

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

## FISCAL IMPACT REPORT

<b>SPONSOR</b>	House Labor, Veterans & Military Affairs Committee	<b>LAST UPDATED</b>	
		<b>ORIGINAL DATE</b>	02/10/2025
<b>SHORT TITLE</b>	Military Base Planning & Impact Act	<b>BILL NUMBER</b>	CS/House Bill 158/HLVMAC
		<b>ANALYST</b>	Lobaugh

### APPROPRIATION\* (dollars in thousands)

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

Parentheses ( ) 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
<b>Total</b>	\$0.0	\$250.0	\$250.0	\$500.0	Recurring	General Fund

Parentheses ( ) 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 HLVMAC Substitute for House Bill 158

The Committee Substitute for House Bill 158 from the House Labor, Veterans & Military Affairs Committee (CS/HB158/HLVMAC) creates a new nonreverting fund in the state treasury called the military base impact fund. CS/HB158/HLVMAC also authorizes the state Office of Military Base Planning and Support (OMBPS) to award infrastructure project grants from the military base impact fund to communities within service areas (as defined by OMBPS) of U.S. military bases or defense facilities. 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. CS/HB158/HLVMAC specifies that grants from the military

base impact fund could be used for infrastructure project construction, planning and design, or the purchase of interests in land for new facilities or the renovation of existing facilities in communities within the service areas of U.S. military bases or defense facilities.

CS/HB158/HLVMAC 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 within local communities in the service areas of U.S. military bases or defense communities.

CS/HB158/HLVMAC requires the 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 reports would be due by November 30 of each year.

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

CS/HB158/HLVMAC 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**

CS/HB158/HLVMAC appropriates \$12 million from the general fund to a new military base impact fund for expenditure in FY26 and subsequent fiscal years for the purpose of supporting infrastructure projects in local communities within the service areas of U.S. military bases and defense facilities.

OMBPS reported it would cost the office an additional \$250 thousand annually, an 81 percent increase over its current FY25 operating budget of \$309.4 thousand, to vet infrastructure projects for communities. This data suggests the OMBPS does not have the operational capacity to manage a grant program 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 millions in infrastructure grants.

## **SIGNIFICANT ISSUES**

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.

CS/HB158/HLVMAC requires the OMBPS to implement a grant program for infrastructure projects funded by the military base impact fund. OMBPS reports it would need an 81 percent increase over its current FY25 operating budget to vet infrastructure projects, suggesting capacity limitations.

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.

New Mexico has multiple funds and entities responsible for vetting and administering grant funding to local infrastructure projects. For example, the Legislature appropriated \$85 million to DFA in 2022 and 2023 for an infrastructure project grant program for local recreation and quality of life projects. In 2024, the Legislature appropriated an additional \$50 million to the water project fund to address a gap between qualified applications and available funding for water projects funded through the state Water Trust Board. In FY24, the state Public School Capital Outlay Council awarded close to \$450 million for public school infrastructure projects.

CSL/hj/SR