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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 122
SHORT TITLE: Expand Limitation on Municipal Annexation

SPONSOR: Borrego
LAST UPDATE: _____ **ORIGINAL DATE:** 2/4/2026 **ANALYST:** Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Counties	No fiscal impact	Indeterminate but minimal	Indeterminate but minimal		Recurring	Other state funds

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

New Mexico Municipal League

Agency or Agencies That Were Asked for Analysis but did not Respond

Association of Counties

Department of Finance and Administration

SUMMARY

Synopsis of House Bill 122

House Bill 122 (HB122) amends Section 3-7-3 NMSA 1978, as it relates to limitations on annexation for municipalities, to require county commission approval for annexations in all Class A counties, not just those Class A counties with a population of 300 thousand or more.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

HB122 expands county control over annexations. This may have an indirect fiscal impact if the additional approval process slows or limits in scope municipal annexations.

SIGNIFICANT ISSUES

HB122 expands county approval of municipal annexations to all Class A counties, not just Bernalillo County, by eliminating a population requirement. This increases county oversight for annexations that may affect county revenue but may also constrain municipal growth strategies.

New Mexico Municipal League (NMML) stated the bill adds an additional approval requirement that is not necessary as state law already provides 3 annexation methods for adding unincorporated territory to municipalities. NMML stressed that each method ensures both resident input and an independent board review.

A synopsis of NMML's explanation of the 3 methods is below:

- Under the Arbitration method, (Section 3-7-5 to 3-7-10 NMSA 1978), the decision to annex is made by a seven-member Board of Arbitration: 3 members representing territory to be annexed, 3 members representing the municipality, and a seventh member mutually selected. If the Board of Arbitration decides whether all or part of the territory should be annexed, the municipal governing body passes an ordinance. If the Board decides the territory should not be annexed, the municipality may not file a new resolution to annex that territory for two years.
- The Municipal Boundary Commission method (Section 3-7-11 to 3-7-16 NMSA 1978) may be used by the municipality or by landowners. The Municipal Boundary Commission consists of 3 members, all appointed by the governor. A landowner within the territory to be annexed may ask a district court to review a decision.
- The petition method (Section 3-7-17 NMSA 1978) can be only used by the owners of the majority of land with the territory proposed to be annexed. The owners' petition is presented to the municipal governing body. The governing body either annexes the territory by ordinance or rejects the annexation by ordinance. Any person owning land within the annexed territory may appeal to the district court.

ADMINISTRATIVE IMPLICATIONS

Counties will incur additional administrative duties when acting on annexation requests.

AHO/ct/dw/sgs