



LEGISLATIVE BULLETIN

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PAST THE 50 PERCENT MARK

We are now past the midway point of the Legislative session, and past the bill introduction deadline. Debate is likely to intensify on crafting major law enforcement and tax legislation, and we're likely to start seeing longer, more contentious debates on the House and Senate floors about hot-button legislation. Today saw a hearing in the House Tax Committee on one of our top legislative concerns, House Bill 367 (anti-pyramiding). The bill was tabled, and thanks in large part to strong Municipal League participation, we think that the anti-pyramiding measure is dead for now, at least in its current, harmful format.

The public comment period on the bill saw many of our local elected officials and others expressing their concern about the significant negative fiscal impacts of the “anti-pyramiding” provisions of the bill. Initial estimates of the impact suggested a hit to local governments of \$70 million to \$110 million, and we were able to share our estimates of the impact on a number of municipalities. Thanks to everyone who showed up!

HB367 also includes a provision to reduce the statewide gross receipts and compensating tax rates to 4.625 (the GRT rate is currently 5 percent and scheduled to decrease to 4.875 percent on July 1). However, the decrease in the statewide rate would not affect municipalities, which would still receive 1.225 percent of taxable gross receipts.

The House and Senate Tax committees continue to table most tax bills for now, with the intent of developing an “omnibus” bill that includes provisions from a number of individual bills. Based on the HB367 hearing today, we feel reasonably confident that the damaging anti-pyramiding measure will not make it into the omnibus tax bill – but of course, we’ll continue to stay on top of the debate and let you know if anything changes.

The House passed House Bill 2 (the General Appropriation Act), after several hours of debate on Thursday. The current version of HB2 appropriates \$9.43 billion in recurring general fund monies for FY24, representing a 12 percent increase from the FY23 budget. Major spending hikes in the bill include increases of \$330 million, or 8 percent, for K-12 education; \$80 million, or 8 percent, for higher education; \$135 million, or 69 percent, for early childhood care and education; and \$242 million, or 20 percent, for Medicaid. The bill also provides an average pay increase of 5 percent for state employees, as well as additional targeted pay increases for certain roles.

HB2 includes approximately \$924 million in one-time general fund appropriations, including \$40 million for law enforcement, \$40 million for recreation centers, \$50 million to match federal alternative energy investment, \$20 million for higher education building renewal, and \$230 million for state and local roads.

General fund reserves remain at 30 percent. HB2 includes approximately \$1 billion in spending for tax code changes.

As we mentioned in last week's bulletin, we expect to have a better idea of the amount of funding available for priorities outside of HB2, now that the bill has passed the House. Once the Senate Finance Committee hears HB2, that committee will ramp up hearings on other bills with general fund impacts, including several League priority bills.

The deadline for new bill introductions was yesterday. However, legislators may still introduce bills addressing "public peace, health, safety and welfare," sometimes referred to as "dummy bills." These bills are intended to account for the need to address urgent issues, even after the introduction deadline, although they sometimes include provisions from bills that have previously died in committee.

Thank you to everyone who joined our Municipal Day events today!

Municipal League Priority Legislation

- Senators Burt and McKenna filed **Senate Bill 409** this week. SB409 **supports public safety agencies' implementation of the statewide public safety radio network** through an appropriation to the Department of Information Technology to cover agencies' subscriber fees. SB409 provides funding for subscriber fees for municipal, county, and tribal public safety agencies that provide law enforcement, fire, medical, or other emergency services

The statewide network provides communications for local, state, tribal, and federal users, and is intended to reduce duplication of services and costs. However, monthly fees can be prohibitive, especially for smaller agencies. SB409 does not require agencies to sign up for the DTRS network, but removes a barrier for agencies that wish to join, encouraging wider adoption.

Key legislative session dates:

Opening day (noon): *January 17*
Deadline for introduction: *February 16*
Session ends (noon): *March 18*
Legislation not acted upon by governor is pocket vetoed: *April 7*

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.

SB409 will be heard first by the Senate Health and Public Affairs Committee, but has not been scheduled yet.

- **Senate Bill 184** (Senators Kernan and Gonzales), which adjusts distributions of the motor vehicle excise taxes to **direct an additional \$140 million or more annually to state and local road funds**, will be heard in Senate Tax on Tuesday. *See briefing sheet for SB184 on page 5.*
- **Senate Bill 250** (Senator Burt), which **increases the firefighter survivors' benefit to \$1 million**, passed unanimously in SHPAC on Monday. We were pleased to see legislators recognize the importance of aligning the firefighters survivors' benefit with that of law enforcement. SB250 will be heard next in SFC.

- **Senate Bill 104** (Senator Munoz), **providing \$314 million in funding for airport improvement projects statewide**, previously received a unanimous “do pass” recommendation Senate Tax, Business and Transportation Committee. The committee voted to pass a committee substitute version of the bill (which increased the total funding by approximately \$5 million and also made the funds available in FY23 instead of FY24). The bill goes next to the Senate Finance Committee.

Tuesday is **Aviation Day at the Roundhouse**; a great opportunity to communicate the importance of local airports to our communities.

- **Senate Bill 23** (Senator Campos), which **increases EMS funding for statewide emergency services** from approximately \$2.9 million to \$12.9 million, previously passed unanimously in the Senate Health and Public Affairs Committee. The bill goes next to the Senate Finance Committee.

Other Relevant Legislation

- We were disappointed to see the **House Government, Elections and Indian Affairs Committee vote to table House Bill 265** (Representative Tara Jaramillo), which proposes a \$1 per-vehicle fee at state parks to support funding for local roads that provide access to the parks. We believe this bill could help offset some of the costs that cities incur to maintain, repair, and construct roads that see heavy traffic from state park visitors. We’ve communicated our support for HB265 and we hope legislators will reconsider the need for this funding source.
- We opposed **House Bill 241** (Representative Cates), which **prevents local governments from issuing permitting for housing of 12 units or more, unless a covenant requires at least 55 percent of units to be owner-occupied**. We felt this was an infringement on local zoning and planning process, and could also restrict the supply of rental properties statewide. The House Consumer and Public Affairs Committee tabled the bill this week.
- Several of our members have expressed concerns about **House Bill 24** (Representative Garcia). The bill’s title suggested it could **shift some financial responsibility, as well as liability, for sidewalk repair onto municipalities**. However, the bill’s language is confusing and ambiguous, and it is unclear what the sponsor’s intent is. HGEIC passed the bill with no recommendation during the second week of the session, and there has been no movement since. We will continue to monitor HB24 to ensure it doesn’t contain any harmful provisions for cities.
- The House Commerce and Economic Development Committee voted this week to table **House Bill 28** (Representative Garcia), which proposes **indexing the state’s minimum wage to the consumer price index**. Another minimum wage bill, **House Bill 25** (Representative Chandler), **raises the minimum wage to \$15.50 by 2025 and would also index future increases to CPI**. HB25 will be heard in HCEDC on Monday.
- The League has not taken a position on **Senate Bill 11** (Senator Stewart and others), which **establishes a 12-week Paid Family Medical Leave (PFML) benefit for nearly all workers in the state, including municipal employees**. The bill requires employee contributions of 0.5 percent and employer contributions of 0.4 percent of wages into a PFML fund. Benefits for employees taking eligible leave would be paid out of the fund. For now, we are monitoring the bill and developing estimates of the potential fiscal impact to cities. SB11 passed the Senate Tax Committee last week and is awaiting a hearing in Senate Finance.

How a Bill Gets Passed in the New Mexico State Legislature

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, few bills make it all the way to enactment. The historic trend in the state 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, Acequias 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 – Rural Development, 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 – Committees' 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 184: Directing Motor Vehicle Excise Tax Distribution to Road Funds

Senator Gay Kernan, Senator Roberto "Bobby" Gonzales

SB184 directs 100% of Motor Vehicle Excise (MVE) Tax to road funds to invest strategically and ambitiously in statewide road infrastructure

- SB184 directs all MVE tax revenues to road funds:
 - 60% to the State Road Fund
 - 40% to the Transportation Project Fund
- Currently, 59% of MVE revenues go to the General Fund, 22% to State Road Fund, and 19% to the Transportation Project Fund
- MVE taxes are projected to generate approximately \$230 million in FY23, with \$90 million going to road funds
- Changing the distribution would direct over \$140 million in additional revenues to the road funds annually
- Motor vehicle excise tax revenue is a relatively stable and growing revenue source, making it a more favorable funding source for roads than gasoline tax (a flat \$0.17 per gallon)

Fund	Existing	Proposed
General Fund	59%	0%
State Road Fund	22%	60%
Transportation Project Fund	19%	40%

New Mexico's roads are in critical need of increased investment

- Approximately 56% of the state's major roads and highways are in poor or mediocre condition
- New Mexico has over \$5 billion in unfunded project backlogs¹
- The LFC recently stated that growth in the state road fund has been slow and revenue is insufficient to meet construction and maintenance demands, and persistent underfunding has led to the need for both recurring and nonrecurring appropriations to pay for maintenance and construction statewide

Overview of Road Funds

- The **Transportation Project Fund** was created in 2019 and provides funding for municipal, country, and tribal projects including planning, design, construction, and right of way acquisition for highways, streets, roadways, bridges, crossing structures, parking facilities, and certain other transportation infrastructure
- The **State Road Fund** is used to match federal funds for construction, as well as pay for most road maintenance activity of state roads

Inadequate road funding has a direct impact on New Mexicans' finances, especially for lower-income New Mexicans²

- New Mexico's poor road quality costs drivers over \$2,000 annually, over 4 percent of median household income
- Poor roads have a disproportionate cost to lower-income New Mexicans, with costs to low-income households representing nearly 9 percent of annual income

¹ Source: TRIP Report, 2022

² Source: TRIP Report, 2022