

LFC Requester:

**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**  
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**SECTION I: GENERAL INFORMATION**

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

**Date Prepared:** 2/24/25 *Check all that apply:*  
**Bill Number:** HB 417 Original  Correction   
 Amendment  Substitute

**Sponsor:** Rep. Cadena; Rep. Parajon; Sen. Pinto; Sen. Sedillo Lopez **Agency Name and Code** DFA-341  
**Short Title:** LIQUOR TAX CHANGES & PROGRAMS **Number:** \_\_\_\_\_  
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	.		

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
		(\$19,807)	R	OSF/COUNTIES

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
Duplicates/Relates to Appropriation in the General Appropriation Act

### **SECTION III: NARRATIVE**

#### **AMENDMENTS IN CONTEXT**

- The House Taxation and Revenue Committee adopted the following amendments to House Bill 417 (HB 417):
  - The definition of a "retailer" in Section 3, subsection I has been narrowed to exclude the following: winegrowers, individuals holding a small brewer's license under Section 60-6A-26.1 NMSA 1978, and individuals holding a craft distiller's license under Section 60-6A-6.1 NMSA 1978.
  - Allow for the use of a portion of the LET that goes to the general fund in FY26 to be used for IAD start-up costs and to the board of regents for research.
  - Modified the bill's effective date to July 1, 2026.

#### **ORIGINAL BILL SUMMARY**

Synopsis: House bill 417 (HB417):

- relates to taxation
- amends the distributions of the liquor excise tax (LET)
- amends definitions in the LET act
- creates a surtax and distributes it to a new tribal alcohol harms alleviation fund (TAHA) Fund
- changes and amends the Local DWI Grant Program Act to the local alcohol harms alleviation program act (LAHA) program act
- creates the tribal alcohol harms alleviation program act
- excludes LET from gross receipts
- requires legislative committees to periodically review LET and surtax rates
- makes appropriations.

The bill effective date is July 1, 2025; with an effective date of July 1, 2026 for sections of the bill related to the new TAHA program and fund.

#### **FISCAL IMPLICATIONS**

##### **House Taxation and Revenue Committee Amendments to HB 417**

Without allowing distribution language in HB417, the counties will no longer report their proportional share of this distribution in their operating budget, therefore decreasing their reported revenues at the county level to reflect this loss. The current statute guarantees the receipt of these funds, whereas the proposed language will require counties to apply for funding. The possibility of additional funds will exist with the implementation of the tax, however eligibility will vary between counties for state funding and council approval.

This will result in a net loss of \$19.8mil of recurring funding for all 33 counties and will redirect any new funds gained as strictly nonrecurring (or program only) dollars because they will be

subject to applying for them annually. This will risk the sustainability of existing programs with the loss of guaranteed distribution if thereafter required to apply, and meet, thresholds to receive (such as audit compliance or budget availability, since funds are on a reimbursable basis).

Additionally, the methodology between the existing statute and the proposed legislation would remove the average of two factors weighted equally with an equation that would heavily weigh the grant opportunity based 90% on alcohol related deaths. This would result in counties receiving incrementally less funding opportunities should their alcohol related deaths steadily decrease with the success of this funding. The variance between the two methodologies (see figure 1) would result in 52% of New Mexico counties being facing reduced funding opportunities should alcohol alleviation fund not sustain sufficient revenue to offset the difference and assuming all counties were considered eligible to apply.

In FY2024, NM Counties reverted a total of \$1,277,874.00 back to the non-reverting LDWI fund (see figure 2), which subsequently rolls over into the next fiscal year. The available balance in the fund as of February 24<sup>th</sup>, 2025, indicates there is \$4million sitting in the current LDWI fund awaiting application from the counties. Such balances in the fund indicate a lack of capacity at the county level to programmatically apply these funds to specified programs, and not necessarily a lack of funding opportunities.

Figure 1. Variance in Old vs. New Methodology

	avg % of current	New math	variance
Bernalillo County	31.07%	31.22%	0.15%
Catron	0.15%	0.17%	0.02%
Chaves	2.45%	2.96%	0.51%
Cibola	1.52%	1.75%	0.24%
Colfax	0.77%	0.60%	-0.17%
Curry	1.67%	1.62%	-0.05%
De Baca - Ft Sumner	0.03%	0.09%	0.06%
Dona Ana	8.63%	6.92%	-1.71%
Eddy	4.18%	2.58%	-1.60%
Grant	1.34%	1.28%	-0.06%
Guadalupe	0.44%	0.24%	-0.20%
Harding	0.08%	0.04%	-0.04%
Hidalgo	0.28%	0.16%	-0.13%
Lea	4.38%	2.38%	-2.00%
Lincoln	1.35%	0.97%	-0.38%
Los Alamos	0.55%	0.42%	-0.14%
Luna	1.19%	1.02%	-0.18%
McKinley	5.12%	8.07%	2.95%
Mora	0.25%	0.22%	-0.04%
Otero	2.23%	2.76%	0.54%
Quay	0.56%	0.52%	-0.04%
Rio Arriba	2.26%	3.29%	1.03%
Roosevelt	0.75%	0.52%	-0.22%

San Juan	7.20%	8.40%	1.19%
San Miguel	1.52%	1.55%	0.04%
Sandoval	4.08%	6.07%	1.98%
Santa Fe	9.04%	6.28%	-2.75%
Sierra	0.61%	0.73%	0.12%
Socorro	0.79%	0.90%	0.12%
Taos	1.94%	1.87%	-0.07%
Torrance	0.68%	0.68%	0.00%
Union	0.13%	0.15%	0.01%
Valencia - Los Lunas	2.76%	3.57%	0.81%

Figure 2. Reversion Per County for FY 2024

Summary of Total Expenses by Component											
FY 24 July 1, 2023 to June 30, 2024											
County	Prevention	Enforcement	Screening	Outpatient Treatment	Compliance Monitoring /Tracking	Coor. Planning & Eval	Alternative Sentencing	Total Expenditures	Expenditures as % of total funding	Total funding	Remaining balance of total funding
Bernalillo	1,340,326.35	174,122.94	0.00	4,168,873.68	0.00	781,217.35	598,150.81	7,062,691.13	96%	7,338,434.19	275,743.06
Catron	49,025.89	0.00	0.00	0.00	16,539.24	21,308.31	0.00	86,873.44	71%	122,586.44	35,713.00
Chaves	165,386.21	72,796.86	0.00	80,000.00	108,072.51	90,589.42	40,948.00	557,793.00	100%	557,793.00	-
Cibola	14,171.90	6,522.98	0.00	33,659.00	180,683.29	89,453.64	0.00	324,490.81	100%	324,492.00	1.19
Colfax	30,014.09	0.00	0.00	17,742.55	26,109.59	119,862.93	0.00	193,729.16	100%	193,745.00	15.84
Curry	216,895.76	22,953.95	0.00	22,927.00	168,879.68	87,204.96	32,895.93	551,757.28	98%	561,824.40	10,067.12
De Baca (Fort Sumner)	86,811.44	0.00	700.00	0.00	7,700.00	28,875.00	0.00	124,086.44	100%	124,086.44	-
Dona Ana	202,961.74	35,325.00	0.00	32,457.31	1,002,863.27	76,102.89	0.00	1,349,710.21	93%	1,450,105.00	100,394.79
Eddy	229,812.00	64,339.91	0.00	169,938.41	53,951.93	88,973.45	72,585.79	679,601.49	85%	803,647.00	124,045.51
Grant	135,177.49	11,289.53	0.00	24,785.00	95,031.79	58,344.88	0.00	324,628.69	100%	324,628.69	-
Guadalupe	52,029.03	9,806.75	0.00	0.00	36,321.90	54,845.38	0.00	153,003.06	92%	166,930.00	13,926.94
Harding	46,465.65	0.00	0.00	0.00	7,604.99	27,269.07	0.00	81,339.71	100%	81,586.44	246.73
Hidalgo	60,000.00	0.00	0.00	0.00	24,000.00	21,086.44	0.00	105,086.44	100%	105,086.44	-
Lea	6,413.34	0.00	0.00	425,586.66	560,635.00	0.00	0.00	992,635.00	100%	992,635.00	-
Lincoln (Ruidoso)	92,469.70	15,896.99	0.00	9,795.00	39,279.48	50,400.00	0.00	207,841.17	100%	208,454.00	612.83
Los Alamos	20,676.99	3,500.15	0.00	15,000.00	9,453.33	17,339.42	0.00	65,969.89	59%	112,298.00	46,328.11
Luna	113,999.21	3,634.38	0.00	15,000.00	98,168.06	45,470.01	33,426.34	309,698.00	100%	309,698.00	-
McKinley	309,298.07	0.00	0.00	216,813.21	103,315.10	187,505.31	50,575.00	867,506.69	99%	872,522.00	5,015.31
Mora	27,158.12	0.00	0.00	15,650.15	35,000.00	1,623.75	0.00	79,432.02	80%	99,317.09	19,885.07
Otero	79,398.46	7,967.68	0.00	3,460.00	129,564.70	111,478.11	26,886.05	358,755.00	100%	358,755.00	-
Quay	3,400.00	0.00	0.00	0.00	45,924.67	50,086.55	0.00	99,411.22	86%	115,482.00	16,070.78
Rio Arriba	270,090.29	0.00	0.00	640,431.79	76,277.05	152,098.87	0.00	1,138,898.00	100%	1,138,898.00	-
Roosevelt	59,765.00	16,776.56	0.00	0.00	43,621.52	102,510.07	14,901.47	237,574.62	94%	253,689.00	16,114.38
San Juan	0.00	0.00	0.00	960,845.84	364,769.48	0.00	691,312.26	2,016,927.58	100%	2,016,927.58	-
San Miguel	98,219.82	0.00	0.00	0.00	28,241.81	121,499.37	0.00	247,961.00	83%	297,961.00	50,000.00
Sandoval	184,219.10	37,574.07	0.00	263,824.36	333,180.71	40,331.06	0.00	859,129.30	71%	1,203,247.95	344,118.65
Santa Fe	663,923.33	83,195.48	4,140.54	427,317.80	163,053.64	377,734.60	38,332.58	1,757,697.97	91%	1,939,327.00	181,629.03
Sierra	7,342.67	9,745.87	0.00	3,025.00	46,491.93	60,366.05	123.90	127,095.42	88%	144,550.00	17,454.58
Socorro	43,149.43	5,000.00	0.00	208,138.21	112,247.34	79,096.26	669.79	448,301.03	100%	448,986.00	684.97
Taos	119,865.01	0.00	12,528.17	45,000.00	152,261.24	84,489.84	20,468.99	434,613.25	99%	441,093.00	6,479.75
Torrance	57,493.14	6,798.90	0.00	0.00	0.00	85,838.60	53,120.00	203,250.64	94%	216,577.00	13,326.36
Union	9,068.20	0.00	0.00	0.00	36,153.21	36,365.03	0.00	81,586.44	100%	81,586.44	-
Valencia (Los Lunas)	85,277.09	38,228.26	0.00	111,723.00	276,138.65	89,299.00	0.00	600,666.00	100%	600,666.00	-
<b>Totals</b>	<b>4,880,304.52</b>	<b>625,476.26</b>	<b>17,368.71</b>	<b>7,911,993.97</b>	<b>4,381,535.11</b>	<b>3,238,665.62</b>	<b>1,674,396.91</b>	<b>22,729,741.10</b>	<b>94.68%</b>	<b>24,007,615.10</b>	<b>1,277,874.00</b>
	21%	3%	0%	35%	19%	14%	7%				5.32%

HB417 creates two new funds:

- the local alcohol harms alleviation fund (LAHA) and
- the tribal alcohol harms alleviation fund (TAHA)
- eliminates the distribution of LET to the general fund beginning in FY26
- eliminates the DWI Grant fund

HB417 distributes:

- 94% of the LET to the LAHA fund
- 6% of the LET to the drug court fund.

- 100% of the new liquor excise surtax to the TAHA fund.

#### HB417:

- allows for up to one million dollars of the LAHA fund to administer the LAHA program act.
- appropriates two million dollars from the LAHA fund to IAD in FY26 to prepare for the administration of the TAHA program act.
- appropriates one million dollars from the LAHA fund to the board of regents to conduct research and studies pursuant to the TAHA program act.
- changes and amends the Local DWI Grant Program Act to the local alcohol harms alleviation program act (LAHA program act) which changes the name of the DWI grant council to the local alcohol harms alleviation program council, which includes the current DWI Programs, but adds the ability for counties to fund additional prevention and treatment efforts for their constituents
- changes the makeup of the LAHA Council by adding the secretary of the public education or their designee and the secretary of Indian affairs or their designee
- allows the division to promulgate new rules for the new fund
- allows the division to make grants through a new formula based on population by county and five-year alcohol related deaths by county
- allows the division to expend up to one million dollars to administer the program
- The new TANA program fund is not effective until July 1, 2026, but an appropriation is established in this bill to allow IAD to receive two million dollars in FY26 and subsequent fiscal years to prepare for the administration of the TANA program act

#### **SIGNIFICANT ISSUES**

- The division has issued DWI Program grant applications that are due from the county programs to the division by February 28, 2025, for the FY26 funding allocations. Currently the DWI Grant council awards the next fiscal year funding at an open meeting in April so that the division can timely prepare the grant agreements to become effective July 1.
- If the DWI Grant Program act revision is effective July 1, 2025, the current application process would be disrupted, and the county DWI programs may not receive their distribution or grant funding awards timely. The division will need to promulgate new rules and new grant application processes which will take a considerable amount of time to put into place and will impact the funding awards for FY26. The new funding formula will change the current distribution allocations which will throw the current application process into uncertainty.

#### **PERFORMANCE IMPLICATIONS**

- With an effective date of July 1, 2025, HB417 does not allow time for the division to promulgate new rules and guidelines and application for funding for the new Act, which will greatly impact the current county DWI Grant program's ability to provide services and programs outlined in the current FY26 application.

#### **ADMINISTRATIVE IMPLICATIONS**

- The current six FTE positions tied to the LDWI Bureau in DFA will need to be transferred to the new LANA Bureau, to undertake the duties established by this revised Act.

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

- SB199 amends 11-6A-3 NMSA 1978, Local DWI Program Act Fund by increasing the amount of the Local DWI Grant fund that may be sued for administration of the program.

### **TECHNICAL ISSUES**

In section 15 C. on page 23:

- The amount available for the funding formula needs to be reduced by not only the transfer to the interlock device fund listed in B., but also the amount listed in E. of the same section, one million dollars for reasonable costs to administer the fund.

In section 15 C. (1) on page 23:

- the formula as proposed in HB417 should cite that the population of the county as determined each year is determined by UNM Geospatial and Populations Studies (GPS) not by the department of health.

### **OTHER SUBSTANTIVE ISSUES**

- The language in the Section 15 A. suggests that the division will make grants to counties for programs approved by the council. Section 15 C. suggests that the division will distribute the funds to counties based on the new formula in quarter installments.

### **ALTERNATIVES**

Options related to Section 15 are to keep the Local DWI Program statute in place and create a new statute for the LANA program fund. Allocate a fixed amount of LET for the Local DWI Program i.e. 25 million and allocate the balance of the LET to the new LANA program fund. DFA will oversee the grant process for the counties to apply for grants from the LANA program fund for council-approved alcohol awareness and recovery approaches to promote prevention or facilitate interventions, and reduce harms and risks associated with substance misuse.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

### **AMENDMENTS**

Change the bill effective date to July 1, 2026. Allow for the use of a portion of the LET that goes to the general fund in FY26 to be used for IAD start-up costs and to the board of regents for research.