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FISCAL IMPACT REPORT

SPONSOR <u>Padilla</u>	LAST UPDATED _____
	ORIGINAL DATE <u>1/30/25</u>
SHORT TITLE <u>Forest Restoration & Economic Development</u>	BILL NUMBER <u>Senate Joint Memorial 1</u>
	ANALYST <u>Rodriguez</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
EMNRD	\$25.0	\$75.0	No fiscal impact	\$100.0	Nonrecurring	General Fund
EDD	\$25.0	\$75.0	No fiscal impact	\$100.0	Nonrecurring	General Fund
Total	\$50.0	\$150.0	No fiscal impact	\$200.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From

Economic Development Department (EDD)

Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of Senate Joint Memorial 1

Senate Joint Memorial 1 (SJM1) directs the Energy, Minerals and Natural Resources Department (EMNRD) and Economic Development Department (EDD) to jointly study and make recommendations to expedite forest restoration through economic development. The memorial poses four questions to be addressed and requires a report to interim legislative committees by September 1, 2025.

FISCAL IMPLICATIONS

Joint memorials do not carry appropriations.

However, the agencies may incur costs associated with conducting the study outline in SJM1, such as staff time and resources to coordinate efforts, analyze data, meet with stakeholders, and prepare a report. As directed by the bill, the agencies will have to review successful programs in other states, identify market gaps, and propose incentives for private sector involvement. Both agencies raise concerns about the possible costs incurred. EDD notes the deadline and

complexity of the bill may necessitate expertise not readily available with the agency and may require external consultation.

EMNRD estimates the staff time or contractual costs for the coordination, data collection, and reporting would cost \$100 thousand. The agency had originally indicated it would use federal funds to cover the costs of the report. However, in a revised analysis, EMNRD writes:

The Forestry Division had thought two existing federal grants would provide funding for staff time to complete the study. However, on January 27, 2025, the federal Office of Management Budget issued M-25-13 pausing agency grant and financial assistance programs. After the memo was rescinded on January 28, OMB reiterated that programs with diversity, equity and inclusion goals would still be reviewed and terminated. Because the federal grant programs were authorized by the federal Inflation Reduction Act, and were specifically for underserved landowners and carbon markets, the OMB review is almost certain to result in termination of the grants, leaving the Forestry Division without funds for staff time or contracts for the SJM1 study.

Projected costs to EDD for responsibilities outlined in SJM1 are based on similar projections as EMNRD for staffing hours between the enactment of the memorial and September 1, 2025, and possible contractor costs for consultation.

SIGNIFICANT ISSUES

SJM1 directs EMNRD and EDD to study and develop recommendations to align wildfire mitigation and restoration efforts with economic development for the state's wood utilization sector. EMNRD further states:

Currently, New Mexico's landowners, private industry, and government agencies are not working together well and have been unable to align wildfire mitigation and restoration efforts with forest products based economic development. This memorial will facilitate the three pillars of landowners, industry, and government to move towards a shared goal and understanding of the benefits of restoration to each's interest. The study questions will result in recommendations that set terms for incentives, legal action, financial mechanisms, and partnerships to expedite forest restoration. The memorial will strengthen cooperation and expedite the restoration of New Mexico's forest with myriad benefits for people and watersheds. The result will be to greatly improve New Mexico's leadership in forestry (academically, governmental, and industry) research, processes, and innovation. More importantly, this funding will help to prevent further wildfire and watershed disasters.

PERFORMANCE IMPLICATIONS

EMNRD raises concerns over the timeframe for completing the study and developing recommendations. If enacted, SJM1 would require the agencies to submit findings and recommendations by September 1, 2025.

JR/sgs/hg/sgs