FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Berghams/Stewart	**ORIGINAL DATE**	2/3/2025
SHORT TITLE	Innovation in State Government Fund	**BILL NUMBER**	Senate Bill 83
		ANALYST	Hilla

APPROPRIATION*
(dollars in thousands)

Agency	FY26	Recurring or Nonrecurring	Fund Affected
	$10,000.0	Recurring	General Fund
Energy, Minerals and Natural Resources Department	$2,500.0	Nonrecurring	Innovation in State Government Fund
New Mexico Department of Environment	$2,500.0	Nonrecurring	Innovation in State Government Fund
Department of Transportation	$1,000.0	Nonrecurring	Innovation in State Government Fund
Economic Development Department	$1,000.0	Nonrecurring	Innovation in State Government Fund
Workforce Solutions Department	$1,000.0	Nonrecurring	Innovation in State Government Fund
Public Regulation Commission	$1,000.0	Nonrecurring	Innovation in State Government Fund
State Land Office	$1,000.0	Nonrecurring	Innovation in State Government 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
DFA	**No fiscal impact**	**Up to $110.0**	**Up to $110.0**	**Up to $220.0**	Recurring	**General Fund**
DFA	**No fiscal impact**	**$137.5**	**No fiscal impact**	$137.5	Nonrecurring	**General Fund**
Total	**No fiscal impact**	**Up to $247.5**	**Up to $110.0**	Up to $357.5	Recurring	**General Fund**

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

Relates to Senate Bill 48 and Senate Bill 49 which creates and distributes the community benefit fund for similar purposes as Senate Bill 83.

Sources of Information

LFC Files

<u>Agency Analysis Received From</u>
Department of Finance and Administration (DFA)
Public Regulation Commission (PRC)

Workforce Solutions Department (WSD)
Energy, Minerals, and Natural Resources Department (EMNRD)
New Mexico Department of Environment (NMED)
State Land Office (SLO)
Economic Development Department (EDD)

<u>Agency Analysis was Solicited but Not Received From</u>
Department of Transportation (DOT)

SUMMARY

Synopsis of Senate Bill 83

Senate Bill 83 (SB83) appropriates $10 million from the general fund to create the innovation in state government fund. The Department of Finance and Administration (DFA) will administer this fund, allowing agencies to create master plans and increase agency capacity to achieve net-zero emissions, implement sustainable economic policies, provide technical support to entities applying for grants and other funding that seek to address climate change, and implement, enable, or reduce the barriers to implementing climate change policy. SB83 appropriates the following amounts from the innovation in state government fund:

- $2.5 million to the Energy, Minerals, and Natural Resources Department (EMNRD);
- $2.5 million to New Mexico Department of Environment (NMED);
- $1 million to the State Land Office (SLO);
- $1 million to the Economic Development Department (EDD);
- $1 million to the Workforce Solutions Department (WSD);
- $1 million to the Public Regulation Commission (PRC);
- $1 million to the Department of Transportation (DOT).

All appropriations are for expenditure in FY26-FY27, with any unexpended or unencumbered balance to revert at the end of FY27 back to the innovation in state government fund. All agencies with an appropriation must submit a report to DFA by June 30th of each year detailing how the funds will be expended, justification of any proposed changes to an agency's program structure, and whether an agency has received an appropriation from the government results and opportunity program fund (GRO) for a master plan as outlined in SB83.

Money in the fund may be expended in the event that general fund balances, including all authorized revenues and transfers to the general fund and balances in the general fund operating reserve, will not meet the level of appropriations authorized from the general fund for a fiscal year. The Legislature may appropriate from the innovation in state government fund to the general fund only in the amount necessary to meet the general fund appropriations for that fiscal year, and only if the Legislature has authorized transfers from the appropriation contingency fund, the general fund operating reserve, and the tax stabilization reserve that exhaust those fund balances.

This bill 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 $10 million contained in this bill is a recurring expense to the general fund. Although Senate Bill 83 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 is assumed to be recurring. Any unexpended or unencumbered balance remaining at the end of FY27 shall revert to the innovation in state government fund.

The Department of Finance and Administration (DFA) anticipates the need for one full-time employee (FTE) of a cost up to $110 thousand, which includes salary, benefits, cost of the employee, etc. The FTE would be housed at DFA's Infrastructure, Planning, and Development Division to oversee annual reports and review budgets. This analysis assumes the cost of one FTE.

Additionally, DFA states there would be a one-time nonrecurring cost of $137.5 thousand to add requirements of the innovation in state government fund to its grant management system to adequately track and report the fund.

The Economic Development Department (EDD) states that it will need funding for an FTE, but funding would be nonrecurring in FY26 and FY27 due to the period of expenditure in SB83. However, pursuant to Section B of the bill, money in the fund may be appropriated to state agencies to create master plans and increase agency capacity for SB83's goals, which could be interpreted broadly to include administrative costs such as salaries, staffing, or operational expenses. If SB83's intent is to exclude such costs, language should be more specific as to how agency capacity can be increased, or, conversely, if salaries are intended, additional clarification should be added to Section B articulating this inclusion.

SIGNIFICANT ISSUES

SB83 is related to Senate Bill 48 (SB48) and Senate Bill 49 (SB49). SB48 establishes the community benefit fund for purposes similar to those of SB83. SB49 allocates the community benefit fund to the same agencies as SB83, except for PRC, to support net-zero emissions and other climate-related policies. SB83 and SB49 provide funding for similar purposes, however, SB83 aims to improve agency capacity to administer SB48 and SB49's initiatives. Additionally, SB49 provides a longer timeframe for fund expenditures compared to SB83. If SB48, SB49, and SB83 are all enacted, it may be worth considering an extension of the expenditure period for appropriations from the innovation in state government. This would help ensure equal prioritization and resource allocation across all bills, reducing the risk of fund reversions.

SLO states that in addition to allowing its office to expand and diversify low-carbon leasing opportunities, there could be an increase in SLO's leasing revenues in an undetermined amount.

Without specific measurable performance benchmarks, there is the potential for ineffective allocation of funds. This may be particularly problematic where structured outcomes for economic and infrastructure development are desired.

PERFORMANCE IMPLICATIONS

Annual agency reporting to DFA creates accountability, however, the structure and nature of this reporting remains ambiguous in current bill language. Based on current bill language, it can be assumed that DFA is intended to create metrics to ensure funds are used to support SB83's authorized purposes.

ADMINISTRATIVE IMPLICATIONS

Various agencies, such as DFA, EDD, and NMED state there would be a need for additional staff to ensure compliance with SB83. However, the creation of FTEs for administering nonrecurring funds could create a future funding gap for personnel in agencies receiving appropriations from SB83.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

As noted in Significant Issues, this bill relates to SB48, SB49, as well as Senate Bill 4 (SB4). SB4 makes an appropriation of $3 million to NMED for greenhouse gas emission reductions.

TECHNICAL ISSUES

SB83 and SB48 should use the same definitions of "greenhouse gas." SB83 defines greenhouse gas as a gas or gaseous compound that contributes to the greenhouse effect by absorbing infrared radiation, whereas SB48 defines greenhouse gas as a gas or gaseous compound that contributes to the process through which heat is trapped near earth's surface by absorbing infrared radiation. SB83 and SB4 use the same definition of greenhouse gas.

NMED suggests changing the definition of "net-zero emissions" on page 4, lines 1-2 for clarity: "means the balancing of state-wide greenhouse gas emissions with greenhouse gas removal over the course of a calendar year such that the sum is zero emissions." On page 4, line 7, NMED suggests that the development of natural resources for recreation, for example, could be considered a sustainable economic policy and would be excluded from funding from SB83.

DFA indicates that the bill does not enumerate uses for any potential funding reverted at the end of FY27, creating the need for amendments or future legislation to reappropriate the reverted funds.

ALTERNATIVES

NMED states that an alternative could be to increase the agency's recurring general appropriations to achieve the same purposes at SB83.

EH/hj/SR