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FISCAL IMPACT REPORT

LAST UPDATED _____
ORIGINAL DATE 2/14/2025

SPONSOR Gonzales

BILL
NUMBER Senate Bill 240

SHORT TITLE Structural Wood Grading Act

ANALYST Hanika-Ortiz

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Program and Licensing Fees		At least \$5.0	Indeterminate but minimal gain	Indeterminate but minimal gain	Indeterminate but minimal gain	Recurring	Other State Funds

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
EMNRD	No fiscal impact	\$255.0	Up to \$255.0	Up to \$510.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From

Regulation and Licensing Department (RLD)

Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of Senate Bill 240

Senate Bill 240 (SB240) creates the Structural Wood Grading Act (SWGA) to establish an in-state structural wood grading system and licensure program for sawmill owners and their employees at the Forestry Division (FD) of the Energy, Minerals and Natural Resources Department (EMNRD).

Section 1 and 2 provide definitions for “certificate” to verify the grade of lumber milled in-state; “grader” to mean a sawmill owner or employee licensed to grade and certify lumber at that sawmill; “program” to refer to a process and system to train and license graders; and “structural wood” to mean dimensional lumber, structural beams, and vigas milled only in New Mexico.

Section 3 requires FD to develop rules to create a wood grading training and licensure program, evaluate preparedness for licensure, issue and oversee licenses and licensees, and charge fees.

Section 4 provides guidelines for certifying and grading wood that include name of wood species and quantity, setting used, sawmill processed, and moisture content at time of grading. The end user of the lumber product shall provide the certificate to the building inspector in lieu of a grade stamp. Wood graded and certified in-state is equivalent to wood graded and stamped elsewhere.

Finally, FD may ask a post-secondary educational institution to offer training in wood grading.

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

FD will incur costs related to rulemaking and developing and implementing the program. FD asserts the division would require 2.5 FTE for an estimated \$250,000, most of which is recurring.

The bill allows the FD to work with a post-secondary educational institution to develop and implement the program. EMNRD notes the cost for a two-day training course is likely \$5,000.

The bill allows EMNRD to charge program fees of \$250 per person. The bill also allows an alternative path for those that do not complete the program. It is not clear if the program fees and licensing fees can be separate fees or is the \$250 fee in the bill for both. Based on the number of sawmills in the state, EMNRD estimates a dozen people may attend the first training program.

SIGNIFICANT ISSUES

Graders may only grade and certify lumber milled in a sawmill they own or are employed by. Additionally, SB240 would limit training opportunities to sawmill owners and their employees.

SB240 creates an in-state grading program for sawmills in New Mexico. EMNRD explains that several states have created native lumber laws with two common elements: sawmills complete a state approved certification program to grade the lumber they produce, and the lumber can be used for all load bearing applications. Benefits to New Mexico would include enhanced markets for sawmills, better use of wood from forest and watershed restoration projects, and resilience to any new lumber tariffs that could make new housing built with local materials more affordable.

EMNRD also notes the bill gives residential construction the option of using locally produced lumber, vigas and beams. New Mexico building codes require all wood used for load bearing be stress-graded by a grading agency. The U.S. and Canada have 24 accredited grading agencies, including the agency that currently provides grading services in New Mexico. Most New Mexico sawmills consider the cost of grading too high for the relatively small volume of timber.

EMNRD said the certificate requires the grader to provide critical information about the wood product, but it does not include the types of wood graded and certified. Further, SB240 limits uses of in-state certified structural wood to housing construction and excludes commercial uses.

The bill applies the Uniform Licensing Act procedures for suspension or revocation of licensure and Section 39-3-1.1 NMSA 1978 for those who feel aggrieved by an agency's adverse decision.

ADMINISTRATIVE IMPLICATIONS

FD would promulgate rules to carry out the provisions of SB240. FD said it does not have the staff or expertise to implement and oversee this program, manage licensure including suspension, revocation, and appeals processes, and would need to procure a contract for expert consultants.

OTHER SUBSTANTIVE ISSUES

The Regulation and Licensing Department (RLD) notes under the International Residential Code (IRC), grading requirements for lumber are clearly outlined. This section specifies that grade marks from accredited grading agencies hold significant value, particularly when agencies are recognized by an accreditation body. Further, RLD cautions that establishing a new lumber grading program could lead to duplicated efforts and confusion among stakeholders. Instead, leveraging the existing requirements in the IRC may be a more efficient and cost-effective approach, ensuring resources are utilized effectively.

ALTERNATIVES

The Construction Industries Division (CID) may be better positioned to administer the Act including imposing fees sufficient to cover program costs and licensure. EMNRD suggests the bill would be improved by opening the training to persons other than sawmills and their employees, such as students, building inspectors, construction contractors, and others, without limitation.

AHO/SL2