

LFC Requester:	Noah Montano
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**AGENCY BILL ANALYSIS
2025 REGULAR SESSION**

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SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:
Original **Amendment** _____
Correction _____ **Substitute** _____

Date January 29, 2025
Bill No: HB 168

Sponsor: Reps. Martinez and Dow
Short Title: Construction Cost Studies

Agency Name and Code Regulation and Licensing
Number: Department - 420
Person Writing Lori Chavez
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
None	None	None	None

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
None	None	None	None	None

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	5 – 80*	5 – 80*	5-80*	15-240*	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

*Additional Operating Budget Impact amount is estimated to range from five thousand dollars (\$5,000) to eighty thousand dollars (\$80,000) per fiscal year, beginning in FY25.

Duplicates/Conflicts with/Companion to/Relates to: n/a

Duplicates/Relates to Appropriation in the General Appropriation Act: n/a

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Bill 168 (HB168)

HB168 adds a new section to the Construction Industries Licensing Act mandating that the trade bureaus produce cost studies for any recommended changes for a minimum standard or specification pursuant to §60-13-44 NMSA 1978 or adoption of any rule that is anticipated to affect the cost of commercial or residential construction for the general building, mechanical/plumbing and electrical trades. The cost study along with the bureau's recommendation shall be submitted to the Construction Industries Division (CID) of the Regulation and Licensing Department (RLD) and the Construction Industries Commission (CIC).

HB168 requires that the CIC produce a cost study for any rule anticipated to affect the cost of commercial or residential construction for which the trade bureau has not already produced a cost study and submit the study to the CID. If the CIC or CID make changes to a bureau rule recommendation and the change is anticipated to affect the cost of the commercial or residential construction, the CIC shall produce a revised cost study for any recommended changes to the minimum standard or specification pursuant to §60-13-44 NMSA 1978 or rule and submit that study to the CID.

A cost study or revised cost study shall estimate the change to the cost of commercial and residential construction anticipated to result from the implementation of the proposed rule or code change.

FISCAL IMPLICATIONS

The cost studies contemplated by HB168 would have no material value unless prepared by individuals with sufficient knowledge and skill to provide information and conclusions that can be validated and relied upon to a reasonable degree of certainty. In order to be able to provide cost studies that would meet that standard, it would be necessary for the CID and/or CIC to hire or contract with a qualified economist(s) to conduct cost analysis. Cost analysis on new building codes can include consultation fees, resource reallocation, potential increased costs, long-term financial planning, adjustments in insurance premiums, and effects on local economic growth.

The price tag for such analysis can be costly. The annual expense for the cost studies that would be required by HB168 could vary drastically depending upon how many recommended code adoptions or rule changes are presented by each of the three (3) CID trade bureaus each year. Based on past code bill adoptions for the past three (3) years, it is anticipated that no more than four (4) code adoptions will occur during any given year.

In New Mexico, the cost of hiring a qualified economist to evaluate building codes would depend on several factors, but here are some specifics to consider:

Hourly Rates: Economists in New Mexico may charge between \$100 to \$250 per hour, depending on their experience and expertise.

Project Scope: For a comprehensive evaluation, including data analysis and recommendations, you could expect to pay a total of \$5,000 to \$20,000 or more per code adoption, depending on the complexity of the codes.

Duration: If the engagement spans several weeks or months, the total cost will be higher, reflecting the number of hours worked.

SIGNIFICANT ISSUES

HB168's requirement for a cost analysis by the trade bureau and/or CIC prior to approving rule changes or the adoption of building codes presents several significant challenges.

Currently, the trade bureaus vet proposed rule changes and code adoption through a Technical Advisory Committee made up of experts in the trades. After vetting is completed and consensus reached, the proposed rules or code changes proceed to a public hearing following the State Rules Act procedures. As part of that process, all CID licensees with a registered email address with the CID, stakeholders and other interested parties, are notified of any proposed rule changes or code adoption. The CID accepts written comments from the public, which often include cost-benefit analyses from stakeholders, and conducts a public hearing before determining whether to adopt the rule or code.

One key issue related to the cost analysis is the potential disagreement among stakeholders, including builders, environmental groups, and local governments, who may have conflicting interests regarding what constitutes acceptable codes. This discord can impede progress on adoption of a code.

The CID often weighs cost against benefits when considering new codes, striving to ensure that the advantages outweigh the expenses incurred. For instance, the CID reviews reports from Pacific Northwest National Laboratories (PNNL) who have taken a proactive approach by providing cost assessments related to the adoption of new energy conservation codes. Their reports evaluate the financial implications of implementing these codes, focusing on initial costs, long-term savings, and market impacts. Therefore, while cost analysis is essential for guiding code adoption, the differing perspectives of stakeholders and the financial dynamics of the construction industry can complicate and delay the code adoption process.

Another example of conflict is the ISO (Insurance Services Office) Rating of the importance of maintaining building codes in relation to ISO rating requirements. Insurance Accessibility Simplified building codes help ensure that properties meet ISO standards efficiently, which is

crucial for communities to secure affordable insurance rates. The requirement for providing a cost analysis can complicate the adoption of building codes in communities that depend on ISO ratings for several reasons. Mandating cost analyses could lead to a more complex and lengthy process. This could delay the adoption of necessary codes, particularly in urgent situations like public safety improvements and keeping current with ISO requirements.

The CID places significant emphasis on the cost-benefit analysis of any proposed changes to building codes. Stakeholders within the industry carefully evaluate the financial implications of adopting new codes, ensuring that the benefits, such as improved energy efficiency or enhanced safety, outweigh the associated costs, including implementation expenses and potential disruptions to ongoing projects. This diligent consideration is essential for maintaining economic viability and competitiveness in the construction sector while ensuring the health, safety and welfare of the public. By prioritizing cost-benefit analysis submitted by stakeholders, the CID aims to make informed decisions that align with both regulatory requirements and the financial interests of builders, developers, and consumers, ultimately fostering sustainable growth and innovation in the field.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS