

LFC Requester: _____

**AGENCY BILL ANALYSIS
2025 REGULAR SESSION**

SECTION I: GENERAL INFORMATION

Check all that apply:
Original X **Amendment** _____
Correction _____ **Substitute** _____

Date February 21, 2025
Bill No: HB 553

Sponsor: Reps Harlan Vincent, Jimmy
Mason, Doreen Gallegos, Merideth
Dixon and Sen Roberto Gonzales
Short Title: Timber Grading Act

Agency Name and Code Number: Energy, Minerals and Natural Resources Department - 521
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	\$150,000	nonrecurring	GF

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
	\$0	\$4,000	Nonrecurring	Fees

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$	\$	\$		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: HB553 will create an in-state structural timber grading system and certificate program within the Energy, Minerals and Natural Resources Department, Forestry Division (FD). Section 3 creates the structural timber grading certificate program to provide training for sawmill owners and their employees to grade and label structural timber based on the system used by the American lumber standard committee. The program may be provided by the FD or a public post-secondary educational institution.

FD is directed to promulgate rules for the awarding of certificates, training components of the program, qualifications of program instructors, and grounds and processes for the suspension and revocation of certificates.

FD may charge a fee that does not exceed \$250 for the issuance of a certificate. The certificate shall include the name of the recipient and the date of issuance. Certificates expire after five years.

The requirements of the structural timber grading label are specified in Section 4.A. These include the name of the grader; the name and location of the sawmill where the timber was processed; the name of the timber species; the quantity and type of structural timber that was graded and labeled; the location where the timber is to be used; the date that the timber was cut and processed; the date on which the timber was graded; and the moisture content of the timber at the time of grading. The label may be in lieu of a grade stamp. Certified graders can only grade and label structural timber processed at the sawmill the grader owns or is employed by. The structural timber that is graded and labeled may be used in all residential and commercial buildings.

FISCAL IMPLICATIONS

HB553 includes an appropriation from the general fund to the energy, minerals and natural resources department for expenditure in fiscal year 2026 to contract with timber grading experts to establish the structural timber grading certificate program and to develop curricula for the program. FD believes this is sufficient to cover the contractual needs to establish the program and any recurring funding, if needed, would be included in the FY2027 agency request.

SIGNIFICANT ISSUES

The goal of HB553 is to allow residential and commercial building and construction to have the option of using locally produced lumber, vigas and beams. New Mexico building codes require that all wood used for load bearing applications be stress-graded by an approved lumber grading or inspection agency. The U.S. and Canada have 24 accredited grading agencies, including the Timber Product Inspection (TPI) agency that provides grading services in New Mexico. The cost of TPI services depends on the amount of lumber to be inspected and the distance an inspector must travel, with timeframes that vary based on location and grader availability. Most New Mexico sawmills consider the cost of grading to be too high for the relatively small volume of timber. As a result, quality products that could be used in high-value products are sold as lower-

value products for building uses such as corrals and chicken coops.

HB553 would create an in-state grading program that would be affordable and accessible to small sawmills, including about twenty family-owned or tribally-operated mills in rural locations throughout the state. Recently, the states of Alaska, New Hampshire, Tennessee and Wisconsin created native lumber laws with two common elements: sawmill owners or their representatives complete a state approved certification program allowing them to grade the lumber they produce, and the lumber can be used for all load bearing applications. HB553 will provide benefits to New Mexico by enhancing markets for rural sawmills, improving utilization of wood removed in forest and watershed restoration projects, creating resilience to U.S. tariffs on wood imports from Canada and Mexico, and reducing the cost of newly constructed housing.

Section 3.A.(1) limits access to the certificate training to sawmill owners and their employees. Section 3.A.(1) should be amended by clarifying the training is “accessible to sawmill owners, the employees of sawmills, building inspectors, construction contractors and others” without limitation.

Section 4.A.8 requires that the label specify the moisture content of the timber, and this will be burdensome for small sawmills selling green wood that has not been dried in a kiln. The bill would require sawmills to acquire and use a moisture meter to check the exact moisture content. HB553 should be amended to change Section 4.A.8 to “providing whether the timber is green or is dry with 19% moisture content or less.”

PERFORMANCE IMPLICATIONS

HB553 can be accomplished with the existing forest market coordination staff at the FD. This is a grant funded term position with funding awarded through 2028, which is sufficient to launch the timber grading system and certificate program.

The appropriation of \$150,000 is sufficient to contract with a structural timber grading expert to develop the training curriculum for the system used by the American lumber standard committee. The appropriation is also sufficient for FD to enter into agreements with interested post-secondary educational institutions to offer the training in FY2026 at locations in northern and southern New Mexico.

ADMINISTRATIVE IMPLICATIONS

HB553 Section 3.D. specifies that FD may suspend or revoke a certificate for good cause as provided by rule. It is unnecessary to require the rule to be in conformity with the Uniform Licensing Act. Lines 22-25 on page 3 should be struck by deleting: “Procedures for the notice, hearing and final decision shall be provided by rule in conformity with the Uniform Licensing Act. A final agency decision may be appealed as provided in Section 39-3-1.1 NMSA 1978.”

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB553 Timber Grading Act is similar to SB240 Structural Wood Grading Act in the following ways.

- Both bills create a structural wood or timber grading system and certificate program within FD.
- Both bills will achieve the goal of allowing building construction to use locally produced lumber, vigas and beams in lieu of grade stamped wood products.

The bills are different because HB553 will issue certificates to graders who are trained to label in-state wood products for use in construction, whereas SB240 will issue licenses to graders who are trained to certify in-state wood products for use in construction

- The certificate and labeling requirements of HB553 are administratively simpler than the licensing requirement in SB240, and therefore HB553 has less fiscal impact and can be accomplished with one-time non-recurring funding.
- SB240 includes licensing of graders with procedures under the Uniform Licensing Act, such as providing detailed and specific notice and service, venue, use of rules of evidence, creating a record, formal decision and opportunity for petition to state courts.
- HB553 will instead require the FD to promulgate rules for the awarding of certificates, training components, instructor qualifications, and grounds and processes for the suspension and revocation of certificates, which will not require FD to develop new staff and legal expertise in licensing, revocations or suspension and in conducting the appeals process.
- SB240 does not require the certificate to specify the types of wood graded, which is necessary for the end user, whereas HB553 does include the type of timber graded in Section 4.A.(4).
- SB240 also limits the uses of in-state certified structural wood to housing and excludes commercial uses, whereas HB553 allows the labeled structural wood to be used in any construction.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB553 is not enacted New Mexico sawmills will continue to rely upon accredited grading agencies for grading services. The cost of grading will remain high and quality products that could be used in high-value structural wood products, such as vigas, beams and dimension lumber, will continue to be sold and used as lower-value products, such as building corrals and chicken coops.

AMENDMENTS