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FISCAL IMPACT REPORT

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| SPONSOR <u>Maestas</u> | LAST UPDATED _____ ORIGINAL DATE <u>1/30/2024</u> |
| SHORT TITLE <u>Create Demolition Fund</u> | BILL NUMBER <u>Senate Bill 138</u> |
| | ANALYST <u>Hanika-Ortiz</u> |

APPROPRIATION* (dollars in thousands)

| FY24 | FY25 | Recurring or Nonrecurring | Fund Affected |
|------|------------|---------------------------|---------------|
| | \$10,000.0 | Recurring | General Fund |

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From

Department of Finance and Administration (DFA)

Mortgage Finance Authority (MFA)

Agency Analysis was Solicited but Not Received From

New Mexico Municipal League

New Mexico Counties

SUMMARY

Synopsis of Senate Bill 138

Senate Bill 138 (SB138) appropriates \$10 million from the general fund to DFA’s Local Government Division to establish a “demolition fund” and creates a new grant program for counties and municipalities for the purpose of demolishing condemned residential properties.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

FISCAL IMPLICATIONS

The appropriation of \$10 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund. Although SB138 does not specify future appropriations, establishing a new grant program could create an expectation for local governments that the program will continue.

The program may also reduce the need for local governments to collect the cost of demolition from the property owner; for instance, by placing a lien against the property. When the grant funds from this appropriation are expended, a second appropriation request from the general fund is likely.

This bill creates the “demolition fund” and provides for continuing appropriations. LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds because it reduces the ability of the Legislature to establish spending priorities.

DFA and MFA indicate, in addition to “demolishing condemned residential properties,” the fund’s use could be expanded beyond the proposed language in the statute; for instance, to cover staff and costs associated with the condemnation process. Any grant funds used for this purpose, however, would reduce the amount available to demolish these residential properties.

Once the condemned residential property has been demolished, and the land beneath it sold, the bill does not address or include a requirement to redeposit those proceeds back into the fund.

SIGNIFICANT ISSUES

The bill seeks to create a new funding source for demolishing residential properties that have presumably already gone through the condemnation process in their local communities.

MFA explains that vacant, abandoned, and deteriorated residential properties reduce the value of surrounding properties that in turn may reduce municipal revenue collected through property taxes. They may also increase public safety costs from any associated violent and property crime.

PERFORMANCE IMPLICATIONS

DFA’s analysis suggests, unlike MFA, its Local Government Division does not have experience managing housing projects.

ADMINISTRATIVE IMPLICATIONS

DFA would develop the criterion for awarding grant funds to counties and municipalities. Once awards have been identified, DFA explains, its Local Government Division would enter into grant agreements to obligate the grant funds and issue payment reimbursements for valid expenditures.

AHO/al/hg/ss