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FISCAL IMPACT REPORT

ORIGINAL DATE 2/9/09

SPONSOR Griego LAST UPDATED _____ HB _____

SHORT TITLE Create Construction Building Inspection Fund SB 280

ANALYST Wilson

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	Indeterminate See Below	Recurring	Building Inspection Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	(Indeterminate See Below)	(Indeterminate See Below)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General's Office (AGO)
 Department of Finance & Administration (DFA)
 Regulation & Licensing (RLD)
 State Treasurer's Office (STO)

SUMMARY

Synopsis of Bill

Senate Bill 280 creates a new fund in the state treasury called the building inspection fund. The fund will consist of: appropriations, gifts, grants, donations and fees collected by the Construction Industries Division (CID) of the RLD from municipal or county governments in lieu of a local government's building code enforcement program. CID will administer the fund

using it for plan review, permitting, inspection and code enforcement within the jurisdiction of local building code enforcement program.

FISCAL IMPLICATIONS

The division shall administer the fund, and money in the fund is appropriated to CID for plan review, permitting and inspection of new construction and other code enforcement services within the jurisdictional boundaries of a local building code enforcement program

Money in the building inspection fund at the end of a fiscal year shall not revert to the general fund.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

CID provided the following:

Historically CID has provided temporary code enforcement services to any requesting municipality or county in lieu of its local code enforcement program when that program loses an inspector, permanently or due to leave. These services have been performed at no cost to the local government and without any supplement to CID's operating budget. This bill will enable CID to capture fees for these services and to have them be appropriated for the purpose of providing the services.

Because CID is not funded or staffed to perform code enforcement services in lieu of local government building programs, when it is called upon to do so, it is at the expense of State code enforcement. When a State inspector is diverted to perform inspections in a local jurisdiction, there is a decrease in turn-around time on inspections in the inspector's regular assigned area. Because inspection turn-around time is a component of the CID's performance measures, this additional burden on the inspections staff causes a negative impact on the division's ability to meet its performance measures.

It will be difficult to fund this activity though an annual appropriation out of the general fund, because there is no way to project or estimate how much of the CID's resources will be diverted to local governments in any given year. If the fund is established, the fees paid by local jurisdictions will be determined primarily on a cost-per-inspection basis; so, the fund revenues will correspond directly to the services consumed by the local governments and this extra-curricular work of the division will be self-supporting.

ADMINISTRATIVE IMPLICATIONS

STO notes that SB 280 creates in the state treasury the building inspection fund. Under the Statewide Human Resource, Accounting and Management Reporting System (SHARE), such funds are established by the DFA in SHARE. Prior to SHARE, funds were created in the state treasury under the Treasury Reconciliation, Accounting and Cashiering System (TRACS). Currently, DFA notifies the STO when a fund created by statute has been established. Although the SHARE system has modified the manner in which funds are created in the treasury, the STO

has the same statutory responsibilities of oversight and monthly interest allocations to interest bearing funds. Unless the creation of the building inspection fund creates an undue administrative burden to the State Treasurer's Office Investment Division, there is no fiscal impact to the State Treasurer's Office.

DW/mt