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FISCAL IMPACT REPORT

SPONSOR Reps. Hochman-Vigil and Parajon/Sen. Sedillo Lopez **LAST UPDATED** _____
ORIGINAL DATE 1/26/24
BILL
SHORT TITLE Liquor Tax Distribution for Treatment **NUMBER** House Bill 112
ANALYST Gray

REVENUE* (dollars in thousands)

Type	FY24	FY25	FY26	FY27	FY28	Recurring or Nonrecurring	Fund Affected
LET		\$4.0	\$6.0	\$8.0	\$10.0	Recurring	Municipality – Class A County (Farmington)
LET		\$12,100.0	\$12,200.0	\$12,300.0	\$12,400.0	Recurring	County Governments
LET		\$12,100.0	\$12,200.0	\$12,300.0	\$12,400.0	Recurring	Prevention and Treatment Fund
LET		(\$24,300.0)	(\$24,500.0)	(\$24,700.0)	(\$24,900.0)	Recurring	General Fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD – IT & admin	\$135.2			\$135.2	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Conflicts with House Bill 179

Sources of Information

LFC Files

Agency Analysis Received From

Taxation and Revenue Department (TRD)

Department of Health (DOH)

Agency Analysis was Solicited but Not Received From

Health Care Authority (HCA)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of House Bill 112

House Bill 112 changes the distributions of the liquor excise tax and creates the county alcohol and substance use disorder prevention and treatment fund.

The effective date of this bill is July 1, 2024.

FISCAL IMPLICATIONS

The proposal reduces liquor excise tax revenues going to the general fund from 50 percent to 1.5 percent. The lost general fund revenue goes to counties for alcohol and substance use disorder prevention and treatment. Half of the new revenue to counties will be direct disbursements and half will be grants administered by the Health Care Authority to provide all or a portion of the non-federal share of Medicaid services and other federal grants directed toward alcohol and substance use disorder prevention and treatment.

The Taxation and Revenue Department (TRD) estimates IT and administrative costs associated with the changes totaling \$135.2 thousand.

SIGNIFICANT ISSUES

Department of Health analysis notes the bill should specify that all funds will go toward evidence-based programs:

The bill should include language in Section 1, part D line 20-21 to state “evidence-based alcohol and substance use disorder prevention and treatment.” Section 2, part B line 20-21 should state “to fund evidence-based alcohol and substance use disorder prevention and treatment programs.”

Alcohol Use Disorder in New Mexico

According to a 2023 LFC program evaluation, alcohol is New Mexico’s predominant substance-use problem. In 2021, 2,274 New Mexicans died from alcohol-related causes, roughly six people each day. The state has had the highest alcohol-related death rate in the country for over a decade, and the state’s alcohol related death rate grew by 32.4 percent between 2019 and 2021.

Deaths resulting from alcohol-related injuries are also twice the national rate. Between 2019 and 2021, the most recent year for which DOH has published data, the state’s rate of alcohol-related deaths increased from 78.5 deaths per 100 thousand people to 102.8 deaths per 100 thousand people, a 31 percent increase. In 2016, New Mexico’s alcohol-related death rate was nearly twice the national rate.

A 2020 DOH gap analysis suggests that of the 100 thousand people who live with an alcohol use disorder, about 70 thousand do not receive treatment. DOH estimated about 10 percent of those who need treatment and do not receive it will never receive it.

DOH analysis points out some communities bear more of the burden of the prevalence of alcohol, writing:

- American Indian/Alaska Native populations bear the greatest burden of alcohol-related death in New Mexico. In 2022, the age-adjusted rate of alcohol-related death for American Indians in New Mexico is 283.37 deaths per 100 thousand population. This is

over three times the rate of alcohol-related death in the state overall for the same year.

- In 2022, McKinley County’s rate of alcohol-related death was 257.95 deaths per 100 thousand population (age-adjusted).
- In 2022, Rio Arriba County’s rate of alcohol-related death 199.68 deaths per 100 thousand population (age-adjusted).
- In 2022, Catron County’s rate of alcohol-related death was 179.73 deaths per 100 thousand population.
- Men have higher rates of alcohol death than women. In 2022 the age-adjusted rate of alcohol-related death in men was 135.30 deaths per 100 thousand population, while women the rate was 54.2 deaths per 100 thousand population.

Despite the growing number of people living with an alcohol use disorder, the state recently loosened some market-based policy interventions that limit access to alcohol. In 2019, legislation (SB413) amended the definitions of microbrewers and winegrowers, extending the definitions of producers and quantities that fit into the small producer tax rate categories. In 2021, legislation (HB255) made significant changes to New Mexico’s liquor laws. The statute shifted the start time for Sunday alcohol sales from 11am to 7am, permitted the home delivery of alcohol, and created a new category of restaurant liquor license that reduced the cost of providing spirits, not just beer and wine. However, the bill also restricted the sale of liquor other than beer for some licenses that sell gasoline, prohibited the sale of small alcohol containers, and required DOH to study the effect of home alcohol delivery.

Prevention Efforts

The 2023 LFC program evaluation noted, while the state has invested significantly in treatment, New Mexico has not dedicated the same resources toward prevention. HB112 increases resources that may be used for prevention efforts, but the legislation contains no policy mechanisms that direct agencies to invest the new resources in evidence-based prevention programs.

Fractured Coordination

According to a 2023 LFC program evaluation, New Mexico risks duplicating or underleveraging available resources without coordination. The Behavioral Health Collaborative’s statutory role positions the organization to play a strategic role in developing a comprehensive plan to address substance use disorders in the state. Given the additional resources available under HB112, collaboration and coordination is needed to avoid resource duplication or supplanting. The Behavioral Health Collaborative is currently operating under a strategic plan that is about to end. It is funding needs assessments by the local collaboratives in support of its next strategic plan. The Behavioral Health Collaborative has an opportunity to play a coordinating function across all three branches of government.