



LEGISLATIVE BULLETIN

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HISTORIC REVENUES, ROUND TWO

The First Session of the 56th Legislature opened on January 17. The Legislature convenes for a 60-day session amidst a second year of historic funding levels, with nearly \$3.6 billion of “new money” for the General Fund. Bills focusing on tax cuts and tax rebates, public safety funding and reform, and infrastructure investments are likely to receive significant attention during the session. The record-breaking revenues offer a real opportunity for long-term, transformational change in the state. However, needs are great, and legislators will differ in how and where to invest the money for lasting change.

The New Mexico Municipal League is supporting several bills focusing on public safety and local infrastructure investment that would bring significant benefits to communities statewide.

Budget Outlook. Recurring General Fund revenues are expected to reach nearly \$12 billion in Fiscal Year 2024, including close to \$3.6 billion of “new money” (projected recurring revenue for the coming fiscal year minus current year recurring appropriations). The strong revenue growth is due to robust consumer spending, high inflation leading to increased tax receipts, and high oil and gas prices. Reserve levels are strong as well, with reserve balances estimated at 62.2 percent of recurring appropriations for the end of FY23.

Legislative and Executive Priorities. Both the Executive and LFC budgets represent significant spending increases over last year. The two budgets are close, calling for approximately \$9.4 billion in spending, a 12 percent, or \$1.4 billion increase over last year. LFC budget priorities include \$109 million to expand prekindergarten, \$80 million to backfill Medicaid spending, \$58.6 million for behavioral health programming, and average pay raises of 5 percent for state and education employees, as well as additional targeted salary increases for certain roles, including university faculty, judges and other judicial staff, child protective services employees, and forensic scientists.

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

In addition to passing a budget, other legislative priorities likely to be a focus of the 60-day session include tax code changes, criminal justice and public safety (issues like pretrial detention, law enforcement training, and gun control measures), codifying the right to abortion, and addressing mental health issues and housing affordability.

Both the LFC budget and the executive budget call for \$1 billion in tax rebates and other tax code changes, including a reduction in the GRT rate and deductions on business-to-business transactions for professional services industries. A reduction in the state GRT rate would not have a direct impact on cities, as the cut would come out of the state's share, not cities' share. However, we anticipate seeing a moratorium on local governments enacting new GRT increments, as part of the GRT rate reduction proposal. As you may recall, local elected officials expressed strong opposition to this proposal last year, given that it curtails the authority of elected officials, and also severely infringes on the rights of voters, who have authority to vote on enacting tax rates of up to 0.45 percent. This authority is used rarely – but when it is used, it means that voters have identified a critical funding need in their communities.

The Municipal League also has serious concerns about the proposed GRT deduction on business-to-business transactions. We have not seen a bill yet; however, a 2022 bill proposing deductions for professional services companies (House Bill 207) had an estimated negative fiscal impact of up to \$120 million for local governments. This level of revenue loss is concerning, especially for cities with a heavier concentration of professional services. From a revenue loss perspective, this would be one of most damaging proposals for cities since the food tax deduction, and could severely impact cities' ability to pay for public safety, employee salary raises, basic service provision, and other critical needs.

Infrastructure and Capital Outlay. Given the record-breaking General Fund revenues this year, legislators appear likely to make significant investments in infrastructure and local capital projects, including roads, airports, water systems, and broadband. Legislators have expressed an intent to fully fund projects to avoid the “piecemeal” funding approach that has hindered project completion in the past. At the same time, the Senate Finance Committee has indicated it will closely scrutinize existing projects making inadequate progress towards completion, noting the \$3.5 billion in outstanding capital funds across the state.

Municipal League Priority Legislation. The League is supporting several key bills in the 2023 session:

Senate Bill 23 supports statewide EMS services by increasing the EMS Fund Act appropriation by \$10 million, addressing the funding challenges facing EMS services statewide. Currently, approximately \$2.9 million is distributed annually through the formula, which is insufficient to support critical emergency response services across the state. *Senator Campos*

SB 23 will be heard in the Senate Health and Public Affairs Committee on Monday, January 23.

A Senate bill (no number yet) increases the firefighter survivors' benefit to \$1 million, aligning with the peace officers' survivors' benefit, and better covering the loss of income and retirement benefits for families of fallen firefighters. *Senator Burt*

A Senate bill (no number yet) 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. The network provides for reliable, statewide interoperability for public safety agencies, but subscriber fees are a barrier to widespread adoption. *Senator Burt*

A Senate bill (no number yet) directs a greater share of Motor Vehicle Excise Tax revenues to invest in statewide road infrastructure by directing 60 percent of revenues to the State Road Fund and 40 percent to the Transportation Project Fund (which provides funding for municipal, county, and tribal projects). Currently, 60 percent of revenues go to the General Fund. The distribution shift represents an additional \$140 million or more

annually for the road funds. New Mexico's road infrastructure is chronically underfunded, with 56 percent of major roads and highways in poor or mediocre condition. *Senator Kernan*

Senate Bill 104 invests state funds strategically in local airport infrastructure. The bill invests \$309 million in General Fund monies in airport infrastructure projects, prioritizing communities' top airport projects as identified through the Department of Transportation's Airport Capital Improvement Plan (*see bill appropriations by airport on next page*). Airports provide critical services for local communities, such as firefighting and law enforcement support, medical services, and support for tourism and economic development. However, New Mexico's airports lack an adequate funding source, leaving many backlogged projects. The bill includes safeguards to ensure timely expenditure of funds, by fully funding projects and requiring fund reversion of unspent monies after four years. *Senator Munoz*

Senate Bill 104 – Appropriations by Airport

Associated Municipality	Facility Name	Total Project Amounts
Alamogordo	Alamogordo-White Sands Rgnl	\$ 15,545,407
Albuquerque	Double Eagle II	\$ 6,606,424
Angel Fire	Angel Fire	\$ 1,779,102
Artesia	Artesia Municipal	\$ 8,716,444
Aztec	Aztec Municipal	\$ 1,577,777
Belen	Belen Regional Airport	\$ 3,708,700
Carlsbad	Carlsbad - Cavern City Air Terminal	\$ 5,966,610
Carrizozo	Carrizozo Municipal	\$ 1,523,111
Clayton	Clayton Muni Arpk	\$ 1,212,222
Clovis	Clovis Regional Airport	\$ 37,086,507
Conchas Dam	Conchas Lake	\$ 341,667
Crownpoint	Crownpoint	\$ 1,908,000
Deming	Deming Municipal	\$ 962,222
Dulce	Jicarilla Apache Nation	\$ 2,038,500
Espanola	Ohkay Owingeh	\$ 6,746,977
Farmington	Farmington Four Corners Regional	\$ 13,615,334
Fort Sumner	Fort Sumner Muni	\$ 2,911,110
Gallup	Gallup Muni	\$ 23,370,437
Grants	Grants-Milan Muni	\$ 5,519,944
Hatch	Hatch Muni	\$ 3,049,805
Hobbs	Hobbs - Lea County	\$ 22,293,829
Jal	Jal - Lea County	\$ 2,955,197
Las Cruces	Las Cruces International	\$ 17,599,501
Las Vegas	Las Vegas Muni	\$ 1,226,444
Lordsburg	Lordsburg Muni	\$ 1,377,500

Los Alamos	Los Alamos County	\$ 1,164,444
Lovington	Lovington - Lea County- Zip Franklin Memorial	\$ 2,270,554
Magdalena	Magdalena	\$ 2,008,333
Moriarty	Moriarty Municipal	\$ 2,578,940
Navajo Dam	Navajo Lake	\$ 150,000
Portales	Portales Muni	\$ 2,947,222
Questa	Questa Municipal 2	\$ 722,000
Raton	Raton Muni Crews Field	\$ 5,043,143
Reserve	Reserve - Catron County	\$ 1,785,000
Roswell	Roswell Air Center	\$ 51,372,854
Ruidoso	Ruidoso - Sierra Blanca Regional	\$ 9,629,444
Santa Fe	Santa Fe Municipal	\$ 4,492,944
Santa Rosa	Santa Rosa - Route 66	\$ 2,886,444
Santa Teresa	Dona Ana County Intl Jetport	\$ 1,895,444
Shiprock	Shiprock Airstrip	\$ 5,673,222
Silver City	Silver City - Grant County	\$ 3,044,444
Socorro	Socorro Municipal	\$ 3,597,616
Springer	Springer Municipal	\$ 4,366,666
Taos	Taos Municipal	\$ 772,000
Tatum	Tatum Airport	\$ 22,222
Truth Or Consequences	Truth Or Consequences Municipal	\$ 3,601,446
Tucumcari	Tucumcari Municipal	\$ 1,725,716
Vaughn	Vaughn Municipal	\$ 2,934,222
Zuni Pueblo	Zuni	\$ 4,672,000
Grand Total		\$ 308,995,094

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