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FISCAL IMPACT REPORT

ORIGINAL DATE 1-28-2006

SPONSOR Griego LAST UPDATED _____ HB _____

SHORT TITLE Additional Building Inspectors SB 390

ANALYST Dearing

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$1,600.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance & Administration (DFA)
 Construction Industries Division, Regulation and Licensing Department (CIDRLD)
 General Services Department (GSD)

SUMMARY

Synopsis of Bill

Senate Bill 390 authorizes a initial appropriation to the Construction Industries Division (CID) of the Department of Regulation and Licensing for the purposes of supplementing CID's budget in the amount of \$1.6 million in order to hire an additional 11 building inspectors in fiscal years 2007 through 2009. Additionally, a portion of the monies will be used to increase salaries of existing inspectors in an effort to improve retention within this group. Any of the appropriation not expended at the end of fiscal 2009 shall revert to the general fund.

FISCAL IMPLICATIONS

The appropriation of \$1.6 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2009 shall revert to the general fund.

A one-time appropriation will enable CID to upgrade its inspections staff and supporting infra-

structure so that it can adequately respond to the growth in construction, but it does not address the ongoing costs of maintaining that requisite level of service. Therefore, this legislation would enact recurring appropriations, however, the initial appropriation of funds provides monies through fiscal year 2009, necessitating a reversion to current staff and/or salary levels at program's end. Legislative Finance Committee supports an increase in FTE from fiscal year 2006 budgeted of 119 to 120 in fiscal year 2007, above an agency request of 3 FTE increase to 122.

SIGNIFICANT ISSUES

According to Construction Industries Division, Regulation and Licensing Dept;

- This one-time appropriation, made in a time of prosperity, is a sound investment in a New Mexico industry that is at the forefront of economic development in the State.
- This appropriation will enable State building inspectors to be paid and recruited at salaries that are comparable to salaries received by inspectors in other State agencies.
- By increasing the inspections staff, the individual inspectors' areas will be condensed. This is predicted to result in a reduction in overtime, mileage, fleet maintenance, fuel and per diem costs, off setting at least to some degree any increase in operating overhead associated with additional FTE.
- Adequately funded inspections services will result in inestimable savings to owners and contractors who are adversely affected by inspection delays.
- Enhancement of the quantity and quality of inspections services could well result in the industry's willingness to fund such enhancements though increases in permit and licensing fees.

PERFORMANCE IMPLICATIONS

Additional inspectors would improve the backlog of construction inspections currently found within New Mexico. In-migration to New Mexico is currently up 12.6% over the last year.

- CID does not have as many inspectors today as it had in 1995.
- The Department of Labor recognizes construction to be the second fastest growing industry in the State.
- CID's 2007 budget is expected to be flat to fiscal 2006, and CID is projecting a \$200,000 shortfall for fiscal 2006.
- This appropriation will enable CID to fully staff its inspections staff and fund supporting processes so that it can maximize performance of its statutory responsibility to ensure sound construction in New Mexico.

ADMINISTRATIVE IMPLICATIONS

According to the Department of Finance & Administration, this bill specifies that the appropriation be used for the hiring of 11 inspectors and the agency feels this may affect them adversely. The Construction Industries Division would like to use part of the appropriation for salary increases for existing inspectors and have no restrictions on how many inspectors to hire.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill duplicates HB333 and is similar to SB397. Both appropriate \$1.6 million to the Division. SB397 contains a provision authorizing CID to enact rules regarding the certification of inspectors.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The construction industry is one of the largest growing industries within the state, and not offering timely inspections could slow economic growth.

PD/nt