

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Sweetser/ **ORIGINAL DATE** 1/28/19
Armstrong, G **LAST UPDATED** 2/28/19 **HB** 124/aHLLC

SHORT TITLE Fire Protection Fund Changes **SB** _____

ANALYST Martinez/Jorgensen

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	See Fiscal Implications	See Fiscal Implications	See Fiscal Implications	See Fiscal Implications	See Fiscal Implications	See Fiscal Implications

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

The Public Regulation Commission
 New Mexico Finance Authority
 Department of Finance and Administration

SUMMARY

Synopsis of HLLC Amendment

The House Local Government, Land Grants & Cultural Affairs Committee amendment to House Bill 124 requires the fire marshal to approve of expenditures related to water supply systems or their improvement or construction, the purchase, rental, installation or maintenance of fire hydrants, or any other appurtenance related to the distribution or use of water from its water supply system. The amendment also states that money distributed from the fire protection fund to a municipality or county fire district shall not be expended for any public, private or other water system used for potable water supply.

Synopsis of Original Bill

House Bill 124 amends the Fire Protection Fund Act by clarifying that municipalities and county fire districts may use Fire Protection Fund (FPF) money to buy land for fire stations and substations, and allowing these entities with obligations from the fund to solicit additional awards. This bill adds that FPF money may go towards refinancing cost associated building and operating fire stations and substations, and fire station equipment, and simplifies language around the prohibited use of FPF money for cost associated water supply systems, fire hydrants,

and water distribution from an entity's water system. This bill states that an entity may use money from the FPF if they own the land on which it intends to build without any liens, or land is donated to the entity for the use of building construction.

HB124 clarifies that the purchase of land is an allowable expenditure of the Fire Protection Fund money. HB 124 also removes the statutory limitation imposed on municipal fire departments ("Departments") and county fire districts ("Districts") requiring that only one land acquisition, fire station, or substation obligation can be outstanding at any time.

FISCAL IMPLICATIONS

The following was provided by the New Mexico Finance Authority:

The State Fire Marshal does not allow for any department or district to leverage more than half its Fire Protection Fund distribution, ensuring that over-leveraging does not occur and that at least half of the distribution is used for fire operations. Additionally, the New Mexico Finance Authority and other financing markets has its own underwriting standards when determining loan capacity. The State Fire Marshal and the financing market(s) should determine loan capacity and the one fire station/substation loan limitation impairs that determination unnecessarily.

The following was provided by the Public Regulation Commission:

HB124 carries no appropriation and will have no fiscal impact on the PRC.

The following was provided by the Department of Finance and Administration:

HB124 has no fiscal impact to the funding source because it does not amend sections of the Fire Protection Fund Act that determine distributions from the fund.

SIGNIFICANT ISSUES

The following was provided by the New Mexico Finance Authority:

In NMFA's experience, limiting Department's and District's to one fire station or substation loan at any given time diminishes its ability to fulfill its mission and could negatively impact its ability to provide or improve fire, health and safety services. A fire station or substation construction or improvement loan term can range anywhere from 5 to 25 years. Many Departments and Districts turn to loan financing when needing to address fire station and substation construction, improvements, and/or renovations. It is common that a given Department or District will need to take on more than one loan to address its various fire station and substation needs due to aging infrastructure, growth within the fire boundary, and needs to properly house and protect fire equipment that is imperative to providing health, safety, and fire coverage services.

Section 59A-53-10 currently states that no more than one land purchase obligation can be outstanding at any time; however, the purchase of land is not clearly stated in the Section 59A-53-8 as an allowable expenditure for Fire Protection Fund money. HB 124 clarifies this point. The State Fire Marshall does currently authorize Fire Protection Fund expenditures for purchase of land.

The following was provided by the Public Regulation Commission:

The bill includes conditions that would limit the amount of acreage that could be purchased with Fire Protection Funds to 2 acres for a fire station and 5 acres for a fire training facility. Funds could be shared to partner with another Public Safety service for a larger site but are still limited to 2 acres for a fire station and 5 acres for a fire training facility.

The following was provided by the Department of Finance and Administration:

Because the bill reduces restrictions on entities' eligibility to solicit funds, entities may increasingly request FPA awards. Furthermore the bill's clarification that the land purchase is an allowable use of FPF money may increase the number of requests for large awards. If the number of large awards granted increased, other uses of the funds may be crowded out.

ADMINISTRATIVE IMPLICATIONS

HB124 will still require approval through the State Fire Marshal Division.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB124 is not enacted, Section 59A-53-10, which currently states that no more than one land purchase obligation can be outstanding at any time; will remain unclear in regards to the purchase of land stated in the Section 59A-53-8 as an allowable expenditure for Fire Protection Fund money.

JM:CJ/al