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FISCAL IMPACT REPORT

BILL NUMBER: CS/Senate Bill 273/SFCS

SHORT TITLE: Public Peace, Health, Safety & Welfare Correction Facility Loss of Revenue

SPONSOR: Senate Finance Committee

LAST UPDATE: 2/18/2026 **ORIGINAL DATE:** 02/16/2026 **ANALYST:** Sanchez

APPROPRIATION*
(dollars in thousands)

FY27		FY28	Recurring or Nonrecurring	Fund Affected
	$300.0	$300.0	Nonrecurring	General Fund
	$300.0	$300.0	Nonrecurring	General Fund
	$5,940.0	$0.0	Nonrecurring	General Fund
	$1,975.0	$1,975.0	Nonrecurring	General Fund
	$1,125.0	$1,125.0	Nonrecurring	General Fund
	$850.0	$850.0	Nonrecurring	General Fund
Total	**$10,490.0**	**$4,550.00**	**Nonrecurring**	**General Fund**

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 9 and House Memorials 51 and 42.

Sources of Information

LFC Files

<u>Agency or Agencies That Were Asked for Analysis but did not Respond</u>
New Mexico Counties

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of SFC Committee Substitute for Senate Bill 273

The Senate Finance Committee substitute for Senate Bill 273 (SB273) appropriates a total of $15.04 million from the general fund in FY27 and FY28 to certain local governments to replace revenue they could lose under Laws 2026, Chapter 5 (House Bill 9), which prohibits local governments from entering new contracts with private facilities that detain individuals for federal civil immigration violations.

SB273 appropriates $600 thousand from the general fund to the town of Estancia for the purpose of offsetting the potential loss of municipal local option gross receipts tax revenue and $600 thousand from the general fund to Torrance County to offset the potential loss of county local option gross receipt tax revenue. The bill appropriates $5.94 million from the general fund to Otero County for expenditure in FY27 to offset the potential loss of county local option gross receipts tax revenue, to be used to pay principal and interest and related expenses on revenue bonds issued in 2007 to construct a detention facility for federal civil immigration violations.

SB273 appropriates $750 thousand from the general fund to Cibola County for the purpose of offsetting the potential loss of county local option gross receipts tax revenue and appropriates $3.2 million from the general fund to Cibola County for the purpose of transporting prisoners to a public correctional facility outside the county.

The bill appropriates $850 thousand from the general fund to the village of Milan for the purpose of offsetting the potential loss of property tax revenue and revenue from the sale of water and sewer services and appropriates $1.4 million from the general fund to the village of Milan for the purpose of offsetting the potential loss of municipal local option gross receipts tax revenue. The bill appropriates $1.7 million from the general fund to the city of Grants to offset potential losses of municipal local option gross receipts tax revenue.

The money is paid out monthly over two fiscal years, except the appropriation to Otero County, which is for FY27 only, and reverts if unspent. If any local government enters into a new agreement with a private facility to detain individuals for federal civil immigration violations, payments stop, and any improper payments must be repaid to the general fund.

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

The bill appropriates $15.04 million from the general fund in FY27 and FY28 to specified local governments to offset estimated losses of local option gross receipts tax and related revenues attributable to Laws 2026, Chapter 5. Of that amount, $10.49 million is distributed in FY27 and $4.55 million in FY28. All appropriations are nonrecurring and revert to the general fund if unexpended. The Otero County appropriation of $5.94 million is limited to FY27.

The measure represents a direct general fund expenditure and reduces available recurring revenue in FY27 and FY28. Because the appropriations are nonrecurring, the bill does not create an ongoing funding obligation beyond FY28.

County Financial Capacity Indicators - FY24
(dollars in thousands)

County	GRT Revenue	GRT as % of Total Revenue	FY24 Operating Surplus	Unassigned General Fund Balance
Cibola County	$7,670.0	22%	$4,870.0	$9,970.0
Otero County	$17,960.0	28%	$5,300.0	$5,970.0
Torrance County	$6,810.0	12%	$8,530.0	$7,700.0

Available financial information indicates the affected counties may have sufficient cash balances to absorb at least one year of the estimated loss in revenue if necessary. In FY24, Cibola County reported an operating surplus of $4.87 million and an unassigned general fund balance of $9.97 million. Otero County reported a $5.3 million operating surplus and a $5.97 million unassigned general fund balance. Torrance County reported an $8.53 million operating surplus and a $7.7 million unassigned general fund balance. These balances suggest short-term fiscal capacity to manage revenue fluctuations; however, the extent to which counties could sustain ongoing revenue reductions would depend on expenditure levels, bond obligations, and future revenue performance.

Because the bill is limited to two fiscal years and includes reversion and clawback provisions, the fiscal impact is time-limited and contingent on continued ineligibility for the revenues being replaced.

SIGNIFICANT ISSUES

The bill serves as a fiscal response to Laws 2026, Chapter 5, by providing temporary revenue replacement for specific local governments affected by the prohibition on new contracts with private facilities that detain individuals for federal civil immigration violations. The measure does not amend the underlying policy enacted in House Bill 9; instead, it addresses the secondary fiscal effects on local governments that relied on revenue from those facilities.

The bill establishes a precedent for state-level backfill of local government revenue losses resulting from statutory policy changes. While limited in duration, the approach may raise broader policy considerations regarding the extent to which the state assumes responsibility for offsetting local fiscal impacts when state law alters revenue-generating authority.

The measure includes notification and clawback provisions tied to the future use of municipal or county correctional facilities. These provisions require the Department of Finance and Administration to provide administrative oversight to monitor compliance and determine eligibility for continued disbursements. Implementation may require clear guidance regarding what constitutes facility use that triggers repayment or suspension of funding.

Because the bill directs appropriations to named local governments rather than establishing a formula-based distribution, the relief is targeted and limited to the jurisdictions identified in the legislation. Other local governments are not included.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB273 is relate to Laws 2026, Chapter 5 (House Bill 9) prohibiting new contracts with facilities that detain immigrants. It also relates to House Memorial 42 and House Memorial 51, which requests a series of interagency studies to assess potential economic and operational responses if detention facilities in New Mexico that currently contract with the U.S. Immigration and Customs Enforcement were to close.

SS/hg/SS/dw