

LFC Requester: _____

**AGENCY BILL ANALYSIS
2025 REGULAR SESSION**

SECTION I: GENERAL INFORMATION

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

Date February 3, 2025
Bill No: SB240

Sponsor: Senator Roberto Gonzales
Short Title: _____
Agency Name and Code Number: Energy, Minerals and Natural Resources Department - 521
Person Writing: Laura McCarthy
Phone: 505-490-2954 **Email:** Laura.mccarthy@emnrd.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	\$0		

(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	\$270.0	\$270.0	\$270.0	\$810.0	Recurring	GF

(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: SB240 will create an in-state structural wood grading system and structural wood grading licensure program. SB240 will require the Forestry Division (FD) of the Energy, Minerals and Natural Resources Department to promulgate rules for the training and licensure of graders, training components, qualifications of program instructors, oversight of the program, and grounds and processes for renewal, suspension and revocation of licensure. The bill requires FD to develop and implement a state-specific system to grade structural wood that is milled in-state and then sold, transported or used in construction in-state. The structural wood grade licensure would be available to sawmill owners and their employees. FD is also charged with issuing licenses; suspending, revoking and renewing licenses; and may charge fees not to exceed \$250 to fund the program.

SB240 provides that a public post-secondary educational institution can offer the program and requires them to provide training on structural wood grading.

FISCAL IMPLICATIONS

SB240 *does not* make an appropriation to FD for rulemaking or developing and implementing the program. FD does not have personnel to operate the program or an attorney, administrative personnel, or hearing officer for the rulemaking or to comply with the licensing requirements. Carrying out the program would require 1 Division FTE, .5 attorney FTE, .5 administrative position FTE, and .5 hearing examiner for an estimated \$250,000 recurring expense. Costs would be substantially higher if FD needed to procure professional services to develop the training components, qualification of program instructors and to conduct the training, attorney services and hearing officer.

SB240 also does not make an appropriation to post-secondary educational institutions that may develop the program and would be required to offer the training. The cost for professional services to conduct a 2-day training is estimated at \$5,000 per each, and if the training is offered twice per year in a northern and southern New Mexico location, the training costs alone would be \$20,000.

SB240 allows for the collection of fees to a maximum of \$250 per person. Based on the number of sawmills in New Mexico, the bill proponents estimate that about a dozen people would take the training providing \$4,000 in revenue. If the Trump Administration determines that the USDA Forest Service's Wood Innovations Grants are a funding opportunity in FY26 then the structural wood grading licensure program could apply for a grant to offset the costs.

SIGNIFICANT ISSUES

The goal of SB240 is to allow residential construction 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 is 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 purposes such as corrals and chicken coops.

SB240 would create an in-state grading program that would be affordable and accessible to small, rural sawmills. 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. Benefits to New Mexico of such a program would include enhanced markets for rural sawmills, better utilization of wood removed in forest and watershed restoration projects, and resilience to lumber tariffs that could make new housing built with local materials more affordable.

SB240 would limit the training to sawmill owners and their employees and would be improved by opening the training to students, building inspectors, homeowners, construction contractors and others without limitation. 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. Finally, SB240 limits the uses of in-state certified structural wood to housing and excludes commercial uses.

PERFORMANCE IMPLICATIONS

SB240 would have several performance implications for FD. First, FD does not have staff with qualifications to develop a rule for the Structural Wood Grading Act and would need to recruit expert consultants to assist. The Construction Industries Division has more relevant expertise and would be better positioned to oversee the program as created by SB240. Second, there is no funding provided for post-secondary educational institutions to offer the training so the burden would fall to FD. Third, FD does not have the authority to enforce the Uniform Licensing Act. Finally, FD does not have a hearing officer nor the capacity to manage the appeals process in accordance with 39-3-1.1.

ADMINISTRATIVE IMPLICATIONS

SB 240 requires FD to promulgate rules to carry out the provisions of the SWGA, including: training and licensure of graders, develop qualifications of program instructors, oversight of the program, and grounds and processes for renewal, suspension and/or revocation of licensure and appeals hearings.

FD does not possess the requisite expertise or staff to implement the provisions of SB240 as required. FD does not, and never has, graded wood or acted as building inspectors. FD is not a licensing agency and does not have staff or expertise in licensing, revocations or suspension and in conducting the appeals process. FD does not have the budget or FTE's for training and implementation of the provisions of SB 240, nor are there currently attorneys and hearing examiners available in the event of licensing issues. SB 240 requires the application of the Uniform Licensing Act (ULA). The ULA is a very prescriptive Act that is applied to agencies

that deal in construction, housing, administering a professional license, and cannabis. None of these are in the purview of the FD.

The ULA requires detailed and specific notice and service, venue, use of rules of evidence, creating a record, formal decision and opportunity for petition to state courts. FD does not have the staff or expertise to comply with the ULA. Provisions of HB 240 do not provide support to FD in these instances, nor does it provide authority to the FD to apply ULA.

FD would have to create an entirely new Bureau and would require sufficient funding and FTE to comply. The SWGA would be more appropriately placed into the construction industries bureau or in the Regulation and Licensing Department as they already have the infrastructure and expertise to enact the SWGA.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If SB240 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