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FISCAL IMPACT REPORT

BILL NUMBER: CS/Senate Bill 273/SFCS/aHAFC

Public Peace, Health, Safety & Welfare

SHORT TITLE: Correction Facility Loss of Revenue

SPONSOR: Senate Finance Committee

LAST ORIGINAL Gaussoin/Hilla/Malone/Liu/Ro
UPDATE: 2/18/2026 **DATE:** 02/16/2026 **ANALYST:** driguez/ Sanchez/Simon

APPROPRIATION* (dollars in thousands)

FY26		FY27	Recurring or Nonrecurring	Fund Affected
		\$11,882.0	Nonrecurring	General Fund
	\$9,700.0	\$24,000.0	Nonrecurring	General Fund
Total	\$9,700.0	\$35,882.0	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

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

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 HAFC Amendments to SFC Substitute for Senate Bill 273

The House Appropriations and Finance Committee amendments to the Senate Finance Committee substitute for Senate Bill 273 reduce all the local government appropriations to one-year, FY27-only amounts, and cut most of those amounts by half. The exceptions are appropriations to Torrance County (increased from \$600 thousand to \$642 thousand) and the town of Estancia (increased from \$600 thousand to \$900 thousand) for lost gross receipt tax revenue, and a new appropriation of \$450 thousand to Torrance County for prisoner transport (see below).

The amendments change the monthly disbursements to local governments from one twenty-

fourth of the total appropriation to one-twelfth of the total appropriation. As in the unamended substitute, the money is paid out monthly. 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.

The amendments also add new general fund appropriations: \$9.7 million in FY26 to the Children, Youth and Families Department and \$24 million in FY27 to CYFD, the Public Education Department, the Department of Finance and Administration, the Aging and Long-Term Services Department, and the Department of Transportation. These appropriations were previously contained in the Senate Finance Committee substitute for Senate Bill 274.

Altogether, these amendments bring the total appropriations contained in the bill to \$9.7 million in FY26 and approximately \$35.9 million in FY27.

Overall, the amended bill reduces appropriations to local governments by \$3.158 million, but these funds are to be paid out over one year instead of two. As in the SFC committee substitute, funding for local governments remains as a monthly payout and reverts if unspent, and 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.

Synopsis of SFC Committee Substitute for Senate Bill 273

The Senate Finance Committee substitute for Senate Bill 273 (SB273) appropriated 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 receipts 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 and \$450 thousand to Torrance 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

Appropriations to Local Governments

The bill appropriates \$11.88 million from the general fund in FY27 to specified local governments to offset estimated losses of local option gross receipts tax, the cost of prisoner transport and related revenues attributable to Laws 2026, Chapter 5. All appropriations are nonrecurring and revert to the general fund if unexpended.

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.

Appropriations to State Agencies

Additionally, the amendments combine what was previously the Senate Finance Committee Substitute for Senate Bill 274 (SB274/SFCS), in what is now Section 2 of the bill, adding an appropriation of \$33.7 million, a nonrecurring expense to the general fund. Any unexpended or

unencumbered balance remaining at the end of FY26 and FY27, respectively, shall revert to the general fund.

Appropriations in Senate Bill 274*

Fiscal Year	Agency	Intent	Amount (in thousands)
FY26	CYFD	Juvenile Justice Division	\$2,700.0
	CYFD	Protective Services Division	\$7,000.0
FY26 Subtotal			\$9,700.0
FY2027	CYFD	Finalize and implement the child welfare information system	\$8,000.0
	PED	School improvement activities	\$4,000.0
	DFA	To the Pueblo of Zia for past, present and future use by the state of the Zia symbol	\$2,000.0
	ALTSD	New MexiCare program	\$4,000.0
	DOT	Rural air service enhancement grant program	\$6,000.0
FY27 Subtotal			\$24,000.0
Total Appropriations in SB274			\$33,700.0

SIGNIFICANT ISSUES

Appropriations to Local Governments

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.

Appropriations to State Agencies

Section 2 of the amended bill (the part previously SB274/SFCS) appropriates funds to agencies outside the General Appropriations Act (GAA). SB274 is similar to Section 5 of the GAA as amended by the Senate, which outlines nonrecurring special appropriations from the general fund. However, unlike the GAA, a portion of the funds in SB274—\$9.7 million—are

appropriated for expenditure in FY26. Nonrecurring appropriations in Section 5 of the GAA as amended by Senate are for expenditure in FY27 or following fiscal years. It is unclear why appropriations in SB274 were not included in the GAA as amended by the Senate.

Children, Youth and Families Department. The \$9.7 million included for the Children, Youth and Families Department (CYFD) for expenditure in FY26 appears to be related to the agency's requested supplemental funding for the Juvenile Justice Facilities and Protective Services programs. The 2025 GAA included \$25 million from the contingency appropriation fund for deficiencies at CYFD in FY24 through FY26. CYFD used about \$10 million of the appropriation for deficiencies in FY24 and FY25 within Protective Services, leaving roughly \$15 million for any potential deficiencies in FY26. In FY26, the agency has over \$32 million in government results and opportunity (GRO) fund appropriations available for expenditure, including an additional roughly \$20 million for personnel expenditures within Protective Services relative to FY25. Within Juvenile Justice Facilities, the GAA as amended by the Senate includes additional budget adjustment authority to allow the agency to increase the budget by \$1 million from the land grant fund.

SB274 also included \$8 million for the comprehensive child welfare information system (CCWIS) project at CYFD. Although the agency requested additional funding for FY27, neither the LFC nor the executive recommendations included the requested funding. To date, the CCWIS project has realized a total of \$71.1 million in revenue, including over \$38 million in state funding. The CCWIS project has encountered significant delays and increased costs. New Mexico began its CCWIS project in November 2017 with an initial estimated end date of October 2022 and a projected cost of \$36 million. Total cost has been revised three times since initial estimates, now estimated to cost \$90.4 million. The project end date has also been revised multiple times, most recently pushing the go-live date for phase two of the project (the primary rollout of the new system) from February 2026 to August 2026. Currently, CYFD has \$19.1 million in unspent existing appropriations available for the project, \$3.6 million of which was appropriated in 2021 or earlier. Much of this funding will be reauthorized for use in FY27 pursuant to the GAA as amended by the Senate and the remainder was previously reauthorized for expenditure in FY27 in the 2025 GAA. The period of expenditure for the \$8 million appropriation for CCWIS is likely too short as information technology appropriations are typically for multiple fiscal years.

Aging and Long-Term Services Department. The \$6 million appropriation in SB274 to expand the Aging and Long-Term Services Department (ALTSD) is to expand the department's New Medicare program. The pilot project provides financial assistance and training to caregivers who are assisting friends or family members with daily activities due to physical or cognitive disabilities. The goal of the program is to allow older adults to stay at home as an alternative to nursing home placements and to help reduce emergency department visits. New Medicare received funding in FY25 through ALTSD's operating budget as well as through government results and opportunity funding to implement a three-year pilot project. Through the GRO funds in the 2024 General Appropriation Act, ALTSD received \$9.3 million to be divided across FY25, FY26, and FY27 for its New Medicare program pilot.

Of the \$7.9 million ALTSD had dedicated for the program in FY25 (\$3.1 million from GRO and \$4.7 million from operating budget), the department reverted \$4.8 million, or 61 percent. It is important to note that ALTSD did not request the expansion of the New Medicare program in its FY27 budget request. The executive recommended a \$6 million increase in the department's

base budget for the expansion of the program. In the GAA as amended by the Senate, there is already a \$2 million appropriation for ALTSD to expand the program. If passed, this appropriation would fund New Mexicare above what was recommended by the executive. The project is still being piloted in its second year.

Public Education Department. The \$4 million appropriation to PED for school improvement activities will support interventions at the state’s lowest performing schools based on federal accountability measures. In FY25, PED reported 61 schools out of 835 schools were in need of significant improvement, with 25 schools in the lowest performing category of needing more rigorous intervention (MRI). Under new PED rules, any school failing to exit MRI status after three years will be subject to more forceful restructuring, including options such as replacing all school staff or school closure.

Department of Transportation. SB274 also appropriates \$6 million to the Department of Transportation (NMDOT) for the rural air service enhancement program. The program provides grants to municipalities and counties for minimum revenue guarantees for commercial air service providers that fly to and from rural airports. First enacted in 2021, the program has been funded by a series of nonrecurring general fund appropriations to NMDOT. The General Appropriation Act as amended by the Senate includes \$12.5 million for the program. The appropriation in SB274 would bring the total to \$18.5 million. The initial budget request and the executive recommendation included \$18 million for the program.

Department of Finance and Administration. The \$2 million appropriation to the Department of Finance and Administration would be used to compensate the Zia Pueblo for the use of their sun symbol by the state. The Zia sun symbol, prominently used throughout New Mexico by government and commercial entities, was, according to historians, initially adopted as a symbol for New Mexico by a local physician who copied it from a Zia pot in a private collection to incorporate into his submission in a state flag contest. The pot itself, of high importance to the Zia people with religious significance, had probably been taken by a white researcher who studied the Zia Pueblo in the late 19th century. The pot was repatriated in 2000. From *El Palacio*, the magazine of the New Mexico History Museum:

In 1994 the pueblo asked for reparations for the use of their religious symbol as a secular icon by the State of New Mexico. In 2004 a study group was put together by Governor Bill Richardson to try and bring the state and Zia Pueblo into harmony. The Zia people would like some acknowledgement that the symbol originally belonged to Zia and that it was appropriated without their knowledge or blessing. While it is an honor that New Mexico uses the Zia symbol—Zia has no objection to this—the Zia people feel that the state should compensate the pueblo for the original offense.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The parts of the amended SB273 that were in the unamended substitute 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.

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