FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Hernandez, J.	**ORIGINAL DATE**	2/17/25
SHORT TITLE	Development Fees Act Changes	**BILL NUMBER**	House Bill 302
		ANALYST	Hilla

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Impact fees	No fiscal impact	No fiscal impact	No fiscal impact	No fiscal impact	No fiscal impact	Recurring	Muni/counties operational budgets

Parentheses ( ) indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
Municipal League (NMML)

Agency Analysis was Solicited but Not Received From
Department of Finance and Administration (DFA)
New Mexico Counties (NMCA)

SUMMARY

Synopsis of House Bill 302

House Bill 302 (HB302) amends the Land Development Fees and Rights Act (Section 5-8-10 NMSA 1978) to ensure developers who pay impact fees to local governments to offset the costs of infrastructure improvements receive full credit for their contributions, without reductions based on calculations of proportional benefit to their development. The bill prevents municipalities and counties from requiring developers to waive any provisions of the Development Fees Act as a condition of development approval and ensures that local governments cannot impose restrictions, limitations, or additional requirements on impact fee credits beyond what is authorized by law.

HB302 specifies that 100 percent of the value of contributions, such as land dedication for parks, rights-of-way, and infrastructure improvements, must be credited against impact fees without any deductions.

HB302 eliminates any pre-existing agreements that impose limitations on credit usages are deemed void and unenforceable, unless specifically authorized by the Development Fees Act. The effective date of this bill is July 1, 2025.

FISCAL IMPLICATIONS

This bill does not have a fiscal impact on the state. The Municipal League (NMML) states that impact fee revenues, or actual revenue collected, represent an estimated 5 to 25 percent of infrastructure capital improvement plan projects funded by local governments.

SIGNIFICANT ISSUES

NMML states HB302 would limit local governments' ability to structure development agreements and impact fees in the ways best suited to address local needs. NMML states that development fees should remain at the local level, given the significant differences in needs and local approaches across the state regarding new development and associated public infrastructure needs.

Following analysis from NMML, development agreements are commonly negotiated between municipalities and developers based on the specifics of the development project and public infrastructure needs by the municipality, which HB302 would remove the ability to negotiate.

The elimination of proportionate share calculations in determining impact fee credits will likely create less predictability and more uncertainty in the development process. This could result in local governments designating fewer capital improvements as impact-fee eligible. NMML states that HB302 could be increased utilization of public improvement districts (PID) and tax increment district (TIDD) to fund the public infrastructure, which can reduce local government revenue and can increase the cost of homeownership.

EH/rl/hg