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**AGENCY BILL ANALYSIS
2026 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

LFC@NMLEGIS.GOV

and

DFA@STATE.NM.US

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Click all that apply:

Original **Amendment**
Correction **Substitute**

Date Prepared: 2026-02-02
Bill No: HB247

Sponsor: Lente, Derrick J.
CAPITAL OUTLAY
Short Title: CHANGES

Agency Name and Code: NMHED
Number: _____
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
N/A	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue	Recurring	Fund Affected

FY26	FY27	FY28	or Nonrecurring	
N/A	N/A	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	N/A	N/A	N/A	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act:

SECTION III: NARRATIVE

BILL SUMMARY

House Bill 247 (HB247) establishes statewide limitations on capital outlay reauthorizations and reappropriations, revises encumbrance requirements, restricts certain project types from the legislative capital outlay process, and amends reversion provisions for unexpended General Fund capital outlay appropriations made between 2022 and 2025.

HB247 does not contain an appropriation.

The New Mexico Higher Education Department (NMHED) analysis of this bill focuses on the higher education implications of the proposed legislation. Additional insight may be obtained from other agencies' analyses.

FISCAL IMPLICATIONS

HB247 does not include an appropriation.

HB247 may indirectly affect certain higher education capital outlay projects through accelerated reversion of unexpended capital outlay balances as a result of new reauthorization limits, revised encumbrance requirements, and updated reversion timelines. These changes may affect project sequencing and timing but do not create a direct operating budget impact for NMHED.

Higher education capital projects are funded through multiple mechanisms, with General Obligation (GO) Bonds representing the largest source of capital funding for the sector. GO Bond proceeds are approved by voters, are time-limited, and cannot be reauthorized. As a result, GO Bond-funded higher education projects would not be subject to the reauthorization limits established in HB247.

In addition, any unexpended or reverted GO Bond balances are not subject to the reversion provisions of this act, as such funds revert to the bond fund and are used to pay down the principal and interest of the bond issuance, rather than being available for reappropriation or reallocation. Accordingly, the fiscal implications of HB247 for higher education institutions (HEIs) are limited primarily to non-GO Bond legislative capital outlay appropriations.

SIGNIFICANT ISSUES

HB247 establishes new statutory requirements that affect capital outlay projects, including those administered by NMHED for public colleges and universities. Key requirements and changes include:

- Limiting a capital outlay project to one reauthorization, not to exceed two years
- Requiring at least ten percent (10%) of the initial appropriation to be encumbered by January 1 of the applicable year, as determined by the Department of Finance and Administration, unless the reauthorization is solely for a technical change
- Clarifying that encumbrance includes only direct project costs and excludes administrative fees charged by a fiscal agent
- Prohibiting capital outlay appropriations of one hundred thousand dollars (\$100,000) or more unless the project is included in an Infrastructure Capital Improvement Plan (ICIP)

These provisions reinforce timely execution and long-term capital planning for public colleges and universities. However, they may present implementation challenges for higher education capital projects with extended design, procurement, or permitting timelines, particularly large or complex construction and renovation projects or projects involving braided funding sources.

Section 7 of HB247 specifies that the provisions of Sections 1 and 2 apply only to capital outlay appropriations made on or after January 1, 2027. As a result, these new project-level limitations and requirements would not apply to capital outlay appropriations enacted during the 2026 legislative session, including those contained in HB248, the GO Bond bill.

Sections 3 through 6 amend reversion provisions for unexpended balances from prior capital outlay acts that have not yet reverted. These sections revise reversion timing and fund destinations but do not impose new reauthorization, encumbrance, or project-level requirements on existing capital outlay appropriations.

PERFORMANCE IMPLICATIONS

HB247 does not outline specific performance measures.

While the bill does not appropriate funds, changes to capital outlay reauthorization limits and encumbrance requirements may indirectly affect the timing and completion of capital projects at public colleges and universities administered by NMHED.

ADMINISTRATIVE IMPLICATIONS

NMHED administers capital outlay projects for community colleges and tribal colleges and universities and oversees compliance with statutory and fiscal requirements related to higher education capital expenditures for those institutions.

If enacted, HB247 may require NMHED to provide additional guidance and technical assistance to community colleges and tribal colleges and universities regarding revised reauthorization limits, encumbrance benchmarks, infrastructure capital improvement plan requirements, and reversion timelines.

The bill does not include an additional appropriation to support any increased administrative workload associated with these activities.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A

TECHNICAL ISSUES

HB247 introduces new definitions related to encumbrance, technical changes, and project purpose. Implementation will require consistent interpretation and coordination among administering agencies, the New Mexico Department of Finance and Administration (NMDFA), and project recipients to ensure uniform application of these provisions.

OTHER SUBSTANTIVE ISSUES

HB247 restricts political subdivisions from requesting drinking water, wastewater, storm water, and dam projects through the legislative capital outlay process and instead directs those requests to state agencies and instrumentalities that administer dedicated grant and loan programs for such infrastructure needs.

This restriction reflects the State of New Mexico's existing and extensive funding framework for water and utility infrastructure, including multiple state and federal funding sources administered outside the legislative capital outlay process. NMDFA, through its Infrastructure Planning and Development Division (IPDD), maintains staff capacity and subject-matter expertise to assist political subdivisions with navigating, coordinating, and leveraging these funding sources.

These provisions are not directly related to higher education capital outlay administration; however, they represent a broader statewide policy shift toward aligning project types with the most appropriate funding mechanisms and technical support structures. This approach may reduce reliance on legislative capital outlay for infrastructure projects that are better suited to specialized funding programs and centralized technical assistance.

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB247 is not enacted, existing statutory provisions governing capital outlay reauthorizations, encumbrance requirements, and reversion timelines would remain in effect.

While only a small percentage of higher education institution capital projects carry unspent balances, the absence of reauthorization limits may allow certain projects, across all sectors to continue experiencing repeated reauthorizations, extended delays, and prolonged retention of unexpended funds. From NMHED's perspective, higher education capital projects are generally not the primary driver of long-standing unexpended balances statewide.

Without the limitations proposed in HB247, unspent capital funds across the broader capital outlay system may remain unavailable for reallocation to higher-priority or ready-to-proceed projects, potentially reducing the overall efficiency and effectiveness of the state's capital investment strategy.

AMENDMENTS

N/A