

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total Other State Funds		>\$500.0	>\$500.0	>\$1,000.0	Recurring	Multiple SRFs
Total General Fund		(>\$500.0)	(>\$500.0)	(>\$1,000.0)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriations in the General Appropriation Act to NMED

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Senate Bill 228 (SB228) amends existing statutes governing 14 state funds, known as special revenue funds, administered by the New Mexico Environment Department (NMED). SB228 allows these funds to be “used for other operational expenses of the department.” Such expenses include building leases, vehicles, computers, mobile devices, environmental monitoring equipment, supplies, etc. SB228 reduces waste of business fees paid to the state and will increase the efficiency of state government.

In addition, SB228 amends restrictive language in three special revenue funds to allow NMED to adopt fees for three programs through public/stakeholder processes to collect revenues that accurately reflect the cost of providing the services the New Mexico Legislature has tasked NMED to administer. Without this change, NMED will either (a) reduce services for these programs or (b) seek legislative appropriations from the general fund to cover the costs of program delivery and inflation.

FISCAL IMPLICATIONS

If enacted, SB228 will improve NMED’s delivery of services to New Mexicans while reducing the Department’s reliance on general fund in future years.

For example, the passing of SB228 will allow the Department to sustain operations in the communities it serves and re-open a field office in Deming that was closed in 2023 due to insufficient funding and would prevent closure of additional offices. Both the Executive Budget Recommendation for NMED lease costs and the House Appropriation and Finance Committee funding level for NMED lease costs are insufficient. Enacting SB228 is critical to avoid further closing of NMED offices across the state.

SIGNIFICANT ISSUES

If SB228 is enacted into law, NMED anticipates a significant gain in fiscal solvency and a

significant reduction in staff time associated with managing 14 funding separate funding sources for all building leases, vehicles, computers, mobile devices, environmental monitoring equipment, supplies, etc. The increased solvency means less reliance on general fund for certain expenses like leases and vehicles while the reduction in staff time managing the revenues and expenses associated with 14 separate funds will improve our operations for New Mexicans.

In addition to providing flexibility in using funds across NMED programs, SB228 amends restrictive language in three special revenue funds to allow the Department to collect revenues that accurately reflect the cost of providing the statutory services. The three special revenue funds are:

1. Public water supply system operator fund (§ 61-33-5 NMSA 1978) – Removes four 19-year-old fee limitations from the statute so NMED can set fees via rulemaking to better reflect the cost of running the utility operator program.
2. Water recreation facilities fees (§ 74-1-16 NMSA 1978) – Removes one 21-year-old fee limitation from the statute so NMED can set the fee via rulemaking to better reflect the cost of running the public pool and spa program.
3. Solid waste permit fund (§ 74-9-8 NMSA 1978) – Removes one 34-year-old fee limitation from the statute so NMED can set fees via rulemaking to better reflect the cost of running the solid waste program.

ADMINISTRATIVE IMPLICATIONS

Currently, NMED cannot achieve a Department-wide economy of scale for operational expenses because the fund statutes for the 14 special revenue funds that SB228 amends restrict the use of the revenues to a particular program within NMED. This means that a cubicle, vehicle, computer, tablet, mobile phone, camera, copy machine, ream of paper, etc., paid for out of one program's special revenue fund may not be used by an NMED employee working in another program.

For example, a cubicle paid for by the hazardous waste fund may not be used by any other NMED employee. This results in NMED paying for empty cubicles until the position is filled that other employees could use.

Similarly, NMED was not able to afford both the cost of new employees and the computer equipment for the new employees due to insufficient revenue in one special revenue fund. While other special revenue funds had sufficient fund balances to purchase the needed computers and mobile phones, the restricted nature of those funds prevented such use so new NMED employees went without computers and mobile phones for a period of time.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB228 builds on House Bill 312 (2020), which unanimously passed both chambers of the Legislature. HB312 was similar in nature and combined four NMED special revenue funds into one and has allowed the Department to start gaining efficiency of scale in the Environmental Health Division. The passage of that bill has shown NMED that breaking down funding

stovepipes will lead to greater economies of scale and improved budget management for the Department.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo. NMED will be forced to unnecessarily expend special revenue fund dollars in duplicative ways rather than being able to share operational overhead expenses across programs. In situations where a program's special revenue has insufficient funds, that program will go without key resources or require general fund support, despite other NMED programs having available funds that could be put to use.