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FISCAL IMPACT REPORT

LAST UPDATED _____
ORIGINAL DATE 02/12/2025

SPONSOR Pettigrew/Murphy

BILL
NUMBER House Bill 328

SHORT TITLE Repeal Clean Fuel Standards

ANALYST Rommel

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
NMED - Fees	Indeterminate but minimal loss	Indeterminate but minimal loss	Indeterminate but minimal loss	Indeterminate but minimal loss	Indeterminate but minimal loss	Recurring	Other state funds – air quality permit fund
Fuel Taxes	Indeterminate but minimal loss	Indeterminate but minimal loss	Indeterminate but minimal loss	Indeterminate but minimal loss	Indeterminate but minimal loss	Recurring	Other state funds - road fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMED	up to (\$96.0)	(\$1,225.0)	(\$1,225.0)	Up to (\$2,546.0)	Recurring	Other state funds

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Conflicts with Senate Bill 99 and Senate Bill 131

Sources of Information

LFC Files

Agency Analysis Received From

New Mexico Attorney General’s Office (NMAG)

Public Regulation Commission (PRC)

Energy, Minerals and Natural Resources Department (EMNRD)

New Mexico Environment Department (NMED)

SUMMARY

Synopsis of House Bill 328

House Bill 328 (HB328) repeals provisions related to the Clean Transportation Fuel Standard (CTFP) Program and prohibits the adoption or continuation of rules that establish such a standard.

1. HB328 repeals Section 74-1-18 NMSA 1978, within the Environmental Improvement Act, enacted as part of the Clean Transportation Fuel Standard (CTFP) program under Laws 2024, Chapter 54.
2. The bill removes definitions in Section 74-1-3 NMSA 1978 related to “carbon intensity”, “fuel lifecycle” and “transportation fuel”. In Section 74-1-7 NMSA 1978 “fuel lifecycle” is removed from the Environmental Improvement Act.
3. HB328 adds a new section preventing the Environmental Improvement Board (EIB) from adopting or maintaining any rules related to a clean transportation fuel standard.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

Because final rules regarding CTFP have not yet been promulgated, lost fee revenues to the air quality permit fund are indeterminate. Current law allows the Environment Department (NMED) to recover reasonable costs for the administration and enforcement of rules approved by the EIB. Recurring annual revenues after fees are established are deposited in the air quality permit fund. Similarly, the effect of the CTFP on fuel taxes and revenues to the road fund are presently unknown.

Additional budget impact reflects reductions in program costs at NMED.

NMED comments on the fiscal impact regarding operations:

To build the [program] and the expertise needed for rulemaking and implementation, NMED has hired 4 FTE. If HB328 is approved, these staff would no longer be needed for the CTFP. Similarly, NMED has used approximately \$2.0 million of funding appropriated by the New Mexico Legislature to NMED to prepare CTFP rule and the expert reports for the rulemaking before the EIB. If HB328 is approved, the funding NMED expended to date will have been for naught.

As NMED anticipates raising revenue from future program fees to operate CTFP, such future revenue to operate CTFP under HB328 would no longer be collected.

SIGNIFICANT ISSUES

Laws 2024 Chapter 54 authorized CTFP, which creates a New Mexico fuel credit market system, based on grams of carbon dioxide equivalent per megajoule¹, in which high-carbon fuel (like diesel and gasoline) producers and importers offset the carbon footprint of their fuel by supplying low-carbon fuels to the transportation fuel market or by buying CTFP credits from other low carbon fuel producers or importers.

Laws 2024 Chapter 54 further authorized EIB to adopt rules and assess fees for a clean

¹ 1 megajoule = 239 Calories (nutritional definition)

transportation fuel standard. NMED released a discussion draft rule for the CTFS program in December 2024. The law requires the Environmental Improvement Board to enact regulations no later than July 1, 2026. HB 328 would terminate this rulemaking process.

ADMINISTRATIVE IMPLICATIONS

NMED hired 4 FTE in FY25 to implement CTFP. If HB328 is enacted these staff would no longer be needed for the CTFP. Thus far, NMED has used approximately \$2.0 million of funding appropriated by the Legislature to prepare CTFP rule and the required reports for the rulemaking for the EIB to consider.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB328 conflicts with Senate Bill 99, which amends the Clean Transportation Fuel Standard program, Section 74-1-18 NMSA, by not allowing fuels to have a carbon intensity value below zero.

HB328 conflicts with Senate Bill 131, which adds a section to NMSA § 74-1-18 that would prevent NMED from “adopt[ing] or continu[ing] in effect a rule” that requires automobile manufacturers to deliver a “percentage of zero-emission vehicles for a model year to control motor vehicle emissions or for any other lawful purpose.”

OTHER SUBSTANTIVE ISSUES

The New Mexico Attorney General notes that further analysis may be needed to determine whether repealing the CTFP program would affect compliance with the federal Environmental Protection Agency’s renewable fuel standard program, 40 C.F.R. §§ 80.1400 to 80.1479.

The Energy, Minerals and Natural Resources Department and NMED both reference in their analyses a 2022 study by Adelante Consulting estimates that the implementation of the CTFP could generate \$470 million in economic investment, create over 1,600 permanent jobs, and support an additional 2,300 construction jobs by 2030. Additionally, it could attract \$240 million in capital investment for production and manufacturing in New Mexico.²

HR/rl

² [Microsoft Word - Final CFS EIA 26Jan2022.docx](https://www.env.nm.gov/wp-content/uploads/2022/02/New_Mexico_Clean_Fuel_Standard_Economic_Impact_Analysis-Jan_26_2022.pdf) https://www.env.nm.gov/wp-content/uploads/2022/02/New_Mexico_Clean_Fuel_Standard_Economic_Impact_Analysis-Jan_26_2022.pdf