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# FISCAL IMPACT REPORT

LAST UPDATED \_\_\_\_\_  
ORIGINAL DATE 3/6/25

SPONSOR Wirth

**BILL**  
NUMBER Senate Bill 388

SHORT TITLE Articles of Incorporation Changes

ANALYST Hilla

## ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\*

(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
SOS	No fiscal impact	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	General Fund
Cost to Counties	No fiscal impact	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	Other state funds

Parentheses ( ) indicate expenditure decreases.  
\*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

Agency Analysis Received From  
Secretary of State (SOS)

## SUMMARY

### Synopsis of Senate Bill 388

Senate Bill 388 (SB388) amends filing procedures for articles of incorporation for cooperative associations, nonprofits, foreign and instate business, and associations and clubs. SB388 includes provisions to invalidate articles of incorporation registrations and filings that include the name of a non-existent or unaffiliated individual or an incorrect address. The bill shifts responsibility for accepting and endorsing articles of incorporation from the Public Regulation Commission to the Secretary of State (SOS). SOS is authorized to revoke invalid registrations and establishes a misdemeanor penalty for filing documents with the invalid information.

The effective date of this bill is July 1, 2025.

## FISCAL IMPLICATIONS

While a misdemeanor generally does not result in significant incarceration, individuals convicted under this statute could face short-term detention, increasing county jail costs. The cost of housing an individual in a county detention facility varies by jurisdiction but is estimated at approximately \$100 per day. Given that misdemeanor sentences rarely exceed six months and are often resolved through fines or probation, the overall incarceration impact is expected to be limited but nonzero.

The precise fiscal impact is difficult to quantify, as incarceration for misdemeanors is discretionary and often depends on local enforcement and judicial practices. If enforcement varies by county, some jurisdictions may see higher jail admissions than others, leading to disparate fiscal impacts across the state. Additionally, any increase in criminal charges could contribute to higher caseloads for courts, district attorneys, and public defenders, though these costs are not included in this estimate due to the difficulty in determining their fiscal impact with certainty.

Beyond direct incarceration costs, counties may experience administrative, and personnel costs related to compliance, enforcement, and case adjudication resulting from this measure. However, without clear data on enforcement levels, the extent of these costs remains indeterminate.

It is unlikely that this bill would pose any additional operating budget impact to SOS.

## **SIGNIFICANT ISSUES**

SOS states that SB388 does not make similar changes to Limited Liability Corporations (LLC) found in Article 19 of Chapter 53 NMSA 1978. SOS states that if the Legislature supports SB388's changes, it is recommended that the Legislature make similar changes to LCC statutory provisions.

SOS points out that the bill does not allow for filers to make mistakes or errors on filings. SOS suggests adding language to explicitly state that a person who *knowingly* files an invalid article of corporation is guilty of a misdemeanor.

SOS assumed responsibility for the functions of the former Corporation's Bureau of the Public Regulation Commission pursuant to Chapter 75, Section 9, Laws 2013. SB388's amendments shifting this responsibility in statute align with previous statutory shifts from the commission to SOS.

EH/hj/SL2