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FISCAL IMPACT REPORT

SPONSOR Sens. Padilla and Brandt/Reps. Dixon, Hernandez, and Garratt
LAST UPDATED _____
ORIGINAL DATE 2/17/2025
SHORT TITLE Strategic Economic Development Site Readiness
BILL
NUMBER Senate Bill 169
ANALYST Rodriguez

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$24,000.0	Recurring	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
Site Readiness Fund	No fiscal impact	No fiscal impact	At least \$10,000.0	At least \$10,000.0	Recurring	General Fund
EDD	No fiscal impact	No fiscal impact	At least \$138.6	At least \$138.6	Recurring	Other state funds
Total	No fiscal impact	No fiscal impact	At least \$10,138.6	At least \$10,138.6	Recurring	General Fund and Other State Funds

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill(s) 13 and 19

Is a companion to Senate Bill 170

Sources of Information

LFC Files

Agency Analysis Received From

New Mexico Finance Authority (NMFA)

New Mexico Office of Attorney General (NMAG)

Economic Development Department (EDD)

Public Regulation Commission (PRC)

Energy, Minerals and Natural Resources Department (EMNRD)

New Mexico Municipal League (NMML)

Agency Analysis was Solicited but Not Received From

Department of Transportation (DOT)

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of Senate Bill 169

Senate Bill 169 (SB169) appropriates \$24 million from the general fund for the site readiness fund. SB169 creates the Strategic Economic Development Site Readiness Act and the site readiness fund for the purpose of identifying, assessing, and preparing sites for business development. SB169 also creates the Strategic Economic Development Site Advisory Committee to advise the Economic Development Department (EDD) in selecting sites and awarding funding.

The effective date of this bill is July 1, 2025.

FISCAL IMPLICATIONS

The appropriation of \$24 million to the site readiness fund contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of any fiscal year shall not revert to the general fund. Although SB169 does not specify future appropriations, establishing a new grant and loan program could create an expectation the program will continue in future fiscal years; therefore, this cost is assumed to be recurring. LFC's analysis considers similar infrastructure programs, such as the Local Economic Development Act (LEDA), and recent special appropriations to LEDA as a barometer for potential future nonrecurring appropriations to the site readiness fund.

The analysis considers per diem costs for the five public members for quarterly meetings and technical support for EDD to administer the fund and comply with the act. Similarly, the analysis also considers EDD requiring at least 1 FTE to manage the fund, work with the advisory committee, and work with contractors to manage pre-development projects and site characterization studies. SB169 allows EDD, subject to the legislative appropriation process, to use the site readiness fund for administrative and reimbursable costs incurred by the department.

SIGNIFICANT ISSUES

Strategic Economic Development Sites and Pre-Development. Upon approval of a site, the secretary of the economic development may solicit proposals for site pre-development projects. Pre-development work includes surveying, planning, environmental assessment, public infrastructure improvements, landscaping, and governmental permitting. The secretary will decide whether pre-development projects are funded in part or in whole by grants and loans from the fund or should be recommended for funding from the public project revolving fund or other funding sources.

The intent of this bill is to increase the number of sites ready for business development and to reduce the amount of time businesses must wait for their site to be ready for building. The New Mexico Finance Authority argues that creating site ready projects is likely to result in significant

capital investment, tax revenues, and jobs. EDD echoes this:

Currently New Mexico has very little inventory of sites that are appropriate for medium to large scale commercial, industrial or other uses. . . . Sites in New Mexico can take anywhere from two to four years or longer to prepare utilities and be “ready” for development. This bill allows New Mexico to create an inventory of strategic economic development sites around the state and support targeted pre-development investments to make the sites more marketable for development. This process allows New Mexico to reduce the time to market for sites from years to months, making the state more competitive with other jurisdictions.

Lack of Criteria and Goals. The Government Finance Officers Association states that economic incentive policies should include the following elements:

1. Goals and measurable objectives,
2. Performance standards and claw back provisions for not meeting those standards,
3. Processes for monitoring compliance, and
4. A clearly defined process to evaluate proposals.

As is proposed, the bill tasks the advisory committee with reviewing and recommending sites to EDD. The bill provides broad discretion to the secretary, after consideration of the recommendations, to conduct site characterization studies and approve or deny certification. While the bill does specify that the advisory committee is responsible for recommending an application process and criteria for approval, there are no clearly defined goals or measurable objectives for strategic economic development sites. It is not clear whether the sites must be aligned with the agency’s economic development plans or key industries. Without clearly defined success criteria, decisions could be influenced by political biases rather than economic viability.

Reporting and Evaluation. The bill has limited reporting requirements. The bill requires the secretary to annually report the following:

- Sites approved for site characterization studies,
- Sites approved as strategic economic development sites,
- Approved pre-development projects,
- Status of the fund, and
- Recommended changes to the act.

The bill does not require:

- Targeted industries for sites,
- Total incentives and funding allocated to a site,
- Estimated timeline from site selection to operational status,
- Site occupancy rate,
- Permitting and construction timelines,
- Return on investment,
- New business establishments (as a result of the pre-development), and
- Business expansion and retention.

The bill does not specify a short- or long-term review mechanism to track whether designated sites successfully attract businesses. Without additional reporting metrics, it will be unclear whether pre-development activities had an economic impact and were utilized by a business or businesses. Regular evaluation can ensure the state is allocating limited resources to projects and investment that have a return on investment and understand the impacts of potential stranded investments.

Other Infrastructure Programs. New Mexico offers several infrastructure-related programs for the purpose of economic development. The largest, the Local Economic Development Act (LEDA), provides financial assistance to businesses seeking to expand or relocate in New Mexico. It facilitates the acquisition and improvement of land, buildings, and infrastructure, as well as public works essential for business operations. As opposed to site readiness, LEDA is awarded to businesses who have already planned on moving or expanding in New Mexico. Additionally, the New Mexico Finance Authority (NMFA) administers the Opportunity Enterprise Program, which provide low-cost financing for-profit and nonprofit entities for the construction or renovation of commercial properties.

Public Utilities. SB169 includes public infrastructure improvements such as roads and utilities as possible site pre-development projects, which implies that electric and gas utility infrastructure improvements will be eligible for funding through the site readiness fund. As noted in “Conflict, Duplication, Companionship, Relationship”, SB169 is a companion to Senate Bill 170 (SB170), which creates a process for utilities that are interested in pre-developing infrastructure to have projects approved by the Public Regulation Commission (PRC) and apply for low-interest loans through the public project revolving fund. The two processes outlined in SB170 and SB169 coincide to allow public utilities to pre-develop infrastructure. As noted by NMFA, public utilities can only develop infrastructure when a customer signs an agreement. After an agreement, the necessary infrastructure improvements may take several years. NMFA argues SB169 and SB170 could reduce the time between a site being chosen for development and the actual installation of the necessary infrastructure. However, there is a risk associated with pre-development of public utility infrastructure to existing ratepayers. As utilities are allowed to recover costs from ratepayers, if the anticipated customer base from a new project does not materialize, the associated costs still must be paid by customers, which could result in higher rates by existing customers.

Impact on local government. The New Mexico Municipal League (NMML) raises concerns over the bills impact on local government and on existing plans. NMML argues that SB169 could increase financial burdens on municipalities and public utilities to accommodate plans and infrastructure for state-designate site development projects, especially if local governments are not involved in the initial site selection process and site development. NMML writes:

Some provisions of SB169 appear to infringe on local authority and decision-making. . . The bill does not mention local permitting, local planning and zoning, local land use, or any other local regulations or restrictions that would impact development of “strategic economic development sites,” leaving it unclear what input, if any, local governments are intended to have in site development. Further, the bill does not provide for any local representation on the Strategic Economic Development Site Advisory Committee.

ADMINISTRATIVE IMPLICATIONS

EDD notes SB169 would require the agency to hire contractors to provide specialized technical support for areas where existing staff cannot support the program, as allowed in the bill.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Related to House Bill 13, which requires electric public utilities to develop and file detailed distribution system plans with PRC, which would allow utilities to proactively plan, engineer, and upgrade their electrical distribution system to ensure customers can connect without delays and meet decarbonization standards.

Related to House Bill 19, which creates the Trade Ports Development Act, enabling the state and its political subdivisions (“public partners”) to enter into public-private partnership agreements to help finance and work on trade port projects.

Companion bill to Senate Bill 170, which allows site readiness projects undertaken by public utilities and rural electric cooperative to apply to the New Mexico Finance Authority’s Public Project Revolving Fund for low-cost loans to construct or improve electric utilities and infrastructure.

ALTERNATIVES

As is proposed in SB169, the advisory committee is composed of members of six state agencies and five public members. As noted in “Significant Issues”, the bill could benefit from language directing EDD to also consider existing local plans or consult with the local jurisdiction prior to submitting proposals for pre-site development. Alternatively, the bill could require local representation on the advisory committee.

The bill could benefit from clear success metrics for site certification, reducing subjectivity in decision-making.

The bill could also benefit from the incorporation of safeguards against stranded assets by requiring developers to commit before significant infrastructure investment is made.

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