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## FISCAL IMPACT REPORT

<b>SPONSOR</b>	<u>Reps. Sariñana and Martinez, A/Sen. Pope</u>	<b>LAST UPDATED</b>	<u>2/5/2025</u>
		<b>ORIGINAL DATE</b>	<u>2/5/2025</u>
<b>SHORT TITLE</b>	<u>Military Base Planning &amp; Impact Act</u>	<b>BILL NUMBER</b>	<u>House Bill 158</u>
		<b>ANALYST</b>	<u>Lobaugh</u>

### APPROPRIATION\* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
\$0.0	\$12,000.0	Nonrecurring	General Fund

Parenttheses ( ) 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
OMBPS	\$0.0	\$250.0	\$250.0	\$500.0	Recurring	General Fund

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

### Sources of Information

LFC Files

Agency Analysis Received From  
Office of Military Base Planning and Support (OMBPS)  
New Mexico Attorney General (NMAG)

Agency Analysis was Solicited but Not Received From  
Public Regulation Commission (PRC)  
Energy, Minerals and Natural Resources Department (EMNRD)

## SUMMARY

### Synopsis of House Bill 158

House Bill 158 (HB158) creates a new nonreverting fund in the state treasury called the military base impact fund. HB158 also authorizes the state Office of Military Base Planning and Support (OMBPS) to award grants from the military base impact fund to communities impacted by the realignment (or potential realignment) of U.S. military facilities or defense jobs. The military base impact fund would be administered by the state Economic Development Department and grants from the fund would be awarded to communities by the state OMBPS.

HB158 appropriates \$12 million from the general fund to the military base impact fund for expenditure in FY26 and subsequent fiscal years for the purpose of supporting infrastructure projects for communities impacted by the potential expansion or reduction of defense worker jobs or U.S. military facilities. HB158 specifies that total annual grants from the military base impact fund cannot exceed \$4 million and that no single recipient shall receive more than \$2 million in any given year. HB158 requires OMBPS, when approving grants, to give consideration to factors such as the community's job market, available local resources, and how the infrastructure project will impact the expansion of a military facility.

HB158 requires OMBPS to annually report to the governor and the interim legislative committee tasked with examining economic development issues on the status of the military base impact fund, the projects that received grant funds, and success of those projects. The first annual report would be due by November 30, 2025, and reports for subsequent years would be due by November 30 of each year.

HB158 repeals existing provisions in statute that sunset OMBPS and the state Military Base Planning Commission on July 1, 2028.

HB158 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 \$12 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. Although HB158 does not specify future appropriations, establishing a new grant program could create an expectation the program will continue in future fiscal years; therefore, this cost could become recurring.

OMBPS reports that conducting economic analyses to support the approval of grants would cost the office an additional \$250 thousand annually, an 81 percent increase over its current FY25 operating budget of \$309.4 thousand.

## **SIGNIFICANT ISSUES**

HB158 requires OMBPS to vet, appropriate, and monitor grants for infrastructure projects from the military base impact fund. Multiple LFC reports have identified unspent capital outlay funds because of a lack of centralized infrastructure planning, inconsistent vetting of infrastructure projects, small appropriations diffused across multiple projects, and local capacity limitations. At the end of FY24, statewide unspent capital outlay balances reached an all-time high, totaling an estimated \$5.9 billion, a 15 percent increase over the prior year and a 58 percent increase over FY22. Roughly 45 percent of the infrastructure projects in the 2024 capital bill received 50 percent or less of the funding requested for those projects. OMBPS reports the agency will need an 81 percent increase over its current operating budget to implement the provisions of HB158; this suggests the agency does not have the operational capacity to vet requests for infrastructure projects and assist local communities with capital project grant management. OMBPS reverted \$158 thousand in unspent funds to the general fund at the end of FY24 (a 52 percent reversion), indicating a lack of operational capacity to vet and manage \$4 million in annual grants over three

years.

In 2024, the Legislature created an Infrastructure Planning and Development Division within the state Department of Finance and Administration (DFA) to provide assistance to local governments in accessing funding for infrastructure development and administering funding to complete infrastructure projects (Laws 2024; Chapter 10). DFA's Infrastructure Planning and Development Division also helps local communities develop their infrastructure capital improvement plans to prioritize their local infrastructure needs when requesting state capital funding.

CSL/SL2/sgs