

LFC Requester:	
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 2/15/2025 *Check all that apply:*
Bill Number: HB 417 Original Correction
 Amendment Substitute

Sponsor: Micaela Lara Cadena, Joanne J. Ferrari, Cristina Parajon, Shannon D. Pinto, Antoinette Sedillo Lopez

Agency Name and Code Number: AOC 21800

Short Title: Liquor Tax Changes & Programs

Person Writing Analysis: Kelly Bradford
Phone: (505) 231-8743 **Email:** aockkb@nmcourts.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	2,000.0	Recurring	Local Alcohol Harms Alleviation Fund
	1,000.0	Recurring	Local Alcohol Harms Alleviation Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
49,650.0	49,650.0	49,650.0	Recurring	Local Alcohol Harms Alleviation Fund

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates

1. Senate Bill 431 introduced on February 17th, 2025.

Conflicts

1. Senate Bill 199 which seeks to increase the amount of funds the local government division of DFA has to make grants to municipalities and counties and to make DWI program distributions upon council approval.
2. Senate Bill 54 which could increase the number of people eligible for treatment courts if current best practices for referral and program criteria are changed.

Relates to:

1. Senate Bill 378 which seeks to increase the tax rate on spirituous liquors, beer, wine, fortified wine, and cider. If passed, the revenue associated with the distribution percentages presented in this analysis can be expected to increase.

Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

HB417 proposes several amendments related to the liquor excise tax and distribution of funds for awareness and recovery approaches to promote prevention or facilitate intervention, provide court-ordered supervision services, and reduce harms and risks associated with substance misuse.

Synopsis:

Section 1: Amends the “Local DWI Grant Program Act” to the “Local Alcohol Harms Alleviation Program Act.”

Section 1(A): Removes the \$20,750 monthly distributions to municipalities located in a class A county. Eliminating funding for municipal services supported by these dollars may have a negative impact on individuals who rely on these services. Further information is necessary to assess the full extent of this impact.

Section 1(A)(1): Amends distribution percentages to the local DWI grant fund from 45% to 94%;

Section 1(A)(2): Amends distribution to the drug court fund from 5% to 6%;

Section 1(B): Creates a distribution to the Tribal Alcohol Harms Alleviation Program Fund in an amount equal to the net receipts attributable to the Liquor Excise Surtax.

Section 4: Creates an Imposition and Rate of Liquor Excise Surtax of 6%, of the price paid for alcoholic beverages, on retailers who sell alcoholic beverages, not for resale. The United States

armed forces are exempt from this tax.

Section 12a:

- Removes funding to municipalities but retains funding for counties under the “Local Alcohol Harms Alleviation Program Act.”
- Removes language allowing the use of funds from the “Local Alcohol Harms Alleviation Program Act” for drug courts;
- Amends and broadens language to grant awards associated with substance use (including impaired driving), for the use of awareness and recovery approaches to promote prevention or facilitate intervention, provide court-ordered supervision services, and reduce harms and risks associated with substance misuse; and
- Amends language to include more person-centered language, emphasizing a more supportive and non-stigmatizing approach to treatment.

Section 12(B)(C): Creates a requirement for the board of county commissioners to submit a request for a grant to the division by April 1st of each year.

Section 13(A)(5)(6): Creates new council member positions from the Secretary of Public Education and Secretary of Indian Affairs

Section 15(C)(1)(2): Amends the previous distribution guidelines of the grant funds requiring a county to be classified as either A or B using a formula based on the federal decennial census to recommend distribution be based on a percentage made up of the population of the county as determined each year by the Department of Health and a fraction of the alcohol-related deaths in the state.

Section 15(E): Appears to increase funds for the administration of the “Local Alcohol Harms Alleviation Fund” to administer the local alcohol harms alleviation program and make grants from \$600,000 to one million dollars (\$1,000,000) each year. However, the new language also includes, “and make grants from the local alcohol harms alleviation fund.” Clarification on the intention of the added language is needed.

Section 18(A)(B): Creates a Tribal Alcohol Alleviation Program Fund (non-reverting) for grants to Indian nations, tribes, and pueblos and to local governments and entities serving tribal nations, tribal communities, Indigenous peoples, and urban Indian populations in New Mexico.

Section 19: Creates a Tribal Alcohol Alleviation Council and membership duties

Section 20(D)(1)(3): Amends payment of taxes to include “liquor excise surtax” for Direct Wine Shipment Permittees.

Section 22: Provides a temporary provision for the review of needed changes to the liquor excise taxes and distributions by the LFC and the Revenue Stabilization and Tax Policy Committee, by December 1, 2032.

Section 23(A)(B): FY26 Appropriations

- \$2,000,000 from the “Local Alcohol Harms Alleviation Fund” to the Indian Affairs Department for FY26 expenditure and subsequent fiscal years to prepare for the administration of the Tribal Alcohol Harms Alleviation Program Act and begin to conduct the research and evaluation required pursuant to that act. Unused funds will not revert to the “Local Alcohol Harms Alleviation Fund.”

- \$1,000,000 from the “Local Alcohol Harms Alleviation Fund” is allocated to the Board of Regents of the University of New Mexico. This amount will be distributed equally between the university's Center on Alcohol, Substance Abuse and Addictions and the Division of Community Behavioral Health within the Department of Psychiatry and Behavioral Sciences. The funds are designated for use in fiscal year 2026 and in subsequent fiscal years to initiate the necessary research and studies as mandated by the Tribal Alcohol Harms Alleviation Program Act. Any unspent funds will not revert to the “Local Alcohol Harms Alleviation Fund.”

Effective date of the provisions of this act is July 1, 2025.

FISCAL IMPLICATIONS

The AOC manages the Drug Court fund which provides support to treatment courts within the State of NM and the Therapeutic Justice Program in various ways. The Drug Court fund serves as the main source of funding to judicial districts statewide to supplement their general fund treatment court budgets. Those budgets are used to fund a wide array of expenses from treatment provider contracts to travel expenses related to training. The fund is also used to support salary and benefits of AOC staff, training for multi-disciplinary team members as well as Alumni groups throughout the state. The distribution to the drug court fund would increase from 5% (approximately \$2,500,000) to 6% (approximately \$3,000,000).

Distribution percentages to the two remaining beneficiaries would be amended as follows:

- The distribution to the local DWI grant would increase from 45% (approximately \$22,000,000) to 94% (approximately \$46,000,000). Currently, these funds are distributed, via grants, by the Local Government Division of the DFA, to municipalities or counties for 1.) new, innovative, or model programs, services or activities to prevent or reduce the incidence of DWI, alcoholism, alcohol abuse, drug addiction or drug abuse; and 2.) programs, services or activities to prevent or reduce the incidence of domestic abuse related to DWI, alcoholism, alcohol abuse, drug addiction or drug abuse.
- HB417 would eliminate monthly distributions, in the amount of \$20,750, for a municipality located in a class A county that has a population according to the most recent federal decennial census of more than thirty thousand but less than sixty thousand. Additionally, approximately \$25,000,000 to the general fund would be eliminated.

SIGNIFICANT ISSUES

1. Treatment courts, including adult, juvenile, family violence, domestic violence, veteran, and mental health courts, play a crucial role in the well-being of New Mexico communities by reducing recidivism and enhancing public safety. These specialized court dockets serve individuals who have been arrested or convicted of a crime, or those at risk of losing custody of their children, and who are struggling with substance use or behavioral health disorders. By offering treatment as an alternative to incarceration, these programs integrate public health and public safety approaches, connecting justice-involved individuals with personalized, evidence-based treatment and recovery services to address the root causes of criminal behavior. An increase in funding for the Drug Court Fund would provide vital support for staffing, training, treatment provider funding, ancillary service contracts, and other resources across the state. It would also enable the expansion of new treatment court

programs, further advancing the goals of rehabilitation and community safety.

2. Language in Senate Bill 54 could increase the population served for treatment court programs by allowing district courts to create their own eligibility criteria and guidelines when establishing treatment court programs; therefore, increasing the need for additional funding to support the additional population.
3. Additional information is needed to measure the impact of eliminating the funds distributed to the General Fund from the Liquor Excise Tax.
4. The bill almost doubles the distribution of funds to the DWI Grant Fund. The bill directs that the amount of funding each county may receive will be determined by its population size. This will help to ensure funding distribution is across all counties, however, capping funding by population size may underfund certain counties that may have a higher need than others.
5. An increase in tax due by “permittees” to include the liquor excise surtax may create an economic impact and hardship on these individuals.

PERFORMANCE IMPLICATIONS

Section 12a: The broadening of the language may unintentionally and insufficiently address the specific needs of drug courts (i.e., treatment court programs) serving individuals who need more intensive and ongoing support.

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS