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FISCAL IMPACT REPORT

LAST UPDATED _____
ORIGINAL DATE 3/5/2025

SPONSOR Maestas

BILL
NUMBER Senate Bill 466

SHORT TITLE Liquor Changes

ANALYST Montano

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
License Fee	No fiscal impact	Net Zero	Net Zero	Net Zero	Net Zero	Recurring	General Fund

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
RLD/ABC	No fiscal impact	\$40.0	No fiscal impact	\$40.0	Nonrecurring	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)

SUMMARY

Synopsis of Senate Bill 466

Senate Bill 466 (SB466) introduces several amendments to New Mexico’s Liquor Control Act, focusing on restaurant liquor licenses, licensing fees, and local regulatory flexibility. The bill modifies the structure of restaurant liquor licenses by creating a new “Restaurant C” license, which permits the sale and service of only beer and wine. It also revises the definitions and conditions for Restaurant A and Restaurant B licenses. A Restaurant A license would now allow for the sale of beer, wine, and spirituous liquors that are produced by or for a craft distiller, while a Restaurant B license would now permit the sale of beer, wine, and spirituous liquors. The bill eliminates several restrictions on Restaurant B license holders, including language that limits Restaurant B license holders from serving customers no more than three drinks containing 1.5 ounces of spirituous liquor per visit or the requirement for renewal of a Restaurant B license that food sales comprise at least 60 percent of total gross receipts from the 12 months prior to the renewal. Additionally, the bill eliminates the requirement that a holder of a Restaurant A license maintain a good standing for 12 consecutive months before applying for a New Mexico spirituous liquor permit.

The bill also revises licensing fees, increasing the renewal cost for a Restaurant A license from \$1,050 to \$1,550, while setting the fee for a Restaurant B license at \$10,000 for the first year and \$6,000 for each subsequent year. The new Restaurant C license is assigned a renewal fee of \$1,050. Other wholesale and retail liquor license fees remain unchanged.

SB466 creates a new section of the Liquor Control Act establishing local entertainment zones. Counties and municipalities may now designate specific areas as entertainment zones through ordinances or resolutions. These zones are intended to support local businesses by promoting leisure, arts, culture, and entertainment. Local governments may modify alcohol regulations within these zones, including adjusting open container laws, altering service hours, and enacting customized licensing rules. To qualify, an entertainment zone must have a clearly defined boundary and demonstrate a concentration of businesses such as restaurants, bars, theaters, and music venues.

The bill removes prior restrictions that prohibited liquor-licensed establishments from operating near churches, thereby allowing businesses to obtain licenses regardless of their proximity to places of worship. Additionally, SB466 repeals Section 60-6B-10 of the Liquor Control Act, which previously imposed zoning and operational restrictions on liquor-licensed businesses. By eliminating these provisions, the bill streamlines regulations and aligns them with the newly introduced entertainment zone framework.

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

FISCAL IMPLICATIONS

The Regulation and Licensing Department (RLD) projects that the enactment of SB466 will not affect the Alcohol Beverage Control division's (ABC) net revenue. Decreasing the renewal cost for Restaurant B licenses will be offset by an increase in the number of Restaurant B licenses renewed each year.

RLD projects the costs of developing, programming, and implementing the necessary changes entailed in SB466 to be around \$40 thousand. The \$40 thousand would be the cost to update the NM Plus licensing system to change current liquor licenses and to add the newly created Restaurant C license type.

SIGNIFICANT ISSUES

RLD notes:

Section 3, page 11, lines 1 through 6, of the bill allows the governing body to adopt its own regulations governing the public purchase, possession and consumption of alcohol, including open container allowances, hours of operation and licensing provisions notwithstanding any limitations set forth by the act. This will allow municipalities and counties to disregard state statutes, concerning the public purchase, possession and consumption of alcohol, hours of operation, and even the licensing requirements set by the state and instead institute their own laws to be followed as long as the area has been deemed by them as an entertainment zone. It will allow local municipalities or counties to pass alcohol ordinances that contradict the restrictions placed by the Act, including but not limited to:

- Hours of operation past 11pm for restaurant licenses and beyond 2am for dispenser’s licenses and retail licenses.
- Allowing alcohol service and consumption in unlicensed public establishments.

This change to the law will create significant challenges for the ABC and the Special Investigations Unit (SIU) at the Department of Public Safety in enforcing state liquor laws. It will create a jurisdictional checkerboard across the state, making enforcement of liquor laws with any consistency very difficult to impossible.

PERFORMANCE IMPLICATIONS

RLD notes:

Existing ABC staff will be able to handle any changes in initial license and renewal applications the Bill may cause. However, it must be noted that the changes made by Section 3 of SB466 will impose substantial difficulties for the ABC and SIU concerning any consistent enforcement of the act statewide.

TECHNICAL ISSUES

RLD notes:

Section 1, page 4, lines 5 through 8 currently reads “the applicant shall satisfy the director that the primary source of revenue from the operation of the restaurant will be derived from food and not from the sale of beer and wine. This will need to be corrected to read “the applicant shall satisfy the director that the primary source of revenue from the operation of the restaurant will be derived from food and not from the sale of alcoholic beverages.” The reason is that the language contained in these lines currently only applies to Restaurant A Licenses (which only sell and serve beer and wine) while the amendments the Bill makes will apply to all Restaurant License types.

SB466 as drafted only requires Restaurant A Licenses to cease alcohol service at time food sales and service ceases or at 11:00pm, whichever is earlier. If the intent is to apply to all restaurant licenses Section 1, Page 4, lines 17 through 20 will need to be amended. Section 3, page 11, lines 1 through 6, of the Bill contradict Section 3, page 11, lines 7 through 10. Section 3, page 11, lines 1 through 6, of the Bill allows the LOD governing body to adopt its own regulations governing the public purchase, possession and consumption of alcohol, including open container allowances, hours of operation and licensing provisions despite any limitations set forth by the Act. Section 3, page 11, lines 7 through 10, of the Bill require that establishments within an entertainment zone, that sell and serve alcoholic beverages, comply with all applicable Liquor Control Act licensing requirements and any additional conditions imposed by the governing body.