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FISCAL IMPACT REPORT

SPONSOR Dixon ORIGINAL DATE 01/28/21 14/aHSEIC/aHAFC/aS
 LAST UPDATED 03/15/21 HB HPAC

SHORT TITLE Grants Administration Act SB _____

ANALYST Nichols

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$670.0	\$515.0	\$1,185.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act of 2021

SOURCES OF INFORMATION

LFC Files

Responses Received From

Indian Affairs Department (IAD)
 Department of Finance and Administration (DFA)
 Department of Transportation (NMDOT)
 Children, Youth and Families Department (CYFD)

No Response Received

New Mexico Municipal League (NMML)
 New Mexico Counties (NMC)

SUMMARY

Synopsis of SHPAC Amendment

The Senate Health and Public Affairs Committee amendment to House Bill 14 removes a reference to representatives of nonprofit organizations servings on the Grant Opportunities Council.

Synopsis of HAFC Amendment

The House Appropriations and Finance amendment to House Bill 14 removes the appropriations in the bill for Grant Administration Division operations and the matching grant fund. Instead, the matching grant fund would be subject to appropriation by the legislature.

The amendment also changes some language in the bill to clarify that state agencies and local governments can use the services and assistance of the Grants Administration Division, but are not required to do so, and remove references to the division assisting nonprofit organizations.

The amended bill contains no appropriation for division operations. DFA estimates a startup cost of approximately \$670 thousand – \$451.6 thousand for salaries and the remainder for IT, printing, and other office costs – and a recurring cost in subsequent years of approximately \$515 thousand, including \$451.6 thousand for salaries.

Synopsis of HSEIC Amendment

The House State Government, Elections, and Indian Affairs amendment to House Bill 14 adds language clarifying that, of the three county representatives on the Grant Opportunities Council, one should be from a small-population county, one from a medium-population county, and one from a large-population county. The amendment also adds the same language for the three municipal representatives on the council.

Synopsis of Original Bill

House Bill 14 enacts the Grants Administration Act to create a grants administration division within the Department of Finance and Administration (DFA). The new division would be charged with reviewing federal grant applications and providing technical and other grant-related assistance to state agencies and local governments. It would also conduct an annual grants survey of state agencies and local governments to identify needs and provide a gap analysis of resources to track, apply for, and manage grant opportunities. It would also serve as a clearinghouse for agencies and local governments by identifying grant opportunities and maintaining a website with grant information. The bill specifies that the division would work with the Indian Affairs Department (IAD) to identify grant opportunities for tribal governments and provide technical and other grant-related assistance.

In addition, HB14 creates the matching grant fund, a non-reverting fund intended to meet federal and other grant match requirements for state agencies and local governments.

The bill also creates the Grant Opportunities Council to advise the division on grants. The council would consist of the local government division director and 14 governor-appointed members, including three county representatives, three municipal representatives, three representatives of other local governments, two representatives of nonprofit organizations focused on community needs, two grant professionals, and one local staff member of a member of the New Mexico congressional delegation. The council shall make findings and recommendations to the division, DFA, the governor, and the legislature by December 1 of each year.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

The appropriation of \$500 thousand for division operations is a recurring expense to the general

fund. Any unexpended or unencumbered balance remaining at the end of FY22 shall revert to the general fund. The appropriation of \$1 million for the matching grant fund is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY22 shall not revert to the general fund.

DFA indicates that it would need 5 additional FTE to staff the new division, with a total estimated personnel cost of \$451.6 thousand. The agency also indicates that there would likely be insufficient funds left over from the \$500 thousand appropriation to cover other operational costs, like IT services, employee training, postage, telecommunications, and other costs. Overall, DFA estimates it would need at least \$670 thousand in FY22, and at least \$515 thousand in subsequent years.

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.

It is assumed, but not specified, that the \$500 thousand appropriation for the division would also cover activities of the Grant Opportunities Council.

The HAFC amendment removed bill appropriations.

Establishing a grant administration division could result in an increase in successful grant applications, and therefore an increase in federal or other revenues for state, but the magnitude of the impact is not clear.

SIGNIFICANT ISSUES

It is not clear whether agencies would be required to work with the Grants Administration Division to seek out and apply for federal grants or whether agencies would have the option to draw on the divisions' resources. The Grant Opportunities Council does not include any state agency personnel, who often have significant experience with grant applications.

The Department of Transportation (NMDOT) indicates that adding a new level of review and approval for grant applications could hinder the department's ability to respond to federal notices of funding opportunity (NOFO) for competitive grant opportunities in a timely and effective manner. The time between issuance and deadline for a NOFO can be as little two months and typically requires outreach and coordination with local partners to identify and scope eligible projects. NMDOT notes that coordination with a centralized grants administration division could impose a burden from a performance and administrative standpoint, if the division does not have technical capacity or expertise in responding to NOFOs.

Similarly, the Children, Youth and Families Department (CYFD) notes it often has a 45- to 60-day window to apply for competitive federal grants and required review by a centralized division within DFA could impact the agency's ability to respond in a timely manner. CYFD emphasizes the importance of the new division having expertise in the types of large, complex federal grants that it applies for.

IAD indicates tribal governments often rely on grant funding opportunities from government and nongovernment entities to meet the financial needs in Native communities. Tribal governments

may lack staff capacity, technical assistance, and training to secure grant opportunities. The grants administration division would assist IAD in identifying and securing grant opportunities but HB14 does not specify how the division would engage with tribal governments nor whether representatives of tribal governments would be represented on the council.

The bill references the division assisting nonprofit organizations, which could fall afoul of the anti-donation clause in the state constitution that prohibits the state from making any donation to or in aid of any public or private corporations.

PERFORMANCE IMPLICATIONS

Adding a new layer of review for grant applications could hinder some agencies' abilities to respond to grants in a timely manner.

However, for other agencies, the division could help in increasing the number and size of grants awarded. It would be important for the new grants division to measure its success in helping agencies and local government obtain grants and to also measure any increase in number of grants, success rate, or dollars received by New Mexico entities.

CYFD notes training and education on grant writing for state agencies, as the bill directs, would be beneficial because CYFD staff have typically learned about grant writing through practice rather than training.

ADMINISTRATIVE IMPLICATIONS

DFA would be required to create a new division with 5 FTE and also manage the activities of the Grant Opportunities Council. It is not clear what the administrative implications would be for members of the council or their agencies or entities.

TECHNICAL ISSUES

On page 2, lines 6 and 7, the language "(5) the management and contracts review division" should be removed because this division has been moved to the General Services Department, State Purchasing Division, and is no longer part of DFA.

ALTERNATIVES

Some agencies, especially larger agencies with internal staff capacity and grants expertise, may prefer to have an option, rather than a directive, to use the resources of the Grants Administration Division.

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