



New Mexico Municipal League

LEGISLATIVE BULLETIN

VOL. 2024-5

February 16, 2024

SINE DIE

The First Session of the 56th Legislature ended at noon on Thursday. As is typical in a legislative session, most of the bills that were introduced did not make it through both chambers in time. Of the 658 bills introduced, 72 passed the Legislature. We were glad that two key League priorities – bolstering funding for emergency medical services and removing a costly administrative fee on local governments – were among the bills that passed. In addition, several other bills and appropriations with positive impacts for local governments passed, including recruitment funding for law enforcement and firefighters, return-to-work provisions for public safety employees, and significant road funding.

As always, we are grateful to the sponsors we worked with, as well as legislators who heard municipal concerns, and all the hard-working legislative staff. We are also grateful to our members for advocating for municipal interests throughout the session. Thank you for your support!

The next step is bill signing. The governor has until March 6 to sign, veto, or fail to sign (i.e. pocket veto) bills that she did not act on during the session. Following bill signing, the League will release a summary of signed and vetoed bills that are relevant to municipalities.

For a list of all bills that passed the Legislature, you can refer [here](#).

Municipal League Priority Legislation

- **Senate Bill 151**, which increases funding for EMS service across the state, passed the House unanimously on the final evening of the session, after passing the Senate unanimously a few days previously. The bill directs 5 percent – approximately \$11 million – of health insurance premium taxes to the EMS Fund, with a majority of funding distributed to local EMS services. Securing a funding increase was especially critical given that funding levels have not increased in three decades. Strong support from fire and EMS personnel throughout the session helped get the bill across the finish line.

SB151 was sponsored by Senators Pete Campos, Pat Woods, and Crystal Brantley, while an identical House Bill (HB258) was sponsored by Representatives Gail Armstrong, Jason Harper,

Key legislative session dates:

Opening day (noon): *January 16*
Deadline for introduction: *January 31*
Session ends (noon): *February 15*
Legislation not acted upon by governor is pocket vetoed: *March 6*

Your legislator can be reached by name through the legislative switchboard: (505) 986-4300 in Santa Fe. The Legislature's website (www.nmlegis.gov) also contains legislator's email addresses. You can also check the League's website (www.nmml.org) for other League information.

See page 5 for a summary of how legislation is passed in New Mexico.

Harlan Vincent, and Mark Duncan.

The League appreciates the work of all the sponsors, especially Senator Campos and Representative Armstrong, who presented the bill in committees and on the floors of their respective chambers!

- **Senate Bill 148, removing tax fees on local governments, also passed on the House floor on the final evening.** Removing the 3 percent fee currently charged to local governments on collections and distributions of their gross receipts and compensating tax revenues will save local governments approximately \$70 million annually once the fees are phased out. The bill phases out fees over three years, removing them completely for FY29.

SB148 passed the Senate unanimously and passed the House with just one dissenting vote. We are glad that legislators agree that local revenues should stay in local communities, and we believe that the money saved by local governments will bolster public safety and other critical local services.

Thank you to SB148 sponsors, Senator Daniel Ivey-Soto and Representative Ryan Lane!

Other Relevant Bills

- **House Bill 2, the General Appropriation Act, passed with a budget of \$10.2 billion for FY25,** representing a 6.8 percent increase over the current fiscal year budget. In addition to recurring spending, HB2 includes \$1.3 billion in one-time special and supplemental appropriations and \$205 million from the general fund for road construction, maintenance, and beautification. The bill also transfers over \$1.3 billion from the general fund to several endowments and expendable trusts for future spending, including natural resources, housing, and government innovation pilot projects. The bill holds general fund reserves at 32 percent of recurring spending.

HB2 includes some one-time appropriations that benefit local governments:

- ***A \$25 million appropriation for grants to state and local fire departments for recruitment of firefighters and emergency medical technicians.*** Grants will be administered by the Department of Finance and Administration.
- ***A \$25 million appropriation for recruitment grants to law enforcement, correctional, and detention.*** Grants will be administered by the Department of Finance and Administration.
- ***A \$75 million appropriation for matching assistance to local entities to match federal grants.*** Funding will be administered by the Department of Finance and Administration. (HB177 includes criteria on distribution of funding to local entities).

This year's HB2 also includes supplemental appropriations to local governments (appropriations that have been included in a separate "junior" bill in previous years). This year's supplemental appropriations are for two fiscal years (FY25 and FY26) and, for local governments, are appropriated to the regional councils of government for distribution to local entities. See supplemental appropriations to local governments starting on page 247 of [HB2](#).

HB2 also includes funding for shortfalls in the employee group health benefits program – the subject of ongoing litigation due to the state's charging of local governments for retroactive payments. HB2 includes \$60.7 million for prior-year shortfalls, and \$25.4 million for current year shortfalls. However, these amounts fall short of addressing the fund deficit, which was almost \$120 million, according to a recent audit.

- **The capital outlay bill – Senate Bill 275** – includes approximately \$1 billion in general fund and other state revenues for capital projects. Approximately **\$250 million is directed to local government projects**, through the Local Government Division of the Department of Finance and Administration. In addition, the

bill includes \$544 million for road projects, including for many local roads. *For a full list of projects by agency, see [here](#). For a full list of projects by county, see [here](#).*

Reauthorizations for previous years' capital projects are in [Senate Bill 246](#).

- **The Legislature also passed an omnibus tax bill during the final days of the session.** [House Bill 252](#) has a total annual cost to the state of just over \$225 million and to local governments of approximately \$10 million.

Most of the provisions in the bill were previously included in the tax package that passed the legislature in 2023 but were vetoed by the Governor. Two new measures endorsed by the Governor were added – clean car tax credits and solar market development tax credits. The bill contains several measures affecting state income tax liability. These have no fiscal impact on local government revenues.

The bill also contains six measures affecting state and local gross receipts taxes. These provisions are narrowly targeted and therefore have a relatively small cost to local governments:

- ***A deduction on home renovations costs incurred by individuals on Medicaid*** that are necessary to improve their health and safety. *The cost to local governments is estimated at about \$200,000 a year.*
- ***A deduction for childcare services provided by a licensed provider*** and incurred under a contract or grant with the Early Childhood Education and Care Department or the Prekindergarten Act. *The cost to local governments is estimated at \$5 million in the current fiscal year, growing to \$5.5 million by fiscal 2028.*
- ***A gross receipts tax credit for the sale and use of dyed special fuels used for agricultural purposes.*** The credit must be applied for by the seller of the fuel. The total credit amount is capped at \$10 million a year. *The cost to local governments is estimated at up to \$4 million a year.*
- ***A gross receipts tax credit for legal costs associated with assisting victims of the Calf Canyon fire*** to receive federal compensation payments for their losses. This credit applies against gross receipts taxes imposed on the attorneys and must be applied for by the attorney. The total credit amount is capped at \$5 million a year. *The estimated loss to local governments is \$2 million.*
- ***A deduction for geothermal electricity facility costs.*** This deduction is similar to others already provided for solar and wind energy projects. *The cost to local governments is estimated at \$750 thousand in FY25, rising to over \$2 million in FY28. An increase in local property taxes is projected to offset this loss.*
- ***Allowing counties and municipalities to issue Industrial Revenue Bonds (IRBs) for energy storage facilities and providing a deduction for sales of energy storage equipment to governments.*** These provisions parallel authority previously granted for solar and wind production projects. *The fiscal impact on local governments for this measure is estimated as "indeterminate but minimal." A cost would only be incurred by those municipalities that participate in an IRB project.*

The gross receipts tax measures, which affect local revenues, become effective July 1, 2024, except for the geothermal electricity deduction which becomes effective January 1, 2025. As is usual, no breakdown is provided between municipal and county impacts or upon individual governing entities. It is expected that many of the measures will have disproportionate impacts in a few geographic areas.

The overall impact to local governments from this year's tax omnibus bill is relatively small, especially compared to potential impacts of anti-pyramiding provisions proposed in previous years; however, the League continues to stress the importance of an adequate and stable revenue structure for municipalities and counties, and the risk of continuous erosion of the local tax base. During discussions on the tax bill, many members of the legislature expressed serious concerns about adopting tax measures that further erode local government revenues.

- **Several significant pieces of water-related legislation passed this session.** With record state revenues, along with a record number of Water Trust Board applications, several pieces of legislation were introduced to infuse both the Water Trust Fund and the Water Project Fund with more money. Ultimately, **House Bill 2 appropriates \$50 million to the Water Trust Fund and \$50 million to the Water Project Fund.** The appropriation to the Water Project Fund will fund a number of projects that were vetted and approved by the Water Trust Board for the 2024 cycle, but which wouldn't have been funded under original funding levels. We hope to see future infusions of cash to fund all eligible projects in coming years.

House Bill 211 makes several changes to the Water Project Finance Act. Most significantly, it amends the list of eligible projects to allow the Water Trust Board to fund wastewater projects. However, due to the rulemaking process, entities will have to wait until the 2026 Water Trust Board cycle to apply for wastewater funding. HB211 also eases the burden on the applying entities in several ways. Firstly, it allows the Water Trust Board through the New Mexico Finance Authority to contract with technical assistance providers so that the applying entities have help during the application process; it also removes the requirement to audit a project's financial records and the requirement that entities seeking funds submit a water conservation plan with its applications or already have one on file with the Office of the State Engineer. Finally, it directs the Water Trust Board to prioritize projects that address public health and safety issues.

- **A bill that allows certain retired public safety employees to return to work with a Public Employees Retirement Association employers passed this year,** after several years of failed attempts. Under [House Bill 236](#), retirees must return to work before July 1, 2027. The following types of employees are eligible: adult or juvenile correctional officers, adult or juvenile detention officers, municipal or state police officers, courthouse security officers, emergency medical dispatchers or technicians, paramedics, firefighters, public safety telecommunicators, sheriff's deputies, certified law enforcement officers who are employees of the Attorney General or of a district attorney's office, and protective services investigators with the Children, Youth and Families Department.

Other Substantive Legislation

The League tracks bills with potential impacts on municipalities. Beginning this session, **you can view a real-time list of all tracked bills by policy area on our website**, under Legislative Information. Please note that tracking of a bill does not indicate any League position on the bill. For more information on specific legislation, please contact us!

Anatomy of a Bill

A bill is introduced by a sponsoring legislator on the floor of either house, numbered by the clerk and referred for consideration to one or more committees of that house. The deadline for introduction of all bills except appropriations bills or bills requested by the Governor (special messages) is noon on the 30th day of a 60-day session or noon on the 15th day of a 30-day session.

Committee recommendations usually determine the success or failure of a bill. A bill may be amended in committee or on the floor at any point in the process – sometimes changed so significantly that its own author would not recognize it – or a substitute measure with the same number and general subject matter may be put in its place.

If you are interested in a particular bill, do not be discouraged if it seems to sit for a long time in committee, particularly in a tax, finance, or appropriations committee. Bills requesting money or taxing authority often lie dormant until the last few days of a session and then move quickly.

If a bill passes successfully through its committee referrals, it returns to the floor of the chamber in which it was introduced for floor consideration. If it passes that chamber, it goes to the other chamber. However, it may also be tabled, referred again, or defeated.

In the second chamber the bill is again considered in one or several committees and it may again be amended or substituted. If it gets through its committee assignments, it returns to the floor of that chamber for consideration and may from there be referred, tabled, passed, or defeated.

If the bill passes the second chamber after being amended or substituted, the originating chamber must concur or fail to concur with the changes. If the originating chamber fails to concur, a conference committee representing both chambers is appointed to decide what to present to both chambers for acceptance.

A bill that has been passed by both the House and the Senate goes to the Governor for signature. The Governor may choose to sign or veto the bill. If the bill contains an appropriation, the Governor may veto portions if she wishes (*line-item veto*); if it does not, she may only veto the entire bill. If vetoed, 2/3 of the House and 2/3 of the Senate must vote in favor of the bill in order to override the veto. If the veto override fails, the bill dies.

Most bills do not reach the Governor's desk before the Legislature adjourns. The Governor has 20 days following the close of the session to sign, veto, or fail to sign (*pocket veto*) any bill that he or she did not act on during the session. In New Mexico, very few bills make it all the way to enactment. The historic trend in New Mexico is for more and more introductions each succeeding session.

General Abbreviation Codes

HB – House Bill

HCR – House Concurrent Resolution

HJR – House Joint Resolution

HJM – House Joint Memorial

HM – House Memorial

SB – Senate Bill

SCR – Senate Concurrent Resolution

SJR – Senate Joint Resolution

SJM – Senate Joint Memorial

SM – Senate Memorial

* - Contains Emergency Clause

CA – Constitutional Amendment

House Committees

HAFC – Appropriations and Finance
HAGC – Agriculture and Water Resources
HCEDC – Commerce and Economic Development
HCPAC – Consumer and Public Affairs
HCW – Committee of the Whole
HEC – Education
HENRC – Energy, Environment and Natural Resources
HHHC – Health and Human Services
HJC – Judiciary
HLLC – Local Government, Land Grants and Cultural Affairs
HLVMC – Labor, Veterans’ and Military Affairs
HRC – Rules and Order of Business
HSEIC – State Government, Elections & Indian Affairs
HTPWC – Transportation, Public Works & Capital Improvements
HTRC – Taxation and Revenue

Senate Committees

SCC – Committee’s Committee
SCONC – Conservation
SCW – Committee of the Whole
SEC – Education
SFC – Finance
SHPAC – Health and Public Affairs
SIRC – Indian, Rural and Cultural Affairs
SJC – Judiciary
SRC – Rules
STBTC – Tax, Business and Transportation