LFC Requester:	Hilla

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
AgencyAnalysis.nmlegis.gov and email to **billanalysis@dfa.nm.gov**
(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

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

Date Prepared: *2/11/25* *Check all that apply:*
Bill Number: *HB 302* Original *X* Correction __
Amendment __ Substitute __

Sponsor: Hernandez
Short Title: Development Fees Act Changes

Agency Name and Code Number: Municipal League (ML)
Person Writing Jacob Rowberry
Phone: 505-992-3538 **Email** jrowberry@nmml.org

SECTION II: FISCAL IMPACT

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate	Indeterminate	Indeterminate	Recurring	Municipalities

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

House Bill 302 amends sections of the Development Fees Act. Municipalities and counties may not permit or require a provision of the Development Fees Act to be waived. HB302 states that impact fee credits are not reduced by proportional share concepts.

FISCAL IMPLICATIONS

Impact fee revenues (actual monies collected) represent an estimated 5 percent to 25 percent of infrastructure capital improvement plan projects funded by local governments. HB302 could decrease the impact fee revenue collected by municipalities because of the potential increase in impact fee credits due to the elimination of proportional share in calculations.

The removal of the proportional share concept could result in developers dedicating more public infrastructure than what a municipality currently needs. This could increase the cost of ownership and maintenance to local government when a portion of the public infrastructure dedication is premature.

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

SIGNIFICANT ISSUES

House Bill 302 amends sections of the Development Fees Act, which would limit local governments' ability to structure development agreements and impact fees in the ways best suited to address local needs. Development fees should remain at the local level, given the significant differences in needs and local approaches across the state regarding new development and associated public infrastructure needs.

Currently, development agreements are commonly negotiated between municipalities and developers based upon the specifics of the development project and public infrastructure needs by the municipality. HB302 would remove the ability to negotiate as is current practice and could adversely affect municipalities.

The elimination of proportionate share calculations in determining impact fee credits will likely create less predictability and more uncertainty in the development process. This could result in local governments designating fewer capital improvements as impact fee eligible. Additionally, there could be increased utilization of Public Improvement Districts (PID) and Tax Increment District (TIDD) to fund the public infrastructure. PIDs typically result in increased cost of home ownership and TIDDs can reduce revenues accruing to local governments.

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