



*New Mexico Municipal League*

## LEGISLATIVE BULLETIN

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### BE THOUGHTFUL NEW MEXICO

The seventh week of the legislative session saw various proposals come before the House and Senate Tax committees for consideration in a potential tax package. The committees are currently hearing the proposals without taking any voting action, as the potential tax package bills must be comprehensively considered alongside the state's budget bill. The League has voiced strident opposition over Senate Bill 295, and its House companion bill (HB344), which would allow GRT deductions for most healthcare services and significantly decrease local government GRT revenues, estimated at \$110 million or more annually. *Please see Mayor Duckett's letter to legislators expressing concerns about the proposed legislation on Page 3.*

**The state responds to federal funding uncertainty in D.C.** Senate Bill 88, which creates a new Medicaid trust fund and appropriates an initial \$280 million to the fund, unanimously passed the Senate floor. The Medicaid trust fund, which is expected to eventually grow to \$2 billion, comes in response to concerns about cuts in federal Medicaid funding. Last week, the governor signaled a special session would likely be needed by October to address potential federal budget cuts and their impacts to New Mexicans.

**Capital outlay bill is still in the works.** This year's capital outlay bill, [House Bill 450](#), sponsored by Representative Derrick Lente, is still being worked on. Local projects have not been added to the bill yet, but you can view all the projects—including local projects—that have been requested [here](#). The Senate Finance Committee continues its review of the General Appropriation Act, House Bill 2, and is entering its final stages with two weeks remaining in the legislative session. In addition to

#### Key legislative session dates:

Opening day (noon): *January 21*  
Deadline for introduction: *February 20*  
Session ends (noon): *March 22*  
Legislation not acted upon by governor is pocket vetoed: *April 11*

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

See page 5 for a summary of how legislation is passed in New Mexico, as well as a list of legislative abbreviations.

delving into the recurring spending amounts in the budget, which are expected to total nearly \$11 billion, the committee also took up the so-called “back of the bill” this week, which refers to one-time non-recurring spending. The committee is regularly splitting into smaller sub-committees to scrutinize all aspects of the budget from actual dollar amounts to the bill language itself.

## League Priority Legislation

**House Bill 298** is expected to be heard later this evening in HJC. HB298 updates Chapter 3 of New Mexico Statute, referred to as the Municipal Code, and provides municipalities with clear operational guidance, supports effective local governance, and allows municipal governing bodies to formally cross commission law enforcement officers from other jurisdictions in case of emergencies or increased need. The bill passed unanimously out of HGEIC last week. Bill sponsors are Representatives Christine Chandler and Mark Duncan and Senator William Sharer.

*Thanks to all who plan to speak in support of HB298, on a Friday night no less – your support is much appreciated!*

**Senate Bill 197** is anticipated to be heard in the next few days in the Senate Health and Public Affairs Committee. SB197 allows recipients of EMS Fund monies to pledge those funds for debt service through the New Mexico Finance Authority’s Public Project Revolving Fund, facilitating the purchase of ambulances or other EMS vehicles or equipment. A backlog of bills in SHPAC continues to be worked through and our hope is SB197 will be scheduled soon. Bill sponsors are Senator Pete Campos and Representative Harlan Vincent.

*See briefing sheets for HB298 and SB197 at the end of this document.*

## Other Bills of Note

- **The League spoke in opposition to House Bill 344 (companion to SB295) this week, which proposes a Gross Receipts Tax (GRT) deduction for most healthcare services and the sales of medical equipment, supplies, and drugs, and would significantly decrease local government GRT revenues.** The bills are being pushed primarily by Think New Mexico. In addition to expressing serious concern over lost GRT revenue to our municipalities, estimated to be \$110 million or more annually, the League also noted that the primary issue adversely affecting health care providers in the state is medical malpractice. New Mexico has the second most medical malpractice lawsuits per capita in the country and medical malpractice insurance premiums are significantly higher in New Mexico compared with other states in the region. This medical malpractice landscape hinders attracting and retaining a health care workforce. Multiple committee members of HTRC echoed the need for medical malpractice reform, in addition to recognizing HB344’s (SB295) detrimental impact to municipal GRT revenues.

*Please see Mayor Duckett’s letter to legislators expressing concerns about the proposed legislation on the following page. A briefing sheet for SB295/HB344 can be found at the end of this document.*

March 5, 2025

Dear esteemed legislators,

Thank you for taking the time to read my letter. As the Mayor of Farmington I am writing to express significant concerns regarding SB295 (and its house equivalent HB344), a bill that, according to its fiscal impact report, would reduce gross receipts tax revenue for local governments across New Mexico by \$110 million or more. This substantial revenue loss would have a profound and detrimental effect on municipalities like ours, particularly at a time when financial stability is critical for maintaining essential services and fostering economic growth.

Attached, you will find the legislative briefing sheet detailing our concerns with SB295. Based on the analysis, the largest impacts are likely to hit your cities the hardest. As you know, Gross Receipts Tax revenue is our cities' lifeline that funds public safety, infrastructure, parks, social services, and other vital programs our residents depend on daily. A cut of this magnitude would jeopardize our ability to maintain the level of municipal operations our citizens expect and deserve.

Many of you will recall the impacts that the removal of food and medicine from the GRT base had on our local governments. At that time cities like ours were "Held Harmless" and received annual GRT payments from the state to offset the dollars lost. In 2013 the state reneged on the "Hold Harmless" payments creating a 15 year payback. It's important for you to consider the impacts that this decision has had on our annual budgets. We estimate that this year's "HH" payment back to the state will be over \$5 million dollars! The accumulative loss of revenue is now over \$24 million dollars since 2015. Furthermore, estimates show through 2030 we will have given back over \$60 million! The pressure this places on us to continue to provide critical services and maintain infrastructure while investing in economic growth initiatives, in an inflationary environment that is impacting all service sectors, is tremendous to say the least.

Due to impacts of the closure of our power plants and coal mines, and the boom and bust cycle of our energy market, the City of Farmington has implemented an aggressive strategy to diversify our local economy through an array of economic development initiatives. We want to be a beacon of economic growth, a place where private investment will pay dividends to this community, its families and our workforce. And right now it is clear, our collective efforts are working. However, we all know that businesses choose to invest in cities with strong infrastructure, safe streets, and a high quality of life—all of which require adequate municipal funding. Reducing GRT revenue risks making our cities less attractive to employers and developers, stunting our economic development initiatives.

That said, I am certain there are other solutions to the recruitment and retention issues that we are having with medical providers. For example, the state's medical malpractice laws play a far greater role than tax policy. Our hospitals and independent practitioners have been extremely vocal about the need for med mal tort reform. This is at the heart of the issue. Addressing this issue will yield more meaningful benefits for our state without placing an undue burden on local governments and the people we serve. Another idea would be to end personal income tax in New Mexico. I believe this single act, which is clearly within our state budget to do, would provide incentive not only for healthcare providers to come to our state, but also spur private investment from high paying industries that will bolster our workforce opportunities and create an economic and social boost unlike anything we have ever seen.

I respectfully request your careful consideration of the ripple effects SB295 would have on Farmington and local governments across the state and look to alternative strategies to address the healthcare provider issue. I am

happy to discuss this matter further or provide additional data to assist in your decision-making process. Together, we can work toward policies that strengthen, rather than weaken, the foundation of our communities. Thank you for your attention to this critical issue and for your continued service to the people of New Mexico.

Respectfully,

Nate Duckett  
Mayor  
City of Farmington, New Mexico

- **Senate Bill 7, which authorizes municipalities to acquire, operate, and maintain a municipal utility for storm water, passed its first House committee after unanimously passing on the Senate floor last week.** SB7 also allows municipalities to impose a fee for storm water service. The bill provides additional flexibility for municipalities to fund operation and maintenance of stormwater facilities. Adding stormwater to the definition of a municipal utility has been an NMML resolution for the past several years. The League has stood in support of SB7 during its committee hearings.
- **House Bill 128, which establishes the Local Solar Access Fund to provide grants to local governments for solar energy systems, had a busy week passing both on the House floor and out of SCONC.** The League supports HB128, which would help ensure the reliability and security of critical infrastructure like water and wastewater facilities. The current framework of HB2 has a \$20 million appropriation for the Local Solar Access Fund. HB128 now heads to the Senate Finance Committee.
- **The League opposes House Bill 582, which preempts local control by explicitly removing local zoning authority for master plan developments with fewer than 2,500 units.** HB582 is also overly prescriptive to local governments by mandating the use of standardized procedures and application templates developed by the New Mexico Regulation and Licensing Department. At the time of writing, HB582 is scheduled to be heard in HCEDC Friday afternoon, and the League will stand to oppose the bill.
- **Preemption bills are generally not gaining traction this session.** The League continues to closely track, monitor, and oppose preemption bills as they arise. Many of the preemption bills filed this year have yet to be scheduled, and others have since stalled after an initial hearing. Additionally, HB335, which would have created an unfunded mandate for local governments, was tabled in HCEDC. *We appreciate the support we've received from our members in communicating to legislators about the threat preemption bills present to local control and the principles of representative democracy.*

## Other Substantive Legislation

The League tracks bills with potential impacts on municipalities. **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 30<sup>th</sup> day of a 60-day session or noon on the 15<sup>th</sup> 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.

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## **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**

HAAWC – Agriculture, Acequias and Water Resources

HAFC – Appropriations and Finance

HCEDC – Commerce and Economic Development

HCPAC – Consumer and Public Affairs

HCW – Committee of the Whole

HEC – Education

HENRC – Energy, Environment and Natural Resources

HGEIC – Government, Elections & Indian Affairs

HHHC – Health and Human Services

HJC – Judiciary

HLVMC – Labor, Veterans' and Military Affairs

HRC – Rules and Order of Business

HRDLC – Rural Development, Land Grants and Cultural 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



## Senate Bill 197: Allow Bonding of EMS Fund Revenues

Senator Pete Campos  
Representative Harlan Vincent

**Senate Bill 197 allows bonding of Emergency Medical Services Act (EMS) fund revenues, enabling local EMS departments to pledge revenues for debt service to purchase emergency vehicles, mirroring the Fire Protection Fund**

- Currently, Fire Protection Fund revenues may be used for debt service, such as purchasing fire trucks. SB197 proposes the same debt service ability for EMS Fund revenues, enabling the purchase of an ambulance, for example.
- EMS capital costs are high (*see examples in sidebar*) and increasing, often making it cost-prohibitive for smaller local governments to purchase vehicles and medical equipment outright.
- SB197 allows recipients of EMS Fund revenues to pledge those funds for debt service through the New Mexico Finance Authority's Public Project Revolving Fund (PPRF).

### EMS Capital Cost Examples

- Ambulance – \$200,000+
- Power Gurney and load system – \$40,000+
- Multi-platform cardiac monitor / defibrillator / pacemaker – \$30,000+
- Advanced life support ventilator – \$10,000+

### Overview of EMS Fund

- In 2024, SB 151 increased EMS Fund revenues from approximately \$2.9 million to \$13.9 million
- Beginning in FY26, 5 percent – approximately \$11 million – of health insurance premium taxes will be directed to the EMS Fund
- 75% of funding goes to local EMS services (nearly 300 EMS services statewide), based on call volume, population, and service coverage area
  - Services receive minimum funding amounts based on level of service provided
  - Eligible expenditures: establishment or enhancement of local EMS; operational costs other than salaries and benefits; purchase, repair and maintenance of EMS vehicles, equipment and supplies; implementation of prevention programs; and training and licensing of local EMS personnel
- 22% goes to systemwide projects (18% to special projects, including purchase of vehicles, funded on a competitive application basis, and 4% for trauma system development) and 3% is used for administration



## House Bill 298: Modernization of the State's Municipal Code

Representative Christine Chandler, Representative Mark Duncan  
Senator Bill Sharer

**Chapter 3 of New Mexico Statute, referred to as the Municipal Code, sets procedures for municipalities and needs modernization.**

- The Municipal Code has seen minimal updates since it was compiled in 1978, and some procedures are outdated or misaligned with other applicable statutes.
- Revisions to the code will provide municipalities with clear operational guidance and support effective local governance.
- Proposed statutory updates focus on mayor-council forms of government and deal with issues frequently experienced by municipalities.
- The proposed amendments will not infringe on procedures enacted by home-rule municipalities.

**HB298 makes the following updates to the Municipal Code:**

- Allows municipal governing bodies to formally cross commission law enforcement officers from other jurisdictions to provide support in case of emergencies or increased need.
- Requires governing bodies to vote to fill mayor or councilor vacancies within 15 days of the vacancy occurring, and include a vote on the vacancy at each subsequent meeting until the vacancy is filled.
- Clarifies that a person filling a municipal governing body vacancy shall serve until the next applicable election
- Clarifies governing body voting procedures to provide more specificity about quorums, voting, and recusal/abstention
- Adds clarification on the statutory responsibilities of municipal elected officials.
- Makes technical changes to align the Municipal Code with recent changes to the Election Code.
- *For more detail on proposed changes, see opposite side of this page.*

## Overview of Changes to the Municipal Code in House Bill 298

Amendment	Purpose
Introduces procedures for the cross-commissioning of police officers by governing bodies, so that municipalities can respond to emergency situations and other times of need as they arise within their jurisdiction.	The law lacks an avenue for municipalities to formally enlist other municipal public safety officers to support municipal police departments in times of emergency or increased need, even though statute bestows the responsibility of health, safety and well-being on the local government.
Requires a governing body to hold a vote to fill a vacancy of mayor or council member at each governing body meeting, occur no later than 15 days after vacancy has occurred. If the vacancy isn't filled at that time, the item shall remain on the agenda of each subsequent meeting, until filled.	Citizens of municipalities are entitled to a fully represented governing body. The statute currently does not specify a deadline by which a vacancy of the governing body is to be filled, resulting in some municipal elective offices remaining unfilled for long periods of time.
Adds language that a person filling a vacancy of mayor or council member shall serve until the next Regular Local Election or Municipal Officer Election (whichever applicable), where a successor will be elected to fill the remainder of the term.	Provides alignment with procedures to fill vacancies in other elective offices in the state.
Inserts clarification on voting procedures to provide more specificity about quorums, voting, and recusal/abstention.	<ul style="list-style-type: none"> <li>• The law currently does not specify procedures for recusal and abstention by governing body members. Non-participation in votes can sometimes lead to gridlock or inability to conduct routine municipal business.</li> <li>• Guidelines on calculating quorums in different scenarios also need updating for clarity and consistency.</li> </ul>
Adds clarification on the statutory responsibilities of municipal elected officials.	<ul style="list-style-type: none"> <li>• The statute lacks essential procedures on the organizational meeting, which is when the governing body appoints appointive officers and other employees.</li> <li>• The current requirement to reappoint all municipal employees during organizational meetings is not necessary.</li> <li>• The bill clarifies that councilors are not authorized to directly supervise employees.</li> <li>• The bill codifies a Supreme Court ruling that a mayor does not have a supervisory role over a municipal court judge.</li> </ul>
Updates requirement of when an election must be held to change the membership size of a governing body.	The statute should be amended to account for changes to the NM Election Code, which now has blackout periods for when an election can be held. The language currently conflicts.



## Senate Bill 295 / House Bill 344 - Gross Receipts Tax Medical Deduction:

- Gross receipts tax (GRT) deductions on medical equipment and services in Senate Bill 295/House Bill 344 could reduce local government revenue by **\$110 million or more**. The Municipal League opposes continued attempts to erode the local tax base.
- Cuts to local revenues will have a serious impact on cities' ability to pay for essential city services, including public safety. Erosion of both local and state revenue is especially concerning given current reductions and uncertainty in federal funding.
- Businesses, including healthcare providers, are more likely to invest in New Mexico when there is strong public safety, a high quality of life, and reliable infrastructure—all of which depend on local governments having sufficient tax revenues to fund essential services that make communities safe, livable, and attractive for economic growth.
- The state's medical malpractice laws likely contribute far more than tax policy decisions to loss of medical providers in New Mexico.

### Impact on Local Governments

#### **Additional GRT deductions on local tax rates would seriously undermine local revenue stability and negatively impact provision of services**

- A GRT deduction on local rates for medical supplies, drugs, and healthcare services would lead to significant revenue loss, affecting provision of basic services.
- The state has significant revenue sources not available to municipalities (e.g. oil & gas revenues, federal funds). Municipalities are highly reliant on GRT and have limited options to offset GRT revenue losses.
- Reducing local governments' revenue forces cities to raise taxes to provide essential services, disproportionately harming lower-income New Mexicans.

#### **The costs of proposed legislation are significant, and also highly uncertain**

- The LFC fiscal impact report for SB295/HB344 includes a first-year **cost to local governments of \$83 to 102 million**<sup>1</sup> – a large range which reflects the difficulty of determining an impact.
- The fiscal impact report notes: *Estimating the full impact of SB295 is challenging due to significant gaps in available data on both healthcare spending and taxation. Without detailed, provider-level financial data, it is difficult to determine how much taxable revenue will be newly deductible and how that will affect state and local revenues.*
- The impact of GRT deductions has been underestimated in the past; for example, the costs of GRT deductions on food and manufacturing services.

#### **SB295/HB344 violates a key tax policy principal:**

***“State and local taxes should be adequate*** to provide an appropriate level of those goods and services best provided by the public sector, such as education, public safety, law enforcement, streets and highways, and the courts.”

<sup>1</sup>Not accounting for any offsetting ‘hold harmless’ distributions

***PRELIMINARY*****Estimated Fiscal Impact of SB295/HB344 - Medical GRT Deductions**

Entity	FY26	FY27	FY28	FY29
<b>Total Local Govt Impact</b>	<b>(\$83.5 - \$102.1 mil)</b>	<b>(\$86.8 - \$105 mil)</b>	<b>(\$90.2 - \$108 mil)</b>	<b>(\$93.8 - \$111 mil)</b>
Albuquerque	(\$32.5 - \$39.7 mil)	(\$33.8 - \$40.9 mil)	(\$35.1 - \$42.1 mil)	(\$36.5 - \$43.2 mil)
Las Cruces	(\$10.9 - \$13.4 mil)	(\$11.4 - \$13.8 mil)	(\$11.8 - \$14.2 mil)	(\$12.3 - \$14.6 mil)
Santa Fe	(\$6.9 - \$8.4 mil)	(\$7.2 - \$8.7 mil)	(\$7.4 - \$8.9 mil)	(\$7.7 - \$9.2 mil)
Alamogordo	(\$3.2 - \$3.9 mil)	(\$3.3 - \$4.0 mil)	(\$3.4 - \$4.1 mil)	(\$3.6 - \$4.2 mil)
Roswell	(\$3.0 - \$3.6 mil)	(\$3.1 - \$3.8 mil)	(\$3.2 - \$3.9 mil)	(\$3.4 - \$4.0 mil)
Rio Rancho	(\$2.7 - \$3.3 mil)	(\$2.8 - \$3.3 mil)	(\$2.9 - \$3.4 mil)	(\$3.0 - \$3.5 mil)
Farmington	(\$2.6 - \$3.2 mil)	(\$2.7 - \$3.3 mil)	(\$2.8 - \$3.4 mil)	(\$2.9 - \$3.5 mil)
Hobbs	(\$2.2 - \$2.7 mil)	(\$2.3 - \$2.8 mil)	(\$2.4 - \$2.8 mil)	(\$2.5 - \$2.9 mil)

*Note: Estimates of impacts on individual municipalities are based on the municipality's share of total taxable GRT in all "Health Care and Social Assistance" industry NAICS codes, and that percentage is applied to the total local government impact of SB295/HB344, as identified in the LFC FIR. Further detail on specific NAICS codes affected and the breakdown of provider and payer types by location would be needed for more precise estimates.*