365.0	$2,115.0	Recurring	General Fund
Total	No fiscal impact	$750.0	$1,365.0	$2,115.0	Recurring	General Fund

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

Relates to House Bill 2

Sources of Information

LFC Files

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

SUMMARY

Synopsis of HTPWC Amendment to House Bill 232

The House Transportation, Public Works and Capital Improvements Committee amendment to House Bill 232 makes several technical corrections related to functions of the Local Government Division that the bill does not move to the new Infrastructure Planning and Development Division created by HB232.

Synopsis of House Bill 232

House Bill 232 creates the Infrastructure Planning and Development Division (IPDD) within the Department of Finance and Administration (DFA) and moves certain infrastructure and capital related functions of the Local Government Division (LGD) to IPDD. The rural equity ombudsman and local government infrastructure capital improvement plan functions of LGD would move to the new division along with other short- or long-term programs and funds of other divisions of DFA as determined by the Secretary. Additionally, the bill assigns IPDD the duties of providing assistance to local governments, councils of governments, and tribal governments in identifying and accessing funding for infrastructure development from available sources and administering funding to complete capital projects and of providing guidance on project plans and development.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

FISCAL IMPLICATIONS

The House Appropriations and Finance Committee Substitute for House Bill 2 contains a $750 thousand appropriation to the Department of Finance and Administration to support startup costs associated with the IPDD. The appropriation is contingent on the enactment of HB232 or similar legislation of the Second Session of the Fifty-Sixth Legislature.

The recurring operating budget impact assumes staff expansion for FY25 of up to 5 FTE and of up to 10 FTE in FY26 to support additional duties the Legislature may assign to the new division. The cost of an FTE is based on the most expensive average FTE cost in DFA's existing programs, which is $136.5 thousand. Agency analysis submitted by DFA indicates the department's preference for receiving a higher level of funding to support additional staffing immediately.

The initial focus of the division would be building and implementing a new capital project management and tracking system and establishing its funding navigation and coordination duties, with additional expansion of duties and staffing determined by the Legislature in future budget development. The HAFC substitute for HB2 also includes a $1 million special appropriation to support development of a new capital outlay tracking and management system.

SIGNIFICANT ISSUES

HB232 preserves lawmakers' discretion to direct capital outlay funding to projects in their districts. It does not impose any new requirements on how lawmakers allocate those funds. Rather, it seeks to improve the outcomes of that spending through the creation of a streamlined system for coordinating funding sources, for administering state capital outlay funds, and for providing increased support to communities with limited capacity to develop projects, seek funding from various state and federal sources, and manage projects to completion.

Local capital appropriations benefit the state and its communities by providing direct support for local priorities at no cost to municipalities, county governments, and other public entities. When completed, projects improve New Mexicans' economic prospects and quality of life. However, numerous obstacles prevent completion of projects in a timely manner or at all. Those obstacles include piecemeal funding, lack of financial, technical, and administrative capacity at the state and local level, and insufficient planning prior to funding. These challenges are reflected in growing unspent balances across the capital outlay system, which totaled an estimated $5 billion across 4,900 projects at the end of the first quarter of FY24.

HB232 is aimed at addressing these issues by developing a centralized entity within state government to provide more effective support for communities in fully funding and completing projects. Currently, no state entity is explicitly responsible for coordinating available funding sources for capital projects, including federal funds, or for ensuring appropriations for capital projects are not only spent but that projects are completed. HB232 was developed assuming a phased process for building the new division.

In agency analysis, DFA calls HB232 an "innovative improvement to New Mexico's infrastructure and capital outlay process (that) will yield substantial results for local communities through increased assistance from DFA." DFA indicates it strongly supports HB232.

CC/al/ne/hg