



New Mexico Municipal League

LEGISLATIVE BULLETIN

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MARCH MADNESS

The final week of the legislative session is upon us and promises to be action packed. The Senate version of House Bill 2 and capital outlay bills are expected any day now, along with a proposed omnibus tax package bill. While the contents of the tax package have not been finalized, we are cautiously optimistic that legislators understand our concerns about potential significant local revenue loss from proposed GRT deductions for certain healthcare services and medical sales. We've been strongly opposing this local revenue loss for the past few weeks and believe our message has been heard by House and Senate tax committee members. *We appreciate those of you who reached out to legislators to voice concerns!*

A final push for League bills. House Bill 298, which updates the municipal code, is on the home stretch having passed the House floor and receiving a single Senate committee referral. HB298 was scheduled for Friday morning in the Senate Rules Committee, but is now expected to be heard Monday morning as time ran short today. Senate Bill 197, which allows recipients of EMS fund monies to use those funds for debt service, is on Friday's consent agenda in SHPAC. *See the following page for additional information on League Priority Legislation.*

Uncertain paths for high-profile bills. The paid family and medical leave bill (HB11) has been highly contentious throughout the session, and appears its fate will come down to the wire. Some members of the Senate Finance Committee expressed concern with the estimated annual cost of \$194 million and the lack of a specified funding source in the bill. Senate Bill 176 seeks to make changes to medical malpractice

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) also contains legislator's email addresses. You can also check the League's website (www.nmml.org) for other League information.

See page 4 for a summary of how legislation is passed in New Mexico, as well as a list of legislative abbreviations.

by ending lump-sum payouts, capping attorney fees, and setting limits on recoverable amounts in malpractice claims. Over an hour of public comment was heard Wednesday during the bill's first committee hearing, with a follow-up hearing scheduled for Friday afternoon. SB176 faces an uphill battle given it's just now receiving its first committee hearing with a week left in the session.

League Priority Legislation

House Bill 298 is picking up steam having passed out of HJC and the House floor, all since last Friday, and is now expected to be heard in the Senate Rules Committee on Monday. 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. Bill sponsors are Representatives Christine Chandler and Mark Duncan and Senator William Sharer.

Senate Bill 197 is on Friday's consent agenda 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. While limited time remains in the legislative session, we will do all we can to get SB197 across the finish line. Bill sponsors are Senator Pete Campos and Representative Harlan Vincent.

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

House Bill 283, which aims to update the Inspection of Public Records Act (IPRA), has faced strong headwinds this legislative session, largely in response to another IPRA bill which received significant negative press and attention early in the session. HB283 includes targeted statutory updates including requiring that public bodies be notified of alleged violations before legal action is taken, defining a two-year statute of limitations on filing complaints related to IPRA violations, and allowing records custodians to impose fees for requests to use records for commercial purposes. Unfortunately, our targeted and measured bill became entangled in a much broader and more contentious IPRA discussion sparked by another bill (HB497) that sought to substantially rewrite IPRA. Given the general sentiment this session towards amending IPRA, and the limited time remaining, we are not optimistic that HB283 will move any further. Recognizing that many bills take more than one session to get passed, we intend to continue work on this important effort in future sessions.

Other Bills of Note

- **The League is awaiting the release of the proposed tax package and will review for possible negative impacts to local revenues.** We are paying close attention to a potential Gross Receipts Tax (GRT) deduction for most healthcare services and the sales of medical equipment, supplies, and drugs, and which would significantly decrease local government GRT revenues (SB295/HB344). The League has voiced strong concern, both in committees and with members, about the lost GRT revenue to our municipalities, estimated to be \$110 million or more annually. We also have concerns about Senate Bill 455, which expands a GRT deduction to include coinsurance paid directly by patients. SB455 would

reduce local government GRT revenues by an estimated \$20 million. We remain cautiously optimistic that the tax package will not include these GRT deductions. Should these revenue reductions be included in the tax package, we will call on members to let legislators know how damaging this revenue loss would be for local communities and local services.

- **Senate Bill 7, which authorizes municipalities to acquire, operate, and maintain a municipal utility for storm water, passed its second House committee and now heads to the House floor.** 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.
- **The election code update bill (Senate Bill 218), which contains a provision opposed by the League, has not been scheduled for its second committee and time is running out.** The bill contains a provision that repeals a section of law that allows municipalities to hold municipal officer elections in March, and municipalities would therefore be required to participate in the regular local election. A number of municipalities have chosen not to opt in to regular local elections and instead retain their own election administration. The League spoke to legislators about our concerns on preemption of local election authority.
- **Two additional preemption bills opposed by the League, House Bill 582 and House Bill 554, appear to have stalled this session.** HB582, which would preempt local control by explicitly removing local zoning authority for master plan developments with fewer than 2,500 units and being overly prescriptive to local governments in the use of standardized procedures and application templates, has been rolled twice in HCEDC and has not reappeared on the committee's agenda. House Bill 554, which would preempt local control by restricting local zoning authority of accessory dwelling units (ADUs) and requiring multifamily housing in commercial zoning districts, has not been scheduled in SHPAC. The League will continue to track, monitor, and oppose these bills, along with other preemption bills, as they arise.

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 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

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"> • 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. • Guidelines on calculating quorums in different scenarios also need updating for clarity and consistency.
Adds clarification on the statutory responsibilities of municipal elected officials.	<ul style="list-style-type: none"> • The statute lacks essential procedures on the organizational meeting, which is when the governing body appoints appointive officers and other employees. • The current requirement to reappoint all municipal employees during organizational meetings is not necessary. • The bill clarifies that councilors are not authorized to directly supervise employees. • The bill codifies a Supreme Court ruling that a mayor does not have a supervisory role over a municipal court judge.
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**¹ – 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.”

¹Not accounting for any offsetting ‘hold harmless’ distributions

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

Entity	FY26	FY27	FY28	FY29
Total Local Govt Impact	(\$83.5 - \$102.1 mil)	(\$86.8 - \$105 mil)	(\$90.2 - \$108 mil)	(\$93.8 - \$111 mil)
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.