

Legislative Round Up

56th Legislature, Second Session

Wednesday, February 7, 2024

Day Twenty-Two

Welcome to the Legislative Roundup, your update on the most important news from the Legislature

In Committees



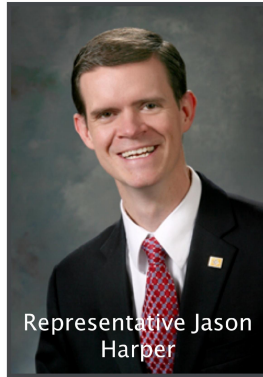
Competing Liquor Tax Bills Postponed Today

Chair Derrick Lente (D-Rio Arriba, Sandoval and San Juan) declared today "alcohol day" in the House Taxation and Revenue committee, devoting nearly four hours to hearing two competing proposals dealing with liquor taxation. Both bills were held over until Friday when the committee will finish discussion and vote on the disposition of the bills.

The first, HB 179, sponsored by Representative Joann Ferrary (D-Dona Ana) and others was previously approved by the House Health and Human Services Committee. The bill proposed whopping tax increases as reflected in the chart below:

Type	Current	New	Percent Increase
Beer	\$0.41 per gallon	\$3.08 per gallon	651%
Wine	\$0.45 per liter	\$2.14 per liter	376%
Spirits	\$1.6 per liter	\$7.24 per liter	353%
Cider	\$0.41 per gallon	\$3.08 per gallon	651%
Fortified wine	\$1.5 per liter	\$3.92 per liter	161%

A committee substitute cut the whopping increases in half leaving them as merely enormous. HB 179, when boiled down to its essence, has two main goals: reduce alcohol consumption by increasing the price (price elasticity effects) and raise funds to expand prevention and treatment programs.



Representative Jason Harper

As to the first goal, tax guru Representative Jason Harper (R-Sandoval) dispelled the assertion that price increases would reduce consumption. In the original bill, the estimated reduction in consumption due to price elasticity was 10%. Harper pointed out that the data supporting this assertion was tenuous and elasticity doesn't follow a straight line. He pointed out that if it did, then the increases proposed in the bill would lower spirits consumption by 85%, not a likely outcome. Oregon dramatically increased liquor taxes, which had no measurable impact on consumption.

As with cigarette smoking cessation, change in attitude moved consumption more than taxation. It's no longer "cool" to smoke - you have to change the attitude on drinking in the same way. Harper's analogy was, "If you have an outbreak of polio, the solution isn't to send a truckload of crutches, it's to find a vaccine." Harper's concern is that those most reliant on alcohol will simply pay the higher prices, perhaps taking away from feeding their families. Or, they may substitute other substances or enter an alternative market (some of the most affected areas are real close to the Arizona border, for example or a black market may emerge). Representative Ferrary seemed to back away from this argument being key to the bill rather, providing funding for programs is the primary goal.

Program Funding

The "slimmed down version of the bill would still raise about \$125 million per year - current liquor taxes produce about \$50 million (half goes to prevention and treatment, the other half to the general fund). While all acknowledge that New Mexico has an alcohol abuse problem and that additional program funding is needed, the question is how to get there effectively. Given that only \$25 million per year is going to programs, raising the amount by nearly five times (\$125 million) raises concerns about how the money can be used effectively.

Currently, there is a significant shortage of behavioral health staff and there are sparsely located treatment facilities, especially in rural areas of the state where some of the bigger problems exist. Harper and others suggested that a more reasonable starting place is to dedicate all \$50 million of liquor taxes to prevention and treatment, which would double the funds available. "Let's see how far that moves the needle and then go from there," Harper stated.

What supporters say

Supporters of the measure, a variety of health care advocates, quite properly point out the severity of the problem, which includes economic loss to the state in the form of lives, abuse, lost

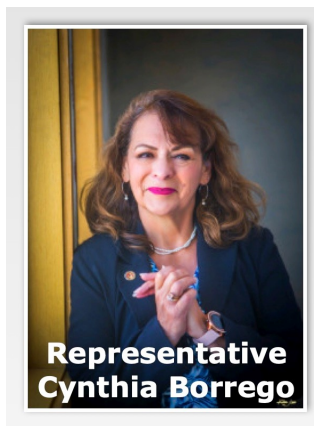
wages, health care costs, etc. New Mexico is first in the nation in alcohol related deaths. There is often a tremendous adverse effect on families through loss of income and abuse of family members.

What opponents say

Opponents argue that heavy taxation penalizes responsible drinkers and that New Mexico taxes are among the highest in the country already. This bill would place New Mexico as the highest, not good tax policy. Restaurateurs and convenience store operators say they're struggling with inflation and high costs already, adding additional cost is detrimental to their businesses and customers.

Chamber position

J.D. Bullington testified in opposition to the bill on behalf of the Chamber. J.D. acknowledged the severity of the problem but disagreed with the approach of HB 179. "The bill affects both responsible and irresponsible people alike, that's not a good approach," he said. J.D. also pointed out that the taxes would be increased every year based on the CPI taking the Legislature's authority away and adding to the inflationary spiral.



Hitting the Nail on the Head

Since the heaviest drinkers pay the most in taxes and this would deepen under HB 179, Representative Cynthia Borrego (D-Bernalillo) came up with not only the quote of the day but hit the nail on the head when she said, "Why are you taxing the people with the addiction? Why don't you just spend the money to help them?" Drop the mic and walk away.



Another Approach: HB 213

Sponsored by Representatives Micaela Lara Cadena (D-Doña Ana), Derrick Lente (D-Rio Arriba, Sandoval and San Juan), Cristina Parajon (D-Bernalillo) and Joshua Hernandez (R-Sandoval), this bill does not increase liquor taxes. It proposes two main policy changes: move the tax from the wholesale level (distributors now pay the tax) to the retail level and retain all \$50 million in current liquor taxes for prevention and treatment programs.

The logic for moving the tax to the retail level is so that consumers can see the tax and it also makes the tax proportional to the value of the beverage consumed so that higher priced drinks

pay higher taxes and lower priced, lower taxes, which works to make this otherwise regressive tax more progressive.

The bill would also change how the funds are distributed starting with sending half of the money (\$25 million) to be used to match Medicaid funding. Of the remaining \$25 million, \$500,000 is to be used by the Indian Affairs Department to do a thorough demographic analysis of alcohol consumption in the state. Of the remaining funds, 40% goes to local government programs (under a new distribution formula) and the remaining 10% goes to the Indian Affairs Department to support local programs providing services to native populations.

This proposal was supported by the New Mexico Association of Counties but opposed by retailers and restaurateurs who stated that many small businesses lack the technology to add an additional retail tax. And, depending on how it's applied on a credit card transaction, retailers could lose money as this could increase the merchant credit card fee. Moreover, adding additional costs is not helpful as businesses recover from Covid and inflation.

J. D. Bullington also opposed the measure on behalf of the Chamber pointing out that this issue is just too complex to deal with in a 30 day session. Both Representatives Christine Chandler (D-Los Alamos, Sandoval and Santa Fe) and Jason Harper (R-Sandoval), both knowledge tax pundits but often on opposite sides of tax policy, echoed that sentiment. They'd both like to see a deep dive interim study where alternatives can be compared and explored.

Where from here?

As mentioned earlier, the committee will have further discussion on Friday and then decide what to do with the bills. Our money is on referring these bills to interim study - it's where they belong as there are so many unknown and potentially unintended consequences. It's telling, in our view, that liquor tax increases aren't in the House tax package as they were last year. Unless the Senate plans on tackling this issue as they work on the tax package, we just don't see it happening. We'll see on Friday if we called it correctly.



Green Amendment Gets Bipartisan Tabling

This morning the Senate Rules Committee voted 6-4 to table Senate Joint Resolution 8, short title Environmental Rights and better known among advocates as the Green Amendment, with two eloquent statements against the need for the legislation coming from veteran Senate Democrats.

Senate Pro Tem Mimi Stewart and Sen. Gerald Ortiz y Pino (both D-Bernalillo) have decades of experience watching laws get crafted, drafted, passed or killed. Stewart was in the House from 1995-2014 and has been in the Senate since then; Ortiz y Pino took his Senate seat in 2005. Each knows more than a thing or two about what has worked and what hasn't, what's needed and what isn't.

And based on today's hearing, SJR 8 falls firmly into the latter categories in their, and their Republican colleagues', opinion. Rules Committee Sens. Greg Nibert (R -Chaves), Gregory A. Baca (R-Bernalillo and Valencia), Mark Moores (R-Bernalillo) and Cliff R. Pirtle (R- Chaves, Eddy and Otero) all voted to table as well. (Chair Sen. Katy M. Duhigg, D-Bernalillo and Sandoval, cited a conflict of interest and recused herself from the vote.)

The proposed constitutional amendment, sponsored by Sens. Antoinette Sedillo Lopez and Linda M. Lopez (both D-Bernalillo) and Shannon D. Pinto (D- McKinley and San Juan) and Reps. Joanne J. Ferrary (D- Doña Ana) and Patricia Roybal Caballero (D-Bernalillo, drew passionate if misinformed testimony in support. One went so far to claim the threat of lawsuits from the legislation was "obtuse" and "patently false," and another to advise "our house is on fire" and passing the amendment was the only way to douse the flames.

But don't just take the Chamber's word that this amendment, if it were to go to, and be approved by, New Mexico voters, would establish a new cottage industry for plaintiffs' attorneys, leaving state taxpayers with the tab. The New Mexico Municipal League testified to "vexatious litigation" in Montana, New York and Pennsylvania after similar legislation was adopted there and gave examples of lawsuits over seasonal allergies and unpleasant odors.

This was the primary concern voiced by Stewart and Ortiz y Pino. Stewart explained that while her history of bill sponsorship speaks to her concern about the environment, she is at the point where she simply does not "want to see a lot of court cases" when existing law addresses the concern. She cited the ongoing Yazzie-Marinez education lawsuit that "we can't get out" from under and shared she has "less faith in the court system" to right wrongs than the bill sponsors. Her bottom line? "We don't really need this." And Ortiz y Pino asked Sedillo Lopez to drill down to what her bill would actually do; when she responded "change behavior," Ortiz y Pino said there is already available language to do that in state law, that new language that passes off legislative responsibilities to local governments isn't much of a solution, and "the only mechanism here is more lawsuits."

As the Chamber shared in written testimony, just listen to the state Energy, Minerals and Natural Resources Department, the Department of Game and Fish, and the State Land Office. All agree the changes recommended in SJR 8 will result in an untold number of lawsuits that will force state agencies to spend their time, personnel and funding defending their enforcement, permitting and other regulatory actions -- instead of enforcing, permitting and regulating activities that affect our air, water and land.

Other opponents testifying this morning included the Interwest Regional Alliance (the trade association for wind, solar, geothermal, storage and transmission), a transmission line developer, a representative of farmers and ranchers, the New Mexico Federation of Labor (which represents 40,000 working men and women) and El Paso Electric. The El Paso Electric representative said that as an employee of the utility, which serves El Paso and Las Cruces, he was happy to supply new customers in either state, but as a New Mexican he was "tired of watching projects go over the state line."

So are we. The Chamber agrees with the sponsors that clean air, water and land are essential to New Mexicans. What's more, they are essentially New Mexico. They are major factors in why we all choose to live here, and why so many people choose to visit here. But SJR 8 will not protect our air, water and land – in fact it would put them at greater risk.

These lawsuits will very well put state land leasing in jeopardy (a key source of state revenues) when the Land Office already strives to strike a balance with leasing that generates income for beneficiaries while protecting the air, water and soil. Game and Fish raises the concern that SJR 8 conflicts with the pollution control amendment, which again strives to balance controlling pollution with developing resources, and will set off yet another court battle. And the Attorney General's Office posits that under SJR 8's language only local and state governments could be held responsible, meaning bad actors in the private sector get a free pass.

And while she voted against tabling, committee member Sen. Elizabeth "Liz" Stefanics (D-Bernalillo, Lincoln, San Miguel, Santa Fe, Torrance and Valencia) hit upon the real solution when she said our state agencies entrusted with safeguarding our air, water and land are understaffed and underfunded.

We applaud her sentiment, and the foresight and pragmatism of the six senators who voted to table SJR 8. Adequately funding and staffing our state agencies entrusted with protecting our air, water and land is a real solution; tying up their resources with civil lawsuits is not.



Lawmakers Take a Pass on Repeat Offenders

Wednesday night the Senate Judiciary Committee opted against cracking down on those who commit a serious crime while on pretrial release for a felony. The proposal, Senate Bill 271 as amended, sponsored by Sen. Daniel A. Ivey-Soto (D-Bernalillo), would have targeted an individual's "upstream crime" and was tabled on a 7-4 vote.

Ivey-Soto, an attorney, said his proposal passes Constitutional muster and as amended respects the Supreme Court's role to set out rules as well as a "harmonious separation of powers." But he was adamant something needs to be done to stop the repeat offenders that are responsible for an outsized amount of the crime plaguing our state.

The New Mexico State Police agreed and testified in strong support of the bill, explaining that "it gets to the individuals we see as the drivers of crime in the community." They explained what happens when someone is arrested and released, and learns from their mistakes (but not in a good way). "The crime they committed this week is better than the one they committed last week, in great part because they are now familiar with law enforcement's response and tactics."

D'Val Westphal with the Chamber testified that "if a defendant shows the court they have so little respect for the conditions of their pretrial release that they violate them by committing another serious crime, they should lose the privilege of awaiting trial without maximum supervision. No excuses. They've proven their detention is necessary to keep the community safe. It's also in their best interest – why would we set someone, who has shown they will reoffend, up to fail by handing them the opportunity to rack up more and more charges? That's the lose-lose scenario we're now living with and what this bill addresses. The Chamber is in full support of this common-sense bill that puts reasonable consequences in place for defendants who won't (or can't) learn from their mistakes."

Arthur Peppin, director of the Administrative Office of the Courts, testified in opposition, saying rules will be coming from the court that address the issue and so the committee should continue to let defendants be presumed innocent until convicted.

That's not the point. As crafted, SB 271 convicts no one; it looks at the violation of conditions of release (and as Ivey-Soto explained, top of the list is "do not commit another crime").

Sen. Katy M. Duhigg (D-Bernalillo and Sandoval), also an attorney, said if the law will be moot by the time it takes effect, lawmakers should focus on other things. Senate President Pro Tempore Mimi Stewart (D-Bernalillo) heralded Ivey-Soto as ahead of his time in beating the court rules and he "should take that as a win."

Chairman Joseph Cervantes (D-Doña Ana), another attorney, agreed, saying the constitutional amendment that tackled bail reform prompted the discussion and subsequent blaming of the

Legislature, but that repeat offenders are generally an “Albuquerque problem,” not a statewide problem that requires a new state law. “Albuquerque accepts this way of living. I don’t understand why Albuquerque accepts living this way.” He cited the Metro area’s low jail population and high crime as something that needs to be discussed, and did acknowledge that despite the AOC maintains people on pretrial release do re-offend, it’s just that many do not get caught.

And with SB 271 going down, it looks like that’s going to continue. We and all New Mexicans sick of the crime plaguing our state eagerly await those court rules to see if they indeed will turn things around.



School Board Training, Transparency Sail Through House Ed

The House Education Committee voted unanimously, 12-0, this morning to advance Senate Bill 137, short title School Board Training, to the House Judiciary Committee.

Sponsored by two career educators - Senate Pro Tem Mimi Stewart (D-Bernalillo) and Sen. William P. Soules (D- Doña Ana) – the Chamber believes SB 137 is a smart, and long overdue, measure to increase the training we give to our school board members and the transparency we require them to abide by. Too often well-intentioned individuals run for school board positions, win, and then are underprepared to handle -- and overwhelmed to deal with -- the responsibilities put on their plate. That’s frustrating for board members, and it shortchanges our students, parents and taxpayers.

SB 137 will ensure school board members get annual training via a new requirement of 10 training hours for new school board members and charter school governing board members. More specifically, the bill breaks down what core fundamentals that training should cover: two hours each of ethics and school personnel, public school finance, open meetings and public records, governance and supervision, and student achievement and support services. Established board members stay current with five hours of training each year.

The bill also places a strong emphasis on transparency, requiring all board members to disclose any individuals or organizations that contributed more than \$1,000 to their campaign, and requiring public reporting on which board members haven’t completed the necessary training. Even more importantly for the community, the bill would mandate board meetings be webcast, recorded and archived for at least two years for people to watch at their convenience/as needed.

An earlier amendment also prohibits the board from terminating a district superintendent without cause or extending their contract within 60 days of a new board member swearing in. This is to ensure any new board members have time to learn the ropes before making such an important decision.

The committee's unanimous vote was reflected in the in-person and online testimony; not a word was spoken in opposition. Groups as diverse as the Public Education Department, the New Mexico School Board Association, the American Federation of Teachers New Mexico, Public Charter Schools of New Mexico, Teach Plus New Mexico, Think New Mexico and the New Mexico Foundation for Open Government joined in support of the bill. Many of these stakeholders were involved in the development of the bill last year, long before it received a unanimous endorsement from the Legislative Education Study Committee. It's a thoroughly vetted piece of legislation that will strengthen our local education boards to ensure they can lead their districts and charter schools to achieving even more.

It is the Chamber's view that leadership matters, and it starts at the top. Local school boards set the tone for our district administrators and our principals, who lead schools of hundreds, sometimes thousands, of kids. This bill will help board members attain the skills they need.

Chamber Executive Vice president D'Val Westphal testified in person that "SB 137 is simply about giving those folks who are willing to step up and serve on our school boards the support and training they need to do a great job, and providing the transparency required so parents and community members can be involved in the system."

Here's to more unanimous support as the bill moves forward.



Retirement in the Land of Enchantment Could Be Getting More Appealing

New Mexico could be taking more steps to reduce tax burdens on retirees.

House Bill 248, sponsored by Cathrynn Brown (R-Eddy and Lea) would eliminate the cap on the exemption of Social Security income from personal income tax. This cap currently sits at \$75,000 for married individuals filing separately, \$150,000 for married couples filing jointly, and \$100,000 for single individuals in New Mexico statute. The federal government's recent increase of Social Security distributions have created a cliff effect for New Mexico retirees – where income tax cuts into their income at a higher rate now that they've "leveled up."

Brown also pointed out that Social Security is taxed when it's withheld from residents' paychecks – it doesn't make sense to tax the payout too. "I think it's good policy not to tax income twice," she said simply.

Currently, New Mexico is one of just a dozen states that still taxes its retirees; all other states

have moved away from the practice.

The GACC showed support for the bill. Chamber SVP Sara Fitzgerald said, “This is more than just a break for seniors – though that is important. It’s also correcting the disincentive to relocate to New Mexico, created by being one of the last states to tax Social Security income. Removing the cap is also a win-win for employers and employees, because many vibrant people over the standard retirement age will no longer take a financial hit for participating in our workforce and contributing to our economy.”

The bill received a 7-1 Do Pass from the committee; vice chair Rep. Linda Serrato (D-Santa Fe) was the only no vote. HB 248 goes to the House Taxation and Revenue Committee next.



More Recruitment Funding to Grow Ranks of Law Enforcement

A bill making more investments into the recruitment of officers across the full spectrum of law enforcement is almost at its halfway point.

Senate Bill 175 is sponsored by Senator Joseph Jaramillo (D-Los Alamos, Rio Arriba, Sandoval and Santa Fe), who explained the simple bill appropriates \$35 million for the recruitment of state and local law enforcement officers, correctional officers, and probation and parole officers across New Mexico. The bill language also calls on the Department of Finance and Administration to establish criteria for distributing these funds to law enforcement agencies and other entities across the state.

The committee didn’t hear testimony on the bill, but here’s what we would have said:

“Swift and certain consequences to crime are key to deterring the criminal element in New Mexico. That goal can’t be accomplished without experienced and well-trained people on the job. This bill will help us recruit and retain law enforcement officers and we urge you to support it.”

After a quick amendment stripping out the appropriation (mostly a formality as the state budget gets finalized – don’t worry!), the bill passed on a quick 9-0 vote. SB 175 heads to the Senate



Keeping experience policing our streets

Wednesday night the Senate Judiciary Committee gave House Bill 193 a Do Pass, bringing New Mexico law enforcement agencies a step closer to being able to incentivize experienced officers to stay on with bonuses when they hit five, 10, 15 or 20 years of service.

Sponsored by Reps. Art De La Cruz and Meredith Dixon (both D-Bernalillo), HB 193 will give law enforcement officers a retention bonus – up to 5% of their base salary – when they finish another year of service at those five-year benchmarks. And, for those true veteran officers with more than 21 years of service, they can receive up to 5% of their base salary each year in retention bonuses. An earlier amendment specifies the officer has to stay at the same law enforcement agency to qualify for this benefit.

Another amendment adopted makes some technical fixes and removes the appropriation from the bill. The sponsors have said these extra disbursements, which will come from a separate fund called the Law Enforcement Protection Fund, are already in the budget.

The Greater Albuquerque Chamber of Commerce believes we need an all-of-the-above approach to combating the shortage of sworn officers in our communities, and that means recruiting new officers to our ranks AND holding on to our most seasoned officers.

Chamber Executive Vice President D'Val Westphal testified that “while the field and life experiences these officers bring to the job every day is invaluable, it is worth trying to put a dollar amount on it to hang on to our veteran law enforcement officers for as long as we can,” and to show our younger officers they can have a long, fulfilling and rewarding career where they are.

We urgently need more officers out on our streets to help make our communities safer – and if they bring years of experience that’s even better.

SB 193 is headed to House Appropriations and Finance next. Here’s to another hearing and floor session of support for New Mexico’s men and women in law enforcement and a quick trip to the governor’s desk.



Another Go at Return to Work

It's very gratifying to see the number of legislative proposals aimed at addressing the very real problem of public safety officer shortages whether that be on the streets, in the detention facilities or court rooms. And, let's not forget the investigators for the Children, Youth and Families Department that can also be very much in harm's way as they work to protect vulnerable children. Majority Leader Gail Chasey (D-Bernalillo) is sponsoring HB 236, which would allow front line retired public safety officers to return to work in agencies with a vacancy rate of 10% or more but only for three years. The House Judiciary Committee approved the measure by a vote of 5-2 sending it to the House floor.

The measure is designed to be a bridge that will allow local governments time to implement wage and working condition changes that will result in attracting people to the profession. Though typically opposed to measures such as this, labor unions came around on this bill seeing the tremendous need and being satisfied that this move will be only a short term fix. Chamber President and CEO Terri Cole expressed the chamber's viewpoint:

We've all read the headlines of how hard it is for our law enforcement agencies and jails to hire and retain officers. House Bill 236 offers a concrete, financial incentive to help encourage trained officers to return to work for three years – giving departments staff they need while shoring up their hiring and retention practices.

By allowing some PERA retirees to return to work and keep their pension benefit, this program has a real chance of increasing the number of experienced law enforcement and corrections officers in our state. And smart guardrails will ensure the pension fund is not adversely affected while eliminating any chance of abuse by early retirees simply looking to double dip.

HB 236 is designed to quickly deliver more officers to help keep our state safe. That's why we're here to encourage you to support it with a Do Pass. Thank you.



New Office of Housing Limpes Out of Committee

After more than two hours, the Senate Health and Public Affairs Committee narrowly passed a bill to create a new Office of Housing without recommendation. Senators Steven McCutcheon (R-Chaves, Eddy and Lea), Greg Nibert (R-Chaves), Gregg Schmedes (R-Bernalillo, Sandoval, Santa Fe and Torrance), and Gerald Ortiz y Pino (D-Bernalillo) voted against the measure; Senator Bill Tallman (D-Bernalillo) had voted against the bill in the first Do Pass motion, but voted to move it forward without recommendation.

Senate Bill 71, sponsored by Senator Michael Padilla (D-Bernalillo) would create a new Office of Housing to conduct strategic planning and goal-setting for housing statewide, track and publish data on trends, provide technical assistance to local governments, and support workforce housing development. It also calls for state agencies, the Mortgage Finance Authority, the New Mexico Finance Authority, and many other public entities to work with the new office.

The bill also appropriates a whopping half a billion dollars to start a Housing Trust Fund to support this work and two other bills that would require regional five-year affordable housing plans and fund affordable housing projects.

Padilla had a surprising expert witness with him in committee: Governor Michelle Lujan Grisham. Lujan Grisham said her passion for housing was motivated by the need she sees for an urgent solution to New Mexico's housing crisis. "We get hundreds of calls a week – hundreds – from families who are one minute away from being out on the streets," she said.

The Chamber stood in support of the bill this evening. GACC lobbyist J.D. Bullington told the committee, "Rent is sky-high, home values have priced out many buyers, including first-time buyers, and overall, there isn't enough housing to go around. This bill will help us understand and effectively address our state's problems in housing availability and affordability – and that, in turn, will help us fight homelessness as well." The New Mexico Chamber and builders' associations also expressed support, saying more supply is needed.

There were some doubts though too. Community advocates in housing and homelessness said they felt the proposal was duplicative; the resources in the bill could be invested in affordable housing.

Committee members took issue with the bill too. Sen. Bill Tallman (D-Bernalillo) told the committee people are more important than the organization or structure they work in – which is why he was opposed to Senate Joint Resolution 9's proposal to replace the Public Education Department secretary with an elected state board of education. Schmedes said this legislation approached things the wrong way. The problem is supply, he said, meaning the right solution isn't likely to be a simple reorganization of government resources.

The bill narrowly passed 5-4 on a Do Pass without Recommendation motion. It goes before the Senate Finance Committee next.



Opportunity Enterprise Act Could Grow to Include Housing

The Senate Health and Public Affairs gave a new funding source for housing construction a glowing unanimous vote to move it forward. House Bill 195 heads to its last committee in Senate Finance next.

In presenting the bill, primary sponsor Representative Linda Serrato (D-Santa Fe) started with the Opportunity Enterprise Fund, enacted in 2022 to fund new opportunities for economic development. Now with its first applications submitted – 33 applications, 43% of which were from rural communities, and all of which added up to \$33 million – program administrators have seen a pattern that shows an unmet need: funding for more housing.

HB 195 adds a housing fund to the act to help build housing that is affordable for middle- and low-income New Mexicans. The revolving fund would issue loans to housing development partners to address needs for residential and workforce development housing.

“This is really a finance program that’s designed to incentivize the private sector to move into this space,” said Serrato’s expert witness. In doing this, he continued, New Mexico can address its housing supply issue by building more “middle housing” – housing for people who aren’t eligible for affordable housing programs but that’s built to be sold below the market rate.

The GACC showed support in committee. Chamber lobbyist J.D. Bullington told the committee, “This bill is all about partnering with the private sector to create and expand affordable and workforce housing.” He added, “We need more housing and encouraging well-vetted partnerships with the private sector is a win-win.”

With a unanimous 7-0 vote, HB 195 heads into the home stretch for its last committee referral: Senate Finance.



Stalled Government Accountability Trust Moves On

This afternoon, a revamped version of a proposal to create a new trust passed its first committee.

House Bill 196, sponsored by House Appropriations and Finance chair Nathan Small (D-Doña Ana), was substituted in HAFC before passing out of the committee after two days of discussion. Small explained the when the Tax Stabilization Reserve reaches a certain threshold, the excess will be transferred to a new expendable trust. Originally, the bill contained criteria for pilot projects, with the goal of closely evaluating them for several years before “baking them into” agency base budgets. Small said the bill also prompts a top-to-bottom review of the Accountability in Government Act, in partnership with the executive.

The Chamber showed support at yesterday’s committee hearing, before the bill was rolled over. Chamber rep Sara Fitzgerald said, “We respect the LFC’s evidence-based program evaluation – it identifies programs that work and weeds out programs that don’t, so we can be responsible with taxpayer dollars.”

Committee members, especially Republicans, were disgruntled with the major changes contained in the substitute bill, and the short timeline. Their surprise at the appearance of the substitute yesterday prompted the pause so they could take some more time to review, and they suggested more time might be needed to get it right.

The bill passed House Appropriations and Finance and next heads to the House floor for final passage.

In the Senate



Weaker Graduation Requirements Passes Senate, Now Heads to Governor

A bill lowering graduation requirements passed the Senate by a vote of 40-0, sending it to the governor's desk next.

House Bill 171, sponsored by House Education Chair Andrés Romero (D-Bernalillo), proposes to change high school graduation requirements by effectively reducing elective credits and requiring school districts and charter schools to set two credits of requirements of their own. The bill also mandates districts and charters create graduate profiles, or locally-informed goals for competencies students should have, and develop Next Step Plans to help students identify their goals and plan to reach them. Ultimately, sponsors said, the bill aims to increase student engagement – and fight chronic absenteeism – by giving students more flexibility in choosing courses that align with their life goals.

However, these new requirements have some glaring omissions. First, the bill eliminates the requirement for Algebra II for graduation, a course that remains a basic prerequisite requirement for entrance at most higher education institutions and one of the state assessments for high schoolers. Eliminating this requirement means our students will be less prepared for a test that examines their overall college readiness, and for college itself. Students who try to make the switch to a college-bound track in their senior year, for example, won't be able to complete the course before college applications are due. (And students can already opt-out of Algebra II, so those who know they do not want/need the course can make that choice now).

Just as importantly, the bill lacks a requirement for students to complete a standalone course in financial literacy. It's a necessary skill, both for students on a college track AND for students who are learning a trade and might one day manage or run a business. In a state with a huge poverty problem, we should require our young people to understand – from an early age – how to manage money and set themselves up for financial stability and success.

Senator Martin Hickey (D-Bernalillo) offered a floor amendment during discussion of the bill that would have made financial literacy a standalone graduation requirement, but the measure was defeated by a vote of 19-22. During the debate of the amendment, Senator Antonio "Moe" Maestas (D-Bernalillo) stood in support and said, "This is a fundamental skill that every single student in the poorest state in the country should have." We couldn't agree more.

The bill now heads to the governor's desk for her to sign or veto.

In the House

factor apportionment.

- Provides a GRT deduction for installation of home modification equipment for Medicaid recipients (think grab bars, ramps, etc.).
- Provides GRT deduction to privately operated child care and kindergarten providers for sale of their services provided they are state licensed.

Republican Alternative



Republican Whip Representative Jim Townsend (R-Chaves, Eddy and Otero) presented a substitute bill, the heart of which would be to establish a flat 1% personal income tax rate for all New Mexico taxpayers. The reduction in revenues is estimated to be \$1.75 billion about one half of the "new money" available in FY 25. Townsend's argument in favor is that the Legislature should be helping to build families and the best way to do that is to put more money in the pockets, which they will spend on housing, food, education, investing and perhaps starting their own business. Townsend points out that under this Gubernatorial administration, general fund spending has increased 60%. He believes it's time to stop growing the government and growing families instead. He asserts further that this proposal will not result in cutting current spending.

As you might imagine, the majority party heartily disagreed. The point to "investments" made in education, transportation and public safety as reasons for the increased spending. Further, they argue that such a large reduction in revenue could set the Legislature up for a budget pratfall down the road, forcing significant budget cuts. As you can also imagine, the majority party won this debate rejecting Townsend's amendment by a vote of 44-25.

Capital Gains Illusion?

A very interesting observation was made by Republican Floor Leader Ryan Lane (R-San Juan) regarding the proposed change to capital gains treatment. Lane believes the way the language is constructed the favorable treatment for New Mexico businesses is an illusion because the treatment only applies in the case of sales of stock or an LLC. Assets sales are excluded, which is a problem because most small business sales are of assets because purchasers don't want to assume the inherent liability of stocks or LLC's. This is a point that deserves further scrutiny.

And wither from here? This is really the opening round as the Senate needs to have its go at the bill and there remain questions about the executive initiatives. Standby, there's a lot more to come before the ink dries on this legislation.



Senate Gets Prescription Drug Price Transparency Bill

Representative Pamela Herdon (D-Bernalillo) is tenaciously pursuing passage of her HB 33 that would authorize the Office of the Superintendent of Insurance to collect information about prescription drug prices from every step in the supply chain starting with manufacturers and working down to the retailer who sells to a patient. Twenty two other states have enacted such legislation, according to Herndon, and all have been able to take actions to contain drug price increases. The House agreed with her, sending the measure to the Senate on a 67-0 vote.

Herdon noted that brand name drugs are at the heart of climbing drug prices even though 80% of medications ordered by physicians are generics. Representative Larry Scott (R-Lea) didn't dispute that assertion, however, he stated that it takes between \$1 and \$3 billion dollars to bring a new drug to market and many of these new drugs are working wonders. He wouldn't want to see the Legislature put obstacles in the way of that progress. At the end of the debate, the vote makes it obvious that inquiring minds want to know that having reliable data is an important step to take.



No debate sends G.O. Bond Authorization Forward

Bam, zip and just like that, HB 308 authorizing the issuance of \$289.6 million of general obligation bonds was airmailed to the Senate. The bonds are used mostly for senior citizen centers, libraries and higher education capital projects. If passed and signed by the Governor, four separate bond proposals would be placed before voters at the November general election. General obligation bonds are secured by statewide property taxes. This proposal would not increase taxes.

Signing Off from Santa Fe



Whew! What a day! We said to prepare for the rocket ride and the pace really quickened today as it will for the next week - only 7 days left in the session from noon tomorrow. Senate Majority Leader Peter Wirth (D-Santa Fe) announced today that the Senate will have floor sessions at 11:00 a.m. Thursday and Friday, and at 1:00 p.m. on Saturday and Sunday (that's Superbowl Sunday, Mr. Leader!). We haven't heard the House's schedule yet but given we're in the home stretch, it won't be surprising to see sessions every day until the end. And as usual, we'll do our best to bring you all the news and views. Thanks for joining us today and have a very pleasant evening.

The Legislative Roundup, published during the New Mexico Legislative Session by the Greater Albuquerque Chamber of Commerce, provides information on local and state public policy and business issues that affect you.

For questions, please email D'Val Westphal at dwestphal@greaterabq.com.



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