



# **Investing in our Communities: Strong Infrastructure, Stable Revenues**

Presentation to the Legislative Finance  
Committee

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# NMML Supports Cities, Towns, and Villages in New Mexico

## OUR VISION

We envision thriving New Mexico communities through effective and informed local governance and decision making

## OUR MISSION

To protect and promote municipal interests with a unified voice through advocacy, education, and comprehensive risk management

- The **New Mexico Municipal League** (NMML) is a nonpartisan, nonprofit organization that represents all 106 incorporated municipalities across the state. For more than a century, NMML has worked to protect and promote local governance through legislative advocacy, training, and technical assistance. The League also supports 12 professional subsections
- Through the **New Mexico Self Insurers' Fund** (NMSIF), we provide property, liability, and workers' compensation insurance coverage for 95 municipalities and a number of other governmental entities. We also deliver a wide range of risk management services to members to reduce liability, enhance workplace safety, and ensure accountability

## Professional Subsections

- Airport Managers
- Attorneys
- City Managers
- Clerks and Finance Officers
- Environmental Quality Association
- Fire Chiefs
- Government Finance Officers
- Judges
- Librarians
- Municipal Court Clerks
- Police Chiefs
- Zoning Officials

# 2026 Legislative Priorities Focus on Water Infrastructure Investment; Protecting Municipal Revenues

- Municipalities provide **essential, everyday services** – safe roads, clean drinking water, responsive police, fire, and emergency medical services
- **Water infrastructure is critical** – water project needs are significant, with new wastewater project eligibility under Water Trust Board adding to demand. For FY26, **applications exceed available funding by about \$200 million**, highlighting the need for continued investment and streamlined processes to move projects faster
- **Stable and predictable revenues** allow cities to deliver the core services New Mexicans rely on daily; a **broad tax base supports low rates** for taxpayers and also **provides stability** and predictability for local budgets
- **Thank you for your support of our local communities**
  - 2025 funding for the Water Project Fund will support critical water and wastewater projects statewide
  - SB 151 (2024) and SB 197 (2025) directed more funding to local EMS services and made it easier for local governments to purchase ambulances
  - Support for public safety in recent years (including survivor benefits for law enforcement and fire; funding for public safety radio network; increase in Law Enforcement Protection Fund distributions) strengthens local capacity

# Investments in Local Water Projects are Investments in Community Health, Safety, Economic Development

## Municipal Water Infrastructure Needs Are Significant and Urgent

- Statewide drinking water infrastructure needs exceed \$3 billion
- Municipalities alone face at least \$1.2 billion in unfunded needs (FY25–FY28) – *these are only the projects that cities have identified – how much is unidentified?*<sup>1</sup>

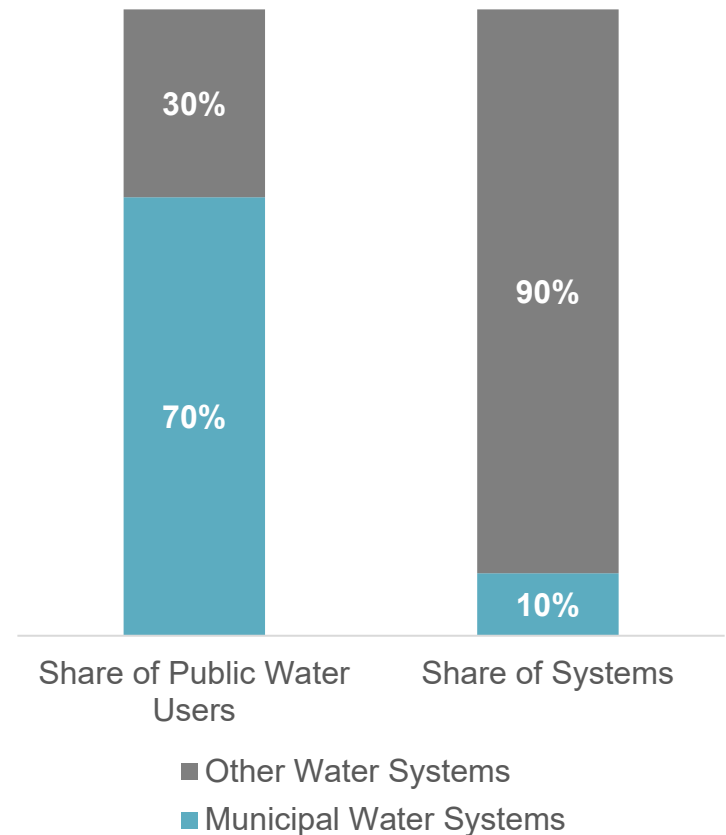
## Expanding Water Project Fund Eligibility to Include Wastewater is Positive – But Increases Demand

- Wastewater inclusion (HB211-2024) is a needed addition, especially for smaller municipalities
- ...but will increase demand for WPF monies

## Investing in Municipal Water Systems Delivers High ROI

- Municipal systems make up 10 percent of public water systems in the state, but serve nearly 70 percent of the population
- Investments support economic development and public health
- Reducing water loss and increasing operational efficiency saves money long-term

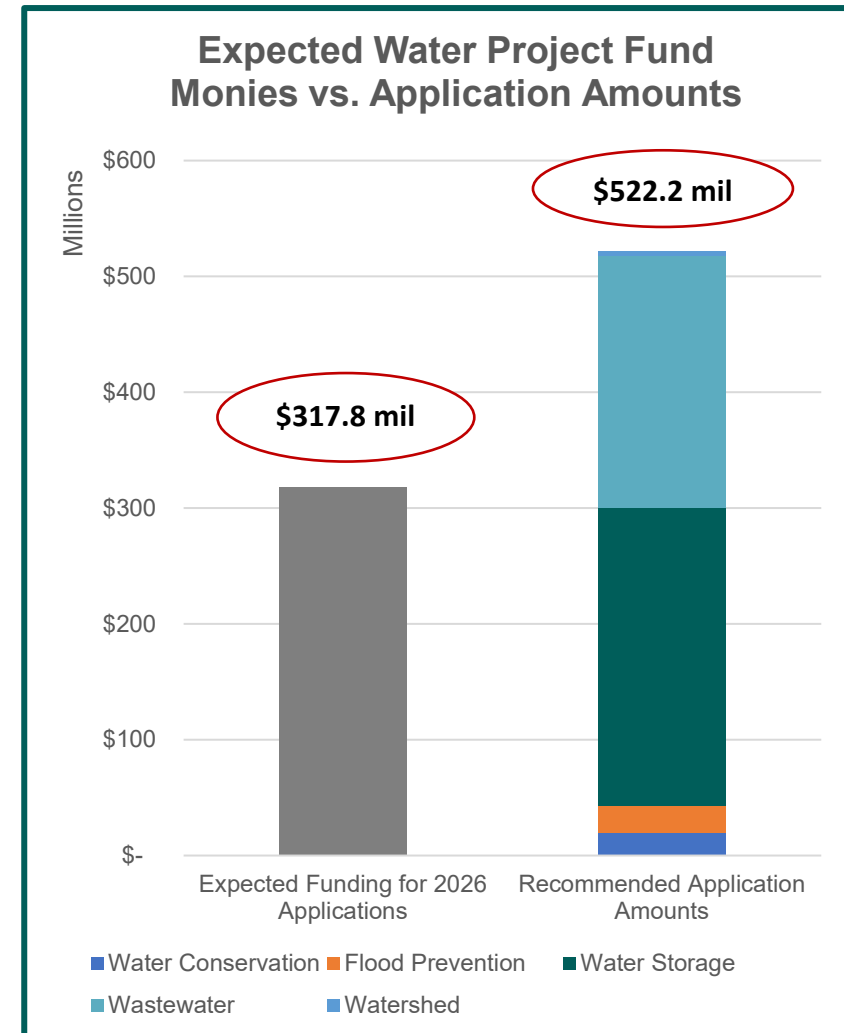
## Municipal Water Systems Serve ~70% of Users Statewide



<sup>1</sup> Estimated need based on drinking water-related projects identified in municipal ICIPs (FY25-FY28) and WTB NOIs (2022-2024); duplicate projects removed

# Demand for Water Project Fund Monies Exceeds Available Funding by Over \$200 Million

- Water Trust Board reviewed and recommended 113 water projects totaling \$522 million for the FY26 project cycle
- Available funding is estimated at ~\$318 million, from Severance Tax Bonds, Water Trust Fund distribution, and HB2 balance
- Gap between available funding and recommended projects is approx. \$204 million
- Nearly all projects recommended for funding met technical and readiness criteria, indicating high-quality applications and shovel-ready projects
- Recommended projects are spread across 27 counties and represent many small, rural communities, as well as larger water systems (see *next slide for more detail*)



# Project Applications Represent Needs in 27 Counties, Across Small, Medium, and Larger Water Systems

## 2026 Water Trust Board Legislative Authorization List

County	# of Projects	Amount Requested	County	# of Projects	Amount Requested
Bernalillo	9	\$37,733,792	Mora	1	\$1,775,930
Chaves	1	\$10,000,000	Otero	4	\$24,380,000
Cibola	2	\$12,170,910	Rio Arriba	6	\$5,362,245
Colfax	4	\$24,925,073	Roosevelt	3	\$16,237,400
Curry	2	\$27,800,000	San Juan	2	\$4,500,000
De Baca	1	\$4,500,000	San Miguel	7	\$82,300,000
Dona Ana	10	\$24,210,185	Sandoval	3	\$3,470,000
Guadalupe	5	\$2,192,500	Santa Fe	8	\$45,905,000
Harding	4	\$4,966,700	Sierra	1	\$2,522,765
Lea	1	\$1,250,000	Socorro	1	\$2,954,545
Lincoln	12	\$67,235,217	Taos	7	\$11,779,420
Los Alamos	2	\$2,640,000	Torrance	6	\$29,645,454
Luna	1	\$9,523,810	Valencia	3	\$24,171,086
McKinley	7	\$38,073,972	<b>Total</b>	<b>113</b>	<b>\$522,226,004</b>

## Sample Project Applications for FY26 WTB Cycle

- Canjilon MDWA, Rio Arriba County, \$1.4 million
- City of Gallup, Water reclamation facility improvements, \$16 million
- City of Las Vegas, water meter replacement, \$4 million
- Santa Clara Pueblo, Middle Ditch reconstruction, \$1.8 million
- Mesa SWCD, Harding County, fire mitigation, \$600 thousand
- Costilla MDWCA, Taos County, water system improvements, \$268 thousand
- City of Raton, Lake Maloya conveyance project, \$10.8 million
- Lincoln County, Lower Eagle Creek structure, \$1.6 million

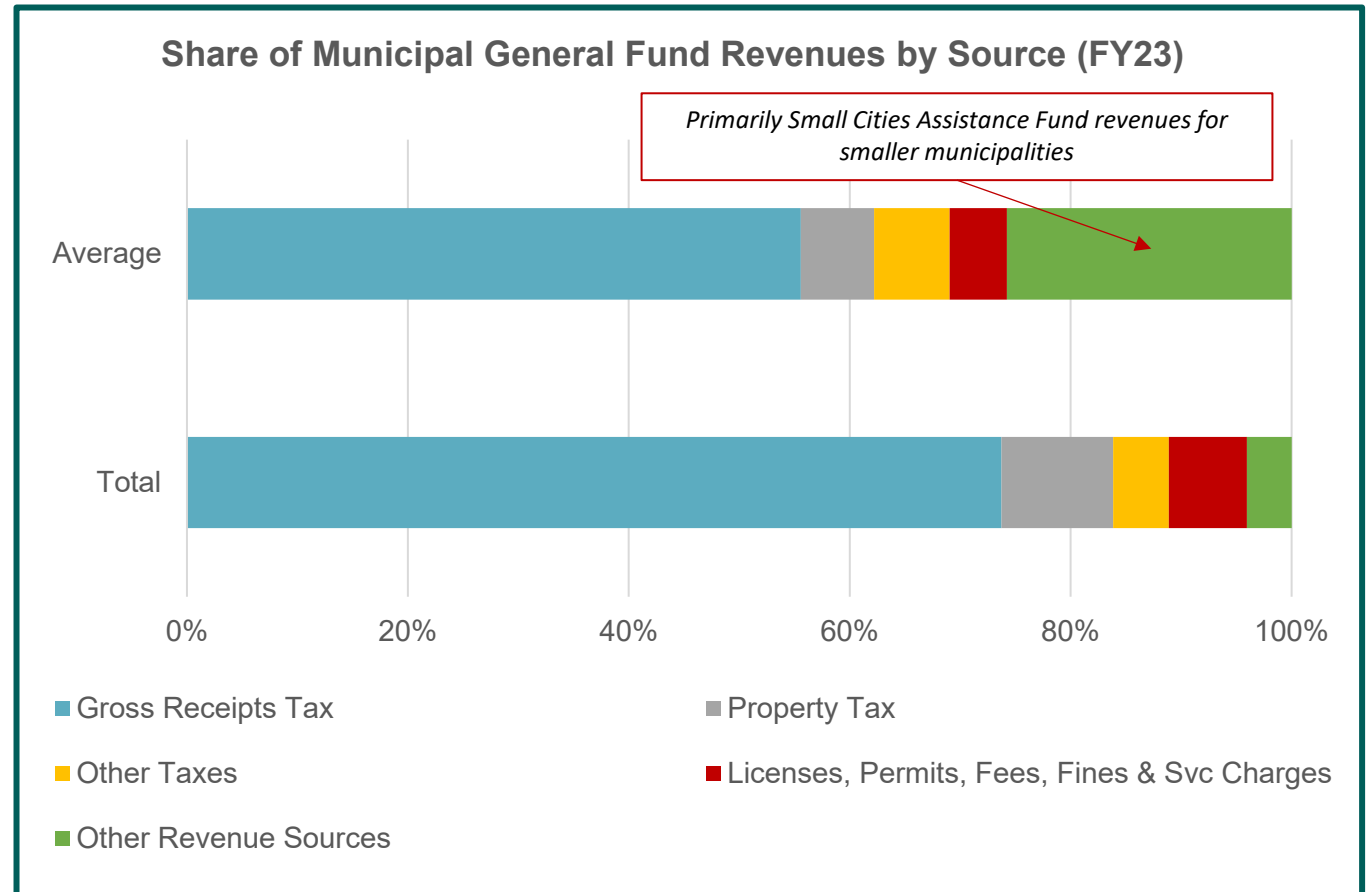
# Getting Water Money Into Communities Quickly Should Be Priority

## Legislative Authorization Requirement for Water Project Fund Monies Delays Project Delivery

- Requiring legislative authorization during legislative session creates delays for shovel-ready projects, adding ~180 days between WTB recommendation and funding approval
- WTB evaluates project applications by end of October, but legislative authorization means money isn't released until March or April (post-bill signing)
- Idle capital incurs real costs: inflation, supply chain constraints, and missed construction windows
- Vetting, compliance, and transparency are supported through NMFA oversight and Water Trust Board application review process

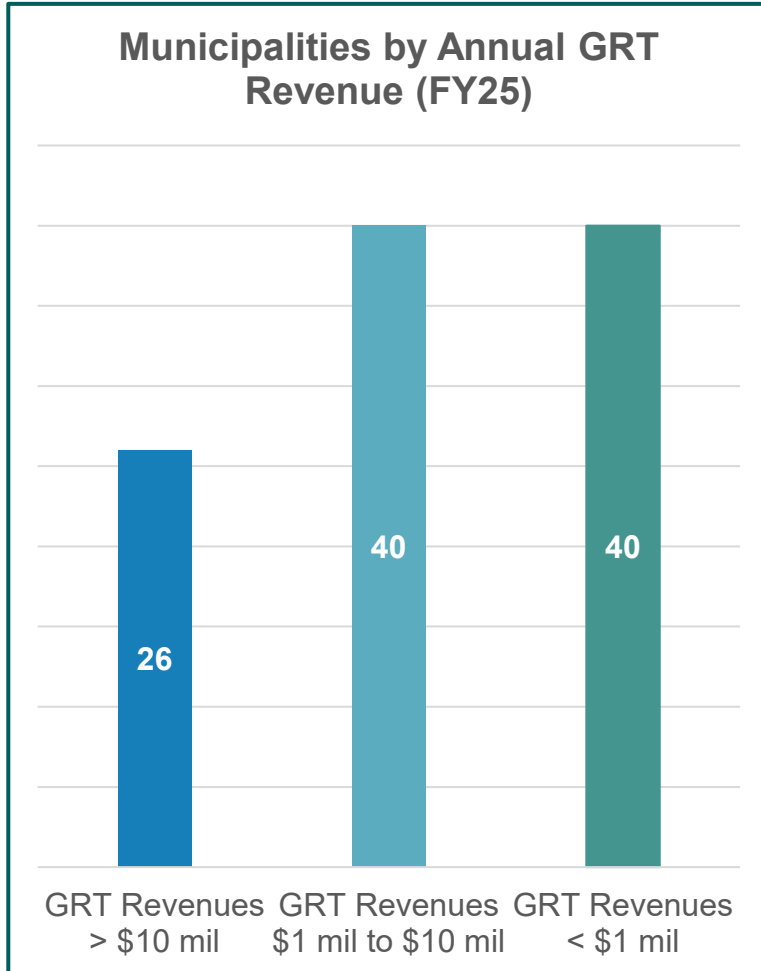
# Municipal Revenues Rely on a Narrow and Volatile Base

- Two-thirds of total municipal general fund revenues come from GRT; 56 percent on average
- GRT is volatile and sensitive to economic shifts
- Municipalities have limited options to raise revenue outside of GRT
- Three-quarters of cities operate on annual GRT revenues of less than \$10 million; 40 percent on less than \$1 million (*see next slide*)





# Nearly 40 Percent of Municipalities Earn Less Than \$1 Million in Annual GRT



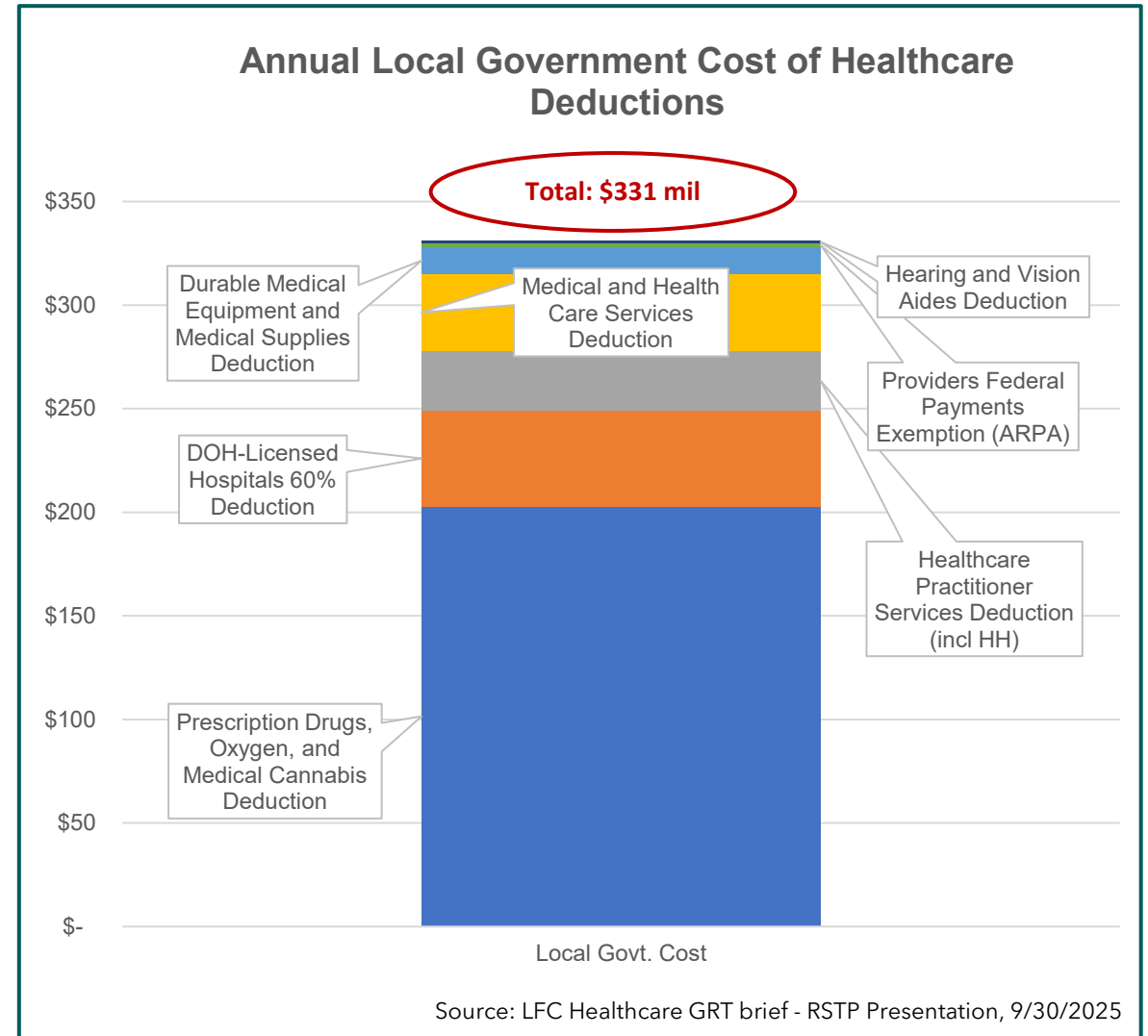
- GRT Revenues >\$10 mil**
- Albuquerque (\$647 mil)
  - Santa Fe (\$170 mil)
  - Las Cruces (\$133 mil)
  - Rio Rancho (\$81 mil)
  - Los Alamos (\$80 mil)
  - Carlsbad (\$79 mil)
  - Farmington (\$78 mil)
  - Hobbs (\$63 mil)
  - Roswell (\$54 mil)
  - Los Lunas (\$40 mil)
  - Clovis (\$37 mil)
  - Gallup (\$37 mil)
  - Alamogordo (\$35 mil)
  - Artesia (\$30 mil)
  - Ruidoso (\$23 mil)
  - Taos (\$21 mil)
  - Loving (\$21 mil)
  - Jal (\$17 mil)
  - Silver City (\$17 mil)
  - Deming (\$15 mil)
  - Las Vegas (\$15 mil)
  - Belen (\$13 mil)
  - Espanola (\$12 mil)
  - Lovington (\$11 mil)
  - Grants (\$10 mil)
  - Bernalillo (\$10 mil)

- GRT Revenues \$1 mil to \$10 mil**
- Sunland Park (\$9.5 mil)
  - Portales (\$9.3 mil)
  - Edgewood (\$8.2 mil)
  - Socorro (\$7.9 mil)
  - Aztec (\$6.9 mil)
  - T or C (\$6.6 mil)
  - Bloomfield (\$6.1 mil)
  - Angel Fire (\$6 mil)
  - Raton (\$5.7 mil)
  - Ruidoso Downs (\$5.3 mil)
  - Corrales (\$5.2 mil)
  - Los Ranchos (\$5.1 mil)
  - Eunice (\$5 mil)
  - Tucumcari (\$4.8 mil)
  - Moriarty (\$4.1 mil)
  - Red River (\$3.5 mil)
  - Milan (\$3.5 mil)
  - Bosque Farms (\$3.3 mil)
  - Santa Rosa (\$3.2 mil)
  - Estancia (\$3 mil)
  - Anthony (\$2.6 mil)
  - Clayton (\$2.6 mil)
  - Corona (\$2.4 mil)
  - Lordsburg (\$2.4 mil)
  - Mesilla (\$2.1 mil)
  - Peralta (\$1.9 mil)
  - Cuba (\$1.8 mil)
  - Taos Ski Valley (\$1.8 mil)
  - Hatch (\$1.7 mil)
  - Bayard (\$1.7 mil)
  - Cloudcroft (\$1.7 mil)
  - Tijeras (\$1.6 mil)
  - Kirtland (\$1.4 mil)
  - Tularosa (\$1.3 mil)
  - Chama (\$1.3 mil)
  - Springer (\$1.3 mil)
  - Carrizozo (\$1.2 mil)
  - Rio Communities (\$1.1 mil)
  - Elephant Butte (\$1.1 mil)
  - Questa (\$1 mil)

- GRT Revenues <\$1 mil**
- Columbus (\$987K)
  - Capitan (\$984K)
  - Logan (\$873K)
  - Pecos (\$675K)
  - Ft Sumner (\$666K)
  - Des Moines (\$652K)
  - Hagerman (\$610K)
  - Dexter (\$602K)
  - Vaughn (\$560K)
  - Santa Clara (\$546K)
  - Eagle Nest (\$543K)
  - Mountainair (\$529K)
  - Texico (\$526K)
  - Magdalena (\$501K)
  - Mosquero (\$500K)
  - Hurley (\$491K)
  - Williamsburg (\$483K)
  - Tatum (\$471K)
  - Cimarron (\$447K)
  - Jemez Springs (\$428K)
  - San Jon (\$370K)
  - Encino (\$343K)
  - Melrose (\$311K)
  - Reserve (\$266K)
  - San Ysidro (\$181K)
  - Elida (\$156K)
  - Wagon Mound (\$144K)
  - Maxwell (\$130K)
  - Lake Arthur (\$125K)
  - Village Of Grady (\$97K)
  - Roy (\$88K)
  - Willard (\$79K)
  - House (\$67K)
  - Dora (\$52K)
  - Causey (\$34K)
  - Folsom (\$30K)
  - Hope (\$29K)
  - Grenville (\$27K)
  - Floyd (\$26K)
  - Virden (\$18K)

# Tax Base Erosion Threatens Local Revenues, Services

- GRT deductions and exemptions have **eroded the local tax base by hundreds of millions annually**
- Each new deduction or exemption narrows the GRT base and undermines both local and state fiscal stability
  - Medical and healthcare deductions have eroded local revenues by ~\$330 million annually
  - Cost of food and medical deductions also significant - ~\$65 million annually for municipalities
  - 2025 proposed bills would have cut an additional \$100 million statewide
- **“Death by a thousand cuts”** – some tax base erosion is significant...but even small cuts add up. Examples include:
  - *HB 252 (2024)* – GRT deductions for Medicaid home renovations, childcare, and geothermal facilities → **\$12 mil**
  - *HB 278 (2021)* – GRT deduction for sales of tangible goods and services to manufacturers → **\$2 mil**
  - *HB 98 (2021)* – Expansion of food sale GRT deduction to include delivered groceries → **\$1 mil**
  - *SB 425 (2019)* – GRT deduction for defense-related satellite contracts → **\$1.75 mil**



# Impacts of Some Tax Code Changes Unclear or Underestimated, Making Planning, Budgeting Difficult

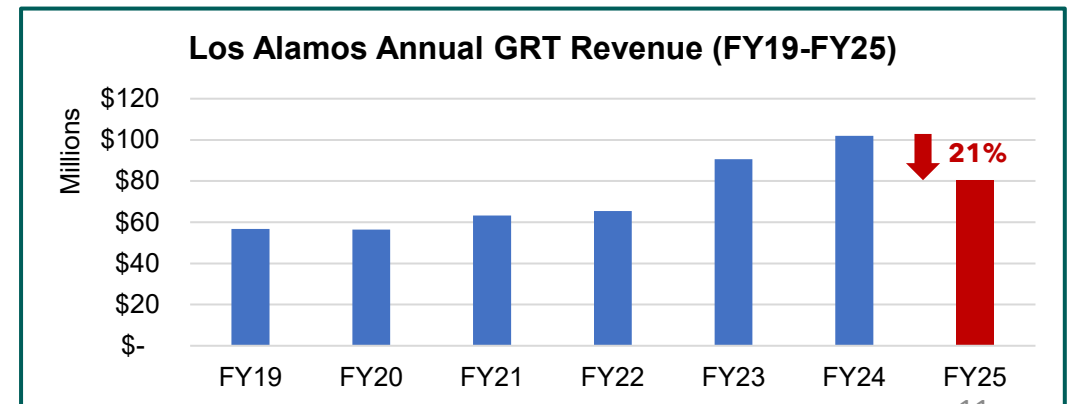
- Inaccurate projections can lead to unintended, significant revenue losses
  - Deduction for sales of services to manufacturers in HB 163 (2022) was projected to cost local governments ~\$4 million annually but is now estimated at \$56 million — 14x higher than forecast
  - Cities set budgets based on projected GRT revenue; unexpected revenue drops can force rate increases, service cuts, hiring freezes
  - Sometimes, individual communities or regions see significant, sometimes unanticipated impacts from tax code changes
    - Destination sourcing (2021) disproportionately impacted communities in Southeastern NM
    - Los Alamos GRT down in FY25, likely as result of B2B manufacturing deduction (2022)
- **Tax reform proposals should be analyzed for potential local government revenue impacts, including effects on individual communities, where feasible – overall or average impacts can disguise significant individual impacts**

**Fiscal Impact:**

Costs of B2B sales to manufacturers significantly underestimated	Fiscal Year	2023	2024
	Taxpayers	133	2,986
Sales of Services to Manufacturing GRT Deduction	State General Fund Expenditure (thousands)	\$698	\$84,098
	Local Government Expenditure (thousands)	\$446	\$56,065

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY22	FY23	FY24	FY25	FY26		
	(\$5,600.0)	(\$5,800.0)	(\$6,000.0)	(\$6,200.0)	Recurring	Section 14 B to B manufacturers-- General Fund GRT
--	(\$3,800.0)	(\$3,900.0)	(\$4,000.0)	(\$4,100.0)	Recurring	Section 14 B to B -- Local Governments GRT



# Municipalities Face Cost Pressures, Leading to Tax Increases

- **Escalating costs, significant needs** strain local budgets
  - Double-digit increases in health insurance and rising public safety pay
  - Infrastructure needs — \$9 billion in unfunded municipal projects statewide<sup>1</sup>
- **Small towns face many of the same cost pressures** – e.g. the same road mile cost or fire truck cost – **as larger cities**, but with a fraction of the revenue
- Some municipalities have raised rates simply to keep pace with rising costs and lost tax base
- **Tax increases are limited and infrequent** — only about 6 percent of cities raise rates in a given year, usually for essential needs like EMS, utilities, or police
- **Local ability to raise rates is limited** — rate increases require a vote by elected officials or direct voter approval, ensuring that decisions reflect genuine community need (e.g. Taos County voters approved a GRT rate increase in 2022 with 74 percent voter approval to fund fire and EMS)

## Local Government GRT Rate Maximums

Implementation	Municipality	County-Wide	Rest of County
By Ordinance	2.05%	1.00%	0.12%
By Referendum	0.45%	0.25%	0.38%
<b>TOTAL</b>	<b>2.50%</b>	<b>1.25%</b>	<b>0.50%</b>

## Examples of Municipal GRT Rate Increases

- Rio Communities raised its GRT rate in 2020 to fund **public safety**, raising ~\$40,000
- Santa Rosa raised its GRT rate in 2020 to fund **EMS operating costs**, raising ~\$320,000
- Loving raised its GRT rate in 2021 to cover **solid waste operating costs**, raising ~\$800,000
- Kirtland raised its GRT rate in 2023 to fund **sewer system operating costs**, raising ~\$36,000
- Taos raised its GRT rate in 2023 to **increase employee salaries**, raising ~\$1.8 million

<sup>1</sup> Based on projects identified through municipal Infrastructure Capital Improvement Plans (FY26-FY30)

# Economic Development Requires Strong Communities

- Economic development depends on thriving communities. Businesses choose to invest where there is public safety, infrastructure, and quality of life — all made possible through adequate municipal revenues
- Stable, predictable revenues are essential for cities to provide safe streets, clean water, and reliable public safety
- Tax base erosion undermines local self-sufficiency, leading to a narrower base and higher rates
- Stable state–local revenue sharing is essential to keep up with these structural cost drivers

“Due to impacts of the closure of our power plants and coal mines, and the boom-and-bust cycle of our energy market, the City of Farmington has implemented an aggressive strategy to diversify our local economy through an array of economic development initiatives. We want to be a beacon of economic growth, a place where private investment will pay dividends to this community, its families and our workforce. And right now it is clear, our collective efforts are working. However, we all know that **businesses choose to invest in cities with strong infrastructure, safe streets, and a high quality of life—all of which require adequate municipal funding.** Reducing GRT revenue risks making our cities less attractive to employers and developers, stunting our economic development initiatives.”

- Mayor Nate Duckett (Farmington), March 2025

# Thank You!

## Questions?

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