



Municipal League 2025 Legislative Priorities

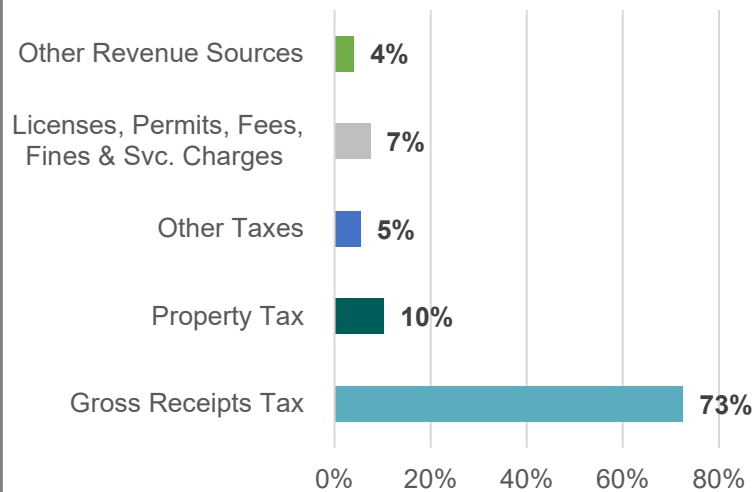
Revenue Stabilization & Tax Policy Committee

December 16, 2024

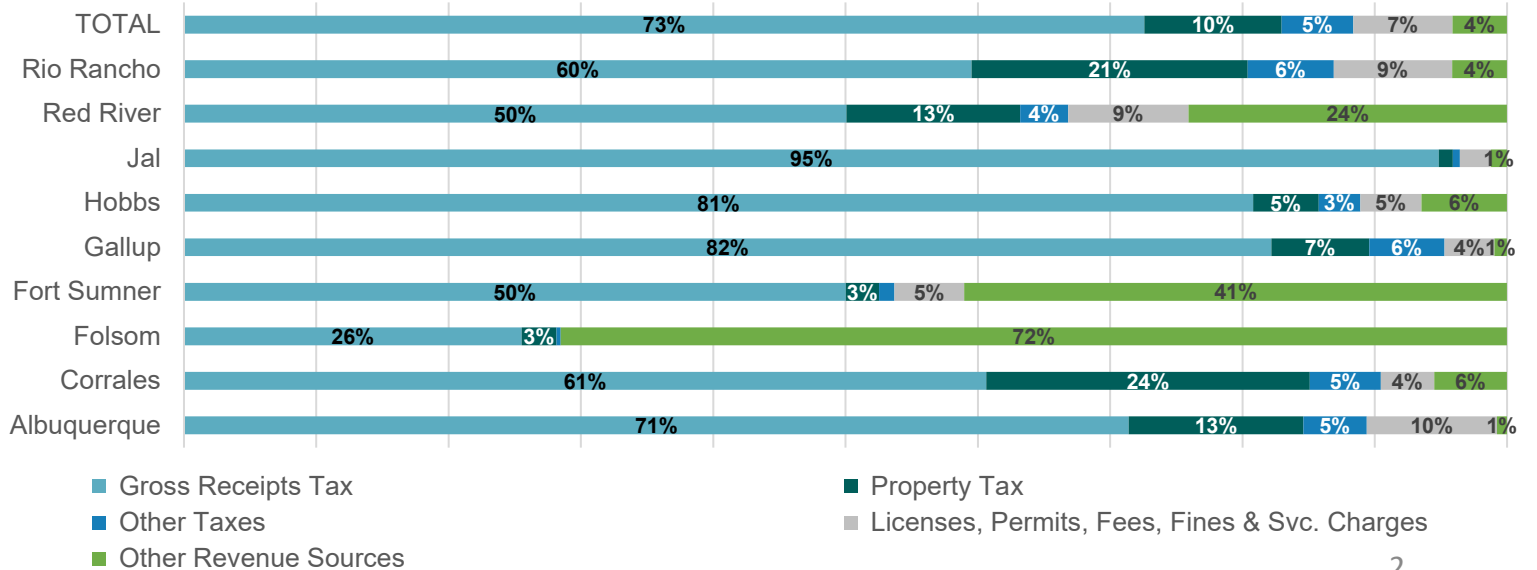
Municipal Fiscal Snapshot: Increasing Needs, Reliance on Volatile Revenue Source

- The state and local governments have both seen strong revenue growth over the last several years
- Local governments have benefitted from recent legislative investments in fire protection, law enforcement, EMS, water, wastewater, and other infrastructure
- However, **local governments have not benefitted from the oil and gas revenue boom** to the same extent as the state has; local governments do not receive direct revenues from oil and gas activity
- Municipalities are reliant on gross receipts taxes, a volatile revenue source; GRT revenue accounts for over 70 percent of municipal general fund revenues
- Inflation, rising infrastructure costs, and new state and federal mandates impact municipal spending capacity

GRT Accounts for over 70 Percent of Total Municipal General Fund Revenues...



...But Revenue Sources Vary Widely by Municipality





Nearly Half of Municipalities Earn Less than \$1 Million Annually in GRT; Spending Capacity is Limited

GRT > \$10 million		GRT \$1 million - \$10 million		GRT < \$1 million	
City	FY23 GRT (\$ '000)	City	FY23 GRT (\$ '000)	City	FY23 GRT (\$ '000)
Albuquerque	\$602,141	Loving	\$9,516	Questa	\$949
Santa Fe	\$151,628	Bernalillo	\$9,474	Peralta	\$896
Las Cruces	\$124,296	Grants	\$9,276	Carrizozo	\$792
Los Alamos	\$86,427	Portales	\$8,552	Hagerman	\$762
Farmington	\$72,309	Sunland Park	\$7,525	Logan	\$760
Rio Rancho	\$67,205	Edgewood	\$7,158	Capitan	\$759
Carlsbad	\$65,624	Eunice	\$6,863	Elephant Butte	\$731
Hobbs	\$57,895	Aztec	\$6,334	Rio Comm.	\$711
Roswell	\$44,079	Socorro	\$6,193	Pecos	\$666
Los Lunas	\$40,917	Bloomfield	\$5,989	Dexter	\$663
Gallup	\$33,380	Angel Fire	\$5,900	Springer	\$623
Clovis	\$32,088	Raton	\$5,571	Ft Sumner	\$512
Alamogordo	\$30,761	T or C	\$5,413	Texico	\$511
Artesia	\$26,905	Ruidoso Downs	\$4,905	Eagle Nest	\$496
Jal	\$23,426	Corrales	\$4,862	Columbus	\$464
Ruidoso	\$18,800	Tucumcari	\$4,517	Mountainair	\$458
Taos	\$15,528	Los Ranchos	\$3,899	Tatum	\$446
Silver City	\$14,914	Moriarty	\$3,315	Cimarron	\$427
Deming	\$12,738	Red River	\$3,278	Santa Clara	\$403
Las Vegas	\$12,136	Milan	\$3,214	Williamsburg	\$359
Espanola	\$11,163	Santa Rosa	\$3,078	Jemez Springs	\$352
Belen	\$11,141	Anthony	\$2,533	Encino	\$341
Lovington	\$10,841	Bosque Farms	\$2,283	Magdalena	\$330
		Lordsburg	\$2,184	Vaughn	\$303
		Clayton	\$2,136	San Jon	\$300
		Mesilla	\$1,939	Reserve	\$236
		Taos Ski Valley	\$1,893	Melrose	\$225
		Cuba	\$1,765	Hurley	\$207
		Estancia	\$1,461	San Ysidro	\$201
		Cloudcroft	\$1,445	Corona	\$173
		Tijeras	\$1,386	Lake Arthur	\$120
		Kirtland	\$1,363	Elida	\$106
		Hatch	\$1,289	Wagon Mound	\$105
		Bayard	\$1,275	Des Moines	\$102
		Chama	\$1,147	Maxwell	\$91
		Tularosa	\$1,123	House	\$87
				Roy	\$78
				Dora	\$75
				Hope	\$72
				Virден	\$62
				Willard	\$49
				Mosquero	\$47
				Grady	\$44
				Floyd	\$42
				Causey	\$23
				Folsom	\$21
				Grenville	\$16

Shading indicates municipality received Small Cities Assistance Fund revenues

State Policy Changes Have Removed Key Municipal Revenue Sources

Revenue Source	Annual Estimated Loss	Description
 <p>State Shared GRT Distributions</p>	<p>-\$50 million across all municipalities¹</p>	<ul style="list-style-type: none"> • Municipalities receive 1.225 percent of the taxable gross receipts in their boundaries, in addition to local rates (sometimes referred to as the state shared distribution) • Municipalities lost over \$50 million in state shared distribution from shift to destination-based sourcing in FY22; some business transactions now taxed in county areas instead of municipalities • State general fund gained this revenue, NOT counties • Distribution is not a “handout” from the state to municipalities, but an offset for repeal of municipal sales taxes in 1960s
 <p>Food & Medical GRT Revenues</p>	<p>-\$67 million across all municipalities (FY23 estimate)²</p> <ul style="list-style-type: none"> • Albuquerque: -\$25 million • Las Cruces: -\$7 million • Santa Fe -\$6.5 million • Gallup: -\$1.6 million • Española: -\$1.2 million • Las Vegas -\$500 thousand 	<ul style="list-style-type: none"> • Exempting food from GRT significantly narrows the tax base, and leads to more volatile GRT revenues; groceries tend to be stable revenue stream • Offsetting “hold harmless” distributions were an integral part of original legislation to support local government revenues • Hold harmless distributions continue to be whittled away, increasing revenue losses over time; losses will increase in future years due to phase-out

Growing losses in future years

Recurring revenue losses mean less money to support critical public safety, infrastructure, other needs

1 Based on LFC FIR for original version of SB137 (2022)

2 Estimated losses based on delta between lost food & medical GRT revenues and hold harmless distributions

League 2025 Legislative Priorities Focus on Building Infrastructure Capacity; Leveraging Existing Revenue Sources for Public Safety

Legislative Priority

Community Impacts

1

Fully fund vetted Water Trust Board projects to address significant water infrastructure needs

Reliable access to clean water for 70% of New Mexico's population served by municipal water systems

2

Leverage EMS Fund revenues through bonding

Local EMS investment in critical equipment such as ambulances, medical supplies, and advanced technology, ensuring high-quality emergency response and disaster readiness

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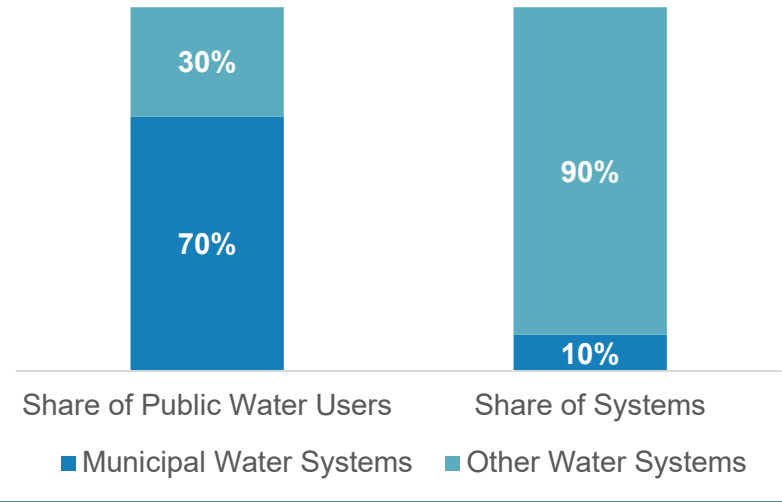
Priority: Fully fund vetted Water Trust Board Projects

Legislative Ask: \$95 million for Water Project Fund

Estimated gap between applications and projected funding

- Municipalities have identified nearly \$1.25 billion in needed but unfunded water project needs across 250+ projects (*see selected projects on next page*)¹
- Risks to long-term water supply and increasing costs for upgrades and federal mandates require immediate action
- Aging water infrastructure risks lives and livelihoods in communities
- Municipal water systems serve 70% of New Mexico's population but account for only 10% of systems, making targeted investments highly impactful.
- For FY26, the gap between Water Trust Board project applications and available funding is ~\$95 million (\$260 million vs. \$165 million)

Municipal Water Systems Serve ~70% of Users Statewide



Federal Mandates Will Impose Significant Costs on Local Water Systems

- Lead & Copper Rule will cost municipalities an estimated \$5.6 million annually, with approximately 296 thousand service connections statewide that will need to be inspected and potentially mitigated
- Federal PFAS Rule is estimated to cost municipalities over \$77 million annually to upgrade treatment facilities and systems

¹ Estimated municipal water project need figure represents FY25-FY28 needs, and is based on identified projects from municipal ICIPs and WTB unfunded project applications

1

Priority: Fully fund vetted Water Trust Board Projects

Selected Municipal Water Project Needs		
Municipality	Project	Project Need
Gallup	Cast Iron Lines Replacement	\$ 30,000,000
	Gallup Water Wells	\$ 40,000,000
	Green Ave Water Line Replcmnt (Grandview/2nd)	\$ 1,925,000
Santa Fe	Canyon Road Water Chemical Feed Upgrades	\$ 4,000,000
	Canyon Road Water Treatment Plant	\$ 14,850,000
	Security for Water Source and Storage Sites	\$ 1,300,000
Farmington	La Plata Highway Waterline Project	\$ 7,900,000
	Water Treatment Plant #1 Improvements	\$ 19,999,999
Ruidoso	Village of Ruidoso Lead Service Line Inventory	\$ 150,000
	Water & Sewer Line Extensions, Streets & Drainage	\$ 20,000,000
	Water Tank Rehabilitation Projects Phase II	\$ 1,500,000
Las Vegas	8th Street Extension Waterline	\$ 900,000
	Aging Water Line Infrastructure	\$ 2,234,570
	Rehabilitate/Inspect Water Storage Tanks	\$ 2,400,000
Mesilla	Mesilla Water System New Well/Tank	\$ 5,336,000
	WATER LINE REPLACEMENT Phase I, II, III	\$ 2,090,000
	Water System Standby Generator Prchs & Install	\$ 175,000
Española	Prince 2 Municipal Supply Well	\$ 2,466,425
	Riverside Drive Water Utility Upgrade	\$ 2,964,000
	Water System and Water Storage Tank Improvements	\$ 1,500,000
Bernalillo	Bernalillo Water System Improvements	\$ 2,500,000
	Water System Improvements - New River Crossing	\$ 4,000,000
Las Cruces	Water Transite Pipe Identification & Replacement	\$ 5,000,000
Taos	Morada Lane Water Replacement	\$ 955,000
	Regional Waterline Looping	\$ 2,550,000
Los Alamos	Los Alamos Waterline Replacement Projects	\$ 2,500,000
Estancia	Automatic Water Meter Reading System	\$ 325,000
	Water Distribution System Improvements	\$ 1,811,250

2

Priority: Leverage EMS Fund Revenues Through Bonding

Legislative Ask: Allow Bonding of EMS Fund Act Revenues

- Recent legislation increased EMS Fund revenues from \$2.9 million to \$13.9 million annually, enabling a broader funding base for essential services
- Bonding EMS Fund revenues will allow municipalities to purchase high-cost items like ambulances and advanced medical equipment
- Using funds for debt service amplifies impact of existing revenues for communities
- Local governments could borrow from NMFA's PPRF and secure loans with EMS Fund revenues, comparable to allowable uses of Fire Protection Fund

Thank you for voting for SB151 in 2024!

Type 3
Starting at \$174,900

Choose Type III for the ultimate maneuverability. Type 3 ambulances offer an optimum cab to module weight ratio, unmatched atmosphere for patient care, and excellent communication. Available in several configurations, Type III van style ambulances offer an affordable configuration available in several available options to meet your ideal price point.

Type 1
Starting at \$239,900

Driver and passenger comfort is maintained in the Type I configuration thanks to its large extended leg room. The Type 1's compact design boasts increased capacity and lower maintenance than van style ambulances. The chassis combos have evolved to be a choice in emergency medical services, offering a drivetrain option for peace of mind on treacherous roads, over rough terrain, and in inclement weather.

Heavy Duty
Starting at \$274,900

When longevity, crew working space, extra box capacity, and making long trips is key, Heavy Duty is the ultimate truck choice. These ambulances offer a big truck feel, extreme durability, unmatched 4x4 power, and are built on proven commercial platforms with over-sized components and professional equipment so it'll live up to the demands you throw at it. The standard equipped liquid ride rear suspension softens the ride for enhanced patient comfort and gives you control of ride and load height.

Ambulances cost \$150 thousand and up, a significant expenditure for smaller municipalities



Thank you!

Questions?

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