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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/06/13

SPONSOR Munoz LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Local Government Revenue-Sharing Act SB 398

ANALYST van Moorsel

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
	(\$395.0)	(\$405.0)	(\$415.0)	(\$425.0)	Recurring	General Fund
	\$395.0	\$405.0	\$415.0	\$425.0	Recurring	Local Government Revenue Sharing Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Gaming Control Board (GCB)

### SUMMARY

#### Synopsis of Bill

Senate Bill 398, creates the Local Government Revenue-Sharing Act, which creates the local government revenue-sharing fund and distributes to that fund 10 percent of net revenue sharing receipts paid to the state pursuant to a class III tribal-state gaming compact by a tribal government on a behalf of a tribal gaming facility located within a local government.

Specifically, the bill creates the reverting local government revenue-sharing fund to be administered by the Indian Affairs Department (IAD). The bill requires that the IAD adopt rules governing terms, conditions and priorities for providing financial assistance to a chapter, including developing application and evaluation procedures and forms and qualifications for applicants and for projects.

SB 398 requires 50 percent of the distribution from the fund to be allocated to educational grants, loans or assistance for tribally enrolled members of a chapter to pursue an education at a tribal college, public post-secondary educational institution, community college or technical and

vocational institute; and 50 percent of the distribution be allocated to government infrastructure. The bill permits the IAD to provide financial assistance to a chapter for qualified projects or qualified scholarships on terms and conditions established by rule. Qualified projects include planning, designing, constructing, improving, expanding or equipping water and wastewater facilities, major water systems, electrical power lines, communications infrastructure, roads, health infrastructure, emergency response facilities and infrastructure needed to encourage economic development; developing engineering feasibility reports for infrastructure projects; inspecting construction of qualified projects; providing special engineering services; completing environmental assessments or archaeological clearances and other surveys for infrastructure projects; acquiring land, easements or rights of way; and paying legal costs and fiscal agent fees associated with development of qualified projects. Qualified educational scholarships include tuition assistance, room and board assistance, and textbook assistance.

The effective date of this bill is July 1, 2013.

### **FISCAL IMPLICATIONS**

The Gaming Control Board notes the provisions of the bill apply to the Fire Rock Casino on the Navajo Nation, and that revenue distributed into the local government revenue-sharing fund would benefit Navajo chapters in Cibola and McKinley counties. At the time this FIR was drafted, the LFC had not yet received an analysis from the Taxation and Revenue Department. The GCB estimated the impact of SB398 by assuming the revenue sharing rate would remain at 8.0 percent, and that Fire Rock Casino revenue would grow annually at 2.5 percent.

This bill may be counter to the LFC tax policy principle of adequacy, efficiency and equity. Due to the increasing cost of tax expenditures revenues may be insufficient to cover growing recurring appropriations. The general fund revenue reductions may contribute to that lack of sufficient revenue.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

### **SIGNIFICANT ISSUES**

Senate Bill 398 defines "local government" as a class B county with a population of no less than seventy thousand and no more than seventy-five thousand according to the last federal decennial census that has a tribal gaming facility located within the exterior boundaries of the county. The GCB indicates Senate Bill 398 would apply to Cibola and McKinley counties.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate