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FISCAL IMPACT REPORT

SPONSOR	Sens. Muñoz and Shendo/Reps. Dixon and Sanchez	LAST UPDATED	2/20/2025
		ORIGINAL DATE	2/11/2025
SHORT TITLE	Create Utility Oversight Fund	BILL NUMBER	Senate Bill 143/aSTBTC
		ANALYST	Rodriguez/Graeser

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Fees	\$0.0	\$2,684.0	\$3,551.0	\$4,412.0	\$5,251.0	Recurring	General Fund

Parenttheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bill(s) 9 and 109

Sources of Information

LFC Files

Agency Analysis Received From
Public Regulation Commission (PRC)

Agency Analysis was Solicited but Not Received From
New Mexico Office of the Attorney General (NMAG)
State Treasurer's Office (STO)

SUMMARY

Synopsis of STBTC Amendment to Senate Bill 143

The Senate Tax, Business, and Transportation Committee amendment to Senate Bill 143 (SB143) redirects the fees to the general fund, leaving the utility oversight fund without a revenue source.

Synopsis of Senate Bill 143

Senate Bill 143 establishes the utility oversight fund, a nonreverting fund administered by the Public Regulation Commission (PRC) and subject to appropriation by the Legislature, for PRC to carry out its duties pursuant to the Public Utility Act. In the original bill, the fund consists of inspection and supervision fees on public utility companies, regulatory fees on telephone and transmission companies, and pipeline operator fees. Companies must pay fees by April 30 each year. The bill allows PRC to adjust fees annually based on the employment cost index until July 1, 2031. The bill also provides the authority to PRC to sue to collect unpaid fees, interest, and penalties, as opposed to the New Mexico Attorney General as is currently in statute.

SB143 increases inspection and supervision fees on public utilities from 0.506 percent to 0.59 percent of gross receipts and increases regulatory fees on telephone companies from 0.511 percent to 0.59 percent. The bill also gives PRC the authority to increase administrative hearing fees in amounts that do not exceed the cost of administrative proceedings.

SB143 also directs excavation penalties to be deposited to the “current school fund” instead of the general fund.

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. See “Significant Issues” below for more context.

FISCAL IMPLICATIONS

This bill creates a new nonreverting fund that would be administered by PRC and subject to appropriation by the Legislature to PRC to carry out its duties pursuant to the Public Utility Act. As amended by STBTC, the fund does not receive any fees.

Proposed Increase in Fees. As amended, the proposed increase in fees would have a positive impact on the general fund. SB143 increases inspection and supervision fees on public utilities from 0.506 percent to 0.59 percent of gross receipts and increases regulatory fees on telephone and transmission companies from 0.511 percent to 0.59 percent. PRC provides the following fee comparison between the fees collected in FY24 at the current rates and the projected fees with the rates proposed in SB143.

	Collected Fees in FY24	Projected Fees at Proposed 0.59 percent
Electric IOUs	\$9,542,302	\$11,126,400
Gas IOUs	\$2,733,748	\$3,187,572
Electric Coops	\$2,084,752	\$2,430,837
Telecom	\$1,264,596	\$1,460,101
Water Utilities	\$134,648	\$157,001
Total	\$15,770,870	\$18,361,911

The proposed increase on inspection and supervision fees on utilities and telecommunication companies would increase total amount collected by 16.4 percent.

Fee Adjustments. SB143 allows PRC to annually adjust inspection and supervision fees by no more than the prior year’s increase in the employment cost index for state and local government as published by the federal Bureau of Labor Statistics (BLS) until July 1, 2031. This employment cost index is not forecasted by S&P and, therefore, LFC uses the state and local compensation index from S&P to forecast possible increases.

BLS and S&P State and Local Compensation Index

	BLS State and Local Government Compensation		S&P State and Local Compensation Index
	Index	Year-over-Year Change	
FY20	2.88%	3.6%	4.1%
FY21	2.15%	-25.2%	5.2%
FY22	2.88%	33.7%	1.7%
FY23	4.80%	67.0%	0.1%
FY24	4.78%	-0.5%	2.1%
FY25	4.70%	-1.6%	4.2%
FY26			4.3%
FY27			4.2%
FY28			4.0%

Below is a breakdown of possible increases to inspection and supervision fees at the proposed 0.59 percent and with possible growth as adjusted by PRC based on the forecasted S&P State and Local Compensation index. Based on the proposed changes in SB143, fees could increase as much as 31 percent.

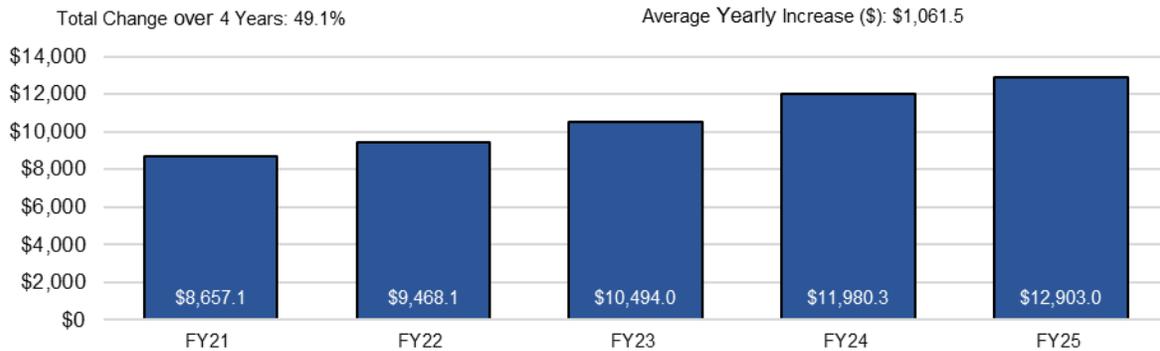
Projected Fees with Proposed 0.59 percent rate and Indexed at S&P State and Local Compensation (in thousands)

	Current and Projected Fees Collected	Projected Fees at Proposed 0.59 percent	Indexed Projected Fees
FY24	\$15,771.0		
FY25	\$16,118.0		
FY26	\$16,339.0	\$19,023.0	
FY27	\$16,545.0	\$19,263.0	\$20,096.0
FY28	\$16,738.0	\$19,488.0	\$21,150.0
FY29	\$16,919.0	\$19,699.0	\$22,170.0

SIGNIFICANT ISSUES

PRC’s Recurring Budget. PRC’s recurring general fund revenue has increased by 49.1 percent over the past four years. This increase reflects an increase in the agency’s responsibilities due to growing workload, regulatory changes, and the state’s energy efficiency goals. As noted by PRC, the original SB143 would “allow the PRC to be a self-sustaining agency, relying on regulatory fees rather than state general fund appropriations”. However, as noted in the “Fiscal Impact”, the LFC raised concerns on the original bill because it included continuing distribution language in the statutory provisions for funds and earmarking reduces the ability of the Legislature to establish spending priorities.

PRC General Fund Appropriation History
(in thousands)



Penalties. SB143 also directs excavation penalties to be deposited to the “current school fund” instead of the general fund. This language amends the statute to follow Section 22-8-32 NMSA 1978 which directs the state treasurer to deposit all fines and forfeitures under general laws into the current school fund. In practical effect, the “common school fund” is the general fund as a result of an agreement in the mid-1950’s for the general fund to make up the difference between dedicated revenues including the emergency school tax imposed on oil and gas, fines and forfeitures, and property taxes and needs.

Employment Cost Index for State and Local Government. SB143 allows PRC to annually adjust inspection and supervision fees no greater than the prior year’s increase in the employment cost index for state and local government until July 1, 2031. As demonstrated in the chart included in the “Fiscal Impact” section above (Chart: BLS and S&P State and Local Compensation Index), the BLS State and Local Government Compensation Index fluctuates significantly—increasing as much as 67 percent in some years and decreasing by 25.2 percent in other years. LFC recommends using a more stable index, such as the S&P State and Local Compensation Index.

Effective Date. SB143 does not include an effective date, as such it would go into effect 90 days after the Legislature adjourns, or June 20, 2025. Under this effective date, the collected fees would be transferred to the proposed fund beginning on June 20, 2025. However, by then, PRC will have already been appropriated its general fund revenue for FY26. Therefore, this analysis assumes an appropriation from the Legislature from the new utility oversight fund to PRC wouldn’t occur until FY27.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB143 relates to Senate Bill 9, which changes the daily and maximum civil penalties for any person who owns or operates gas or oil pipeline facilities and is found to have violated regulations to mirror those under related federal pipeline regulations. SB143 also relates to Senate Bill 109, which cleans language in the Public Regulation Commission Act.