

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Reps. Vincent, Gallegos, Mason and Dixon/Sen. Gonzales</u>	<b>LAST UPDATED</b> <u>3/9/2025</u> <b>ORIGINAL DATE</b> <u>2/24/2025</u>
<b>SHORT TITLE</b> <u>Timber Grading Act</u>	<b>BILL NUMBER</b> <u>House Bill 553/aHAFC</u>
<b>ANALYST</b> <u>Davidson</u>	

### REVENUE\* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Certificate fee		Up to \$4.0	Up to \$4.0	Up to \$4.0	Up to \$4.0	Recurring	Other State Funds

Parentheses ( ) indicate revenue decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bill 240

Relates to an appropriation in the General Appropriations Act

### Sources of Information

LFC Files

#### Agency Analysis Received From

New Mexico Attorney General (NMAG)

Energy, Minerals and Natural Resources Department (EMNRD)

## SUMMARY

### Synopsis of HAFC amendment for House Bill 553

The House Appropriations and Finance Committee’s amendment for House Bill 533 strikes the appropriation from the bill.

### Synopsis of House Bill 553

House Bill 553 (HB553) proposes to create the Timber Grading Act, empowering the Forestry Division of Energy, Minerals and Natural Resources Department (EMNRD) to create and administer a certification program for the grading of structural timbers used in construction. The bill creates a structural timber grading certification program that will provide sawmill owners and operators with training to administer production following procedures based on American Lumber Standard Committee best practices.

HB553 appropriates \$150 thousand from the general fund to EMNRD for the purpose of contracting with timber grading experts to establish the certificate program. 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**

The bill allows the Forestry Division to work with a postsecondary 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 who do not complete the program.

It is not clear if the program fees and licensing fees can be separate fees or if the \$250 fee in the bill is for both. EMNRD estimates potential revenue from the capped \$250 certificate fee could be up to \$4,000 per year, or 16 certificates. The bill does not specify where the revenue fee would go, whether to the general fund or other state funds.

## **SIGNIFICANT ISSUES**

HB553 creates an in-state grading program for sawmills in New Mexico. EMNRD explains 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 relatively 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 United States 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 they produce.

Analysis from the Regulation and Licensing Department (RLD) for Senate Bill 240, a similar bill to House Bill 553, 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.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HB553 closely resembles Senate Bill 240, with key differences regarding definitions, scope, and Senate Bill 240 not including an appropriation.

EMNRD notes the key differences between HB553 and Senate Bill 240 (SB240):

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 Forestry Department (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

Analysis from EMNRD notes sections of the bill specifying the Forestry Division may suspend or revoke a certificate for good cause as provided by “rule.” EMNRD notes this stipulation is unnecessary because the rule must be in conformity with the Uniform Licensing Act. EMNRD analysis suggests:

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.”

EMNRD analysis further notes the section of the bill requiring specifying moisture content of the timber will be burdensome for small sawmills selling green wood that has not been kiln dried. EMNRD suggest the bill in Section 4.A.8 be amended to read, “providing whether the timber is green or is dry with 19 percent moisture content or less.

## OTHER SUBSTANTIVE ISSUES

LFC analysis for SB240 notes the Construction Industries Division (CID) may be better positioned to administer the act, including imposing fees sufficient to cover program costs and licensure. EMNRD analysis for SB240 suggested the bill would be improved by opening the training to entities other than sawmills and their employees, such as students, building inspectors, construction contractors, and others, without limitation.

AD/hj/hg/sgs/hg