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## FISCAL IMPACT REPORT

**BILL NUMBER:** Senate Bill 138

**SHORT TITLE:** Repeal Rent Control Prohibition

**SPONSOR:** López/Pope/Pinto/Charley

**LAST ORIGINAL**  
**UPDATE:** \_\_\_\_\_ **DATE:** 1/27/2026 **ANALYST:** Ortega

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact		Choose an item.	Choose an item.

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Mortgage Finance Authority

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

New Mexico Municipal League

New Mexico Counties

## SUMMARY

### Synopsis of Senate Bill 138

Senate Bill 138 (SB138) would allow certain local governments to enact rent control measures on privately owned property by repealing Section 47-8A-1 NMSA 1978, which prohibits political subdivisions and home rule municipalities from such measures. 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

SB138 is unlikely to have a fiscal impact on a state agency, although it could impact local governments. If enacted at the local level, rent control could lead to administrative costs for cities and counties to enforce regulations, oversee compliance, and resolve disputes. Conversely, local governments may see cost savings if rent control helps stabilize housing costs and reduces demand for rental assistance programs. The bill does not mandate rent control, so fiscal impacts

will vary based on local policy decisions.

## **SIGNIFICANT ISSUES**

SB138 restores local decision-making authority, allowing cities and counties to determine whether rent control aligns with their housing policies. Proponents argue rent control could help address affordability concerns and prevent displacement, particularly in high-demand rental markets. Opponents caution that rent control may discourage new housing development and lead to reduced investment in rental properties. If municipalities enact rent control, they may need to establish enforcement mechanisms, including rent boards, complaint resolution processes, and penalties for noncompliance, potentially increasing local government expenditures.

The Mortgage Finance Authority (MFA) notes:

The primary solution to improving housing affordability is to address the root cause, the supply shortage of affordable units, through development. Affordable housing creates income restricted units that are guaranteed to remain affordable for decades through Land Use Restriction Agreements and long-term oversight to ensure affordable units are provided based on income qualifications. Increasing the number of affordable housing units has a cooling effect on the overall rental market by easing the demand for unsubsidized units.

AO/cf/ct