

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

## FISCAL IMPACT REPORT

**LAST UPDATED** \_\_\_\_\_  
**ORIGINAL DATE** 2/11/25

**SPONSOR** Scott/Townsend/Ezzell

**BILL**  
**NUMBER** Senate Bill 243

**SHORT TITLE** Create All Cities & Counties Fund

**ANALYST** Graeser

### REVENUE\* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
GRT	\$0	\$0	\$241,300.0	\$249,500.0	\$256,600.0	Recurring	All Cities and Counties Fund – to Municipalities
	\$0	\$0	\$112,100.0	\$115,900.0	\$119,200.0	Recurring	All Cities and Counties Fund – to Counties
	\$0	\$0	(\$353,400.0)	(\$365,400.0)	(\$375,800.0)	Recurring	General Fund

Parentheses ( ) indicate revenue decreases.  
 \*Amounts reflect most recent analysis of this legislation.

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

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD	\$69.0	\$6.3	No fiscal impact	\$75.3	Nonrecurring	General Fund
	No fiscal impact	No fiscal impact	\$2.1	\$2.1	Recurring	General Fund
<b>Total</b>	<b>\$69.0</b>	<b>\$6.3</b>	<b>\$2.1</b>	<b>\$77.4</b>		<b>General Fund</b>

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent analysis of this legislation.

Duplicate of House Bill 292

### Sources of Information

LFC Files  
 2024 House Bill 54 FIR  
 2023 House Bill 440 FIR

Agency Analysis Received From  
 Taxation & Revenue Department (TRD)  
 Department of Finance (DFA)  
 New Mexico Municipal League (NMML)

Agency Analysis was Solicited but Not Received From  
 New Mexico Counties (NMC)  
 State Treasurer's Office (STO)  
 Department of Justice (DOJ)

## SUMMARY

### Synopsis of Senate Bill 243

Senate Bill 243 (SB243) establishes the all cities and counties fund and distributes 8 percent of the general fund share of gross receipts tax collections to the fund monthly. By October 1 of each year, the Taxation and Revenue Department (TRD) will calculate distributions from the fund to each county and municipality in the state based on a formula provided in SB243. “EGRTR” is the equalized gross receipts tax revenue calculated as the amount of taxable gross receipts attributed to a county-wide local option gross receipts tax rate of ¼ percent.

The formula for each municipal distribution is:

$$\text{Municipality population} * (0.7 * (\text{fund balance}/\text{state population}) + 0.3 * ((\text{county EGRTR}/\text{all county EGRTR}) * \text{fund balance})/\text{county population}).$$

And for the county distribution:

$$\text{County area population} * (0.7 * (\text{fund balance}/\text{state population}) + 0.3 * ((\text{county EGRTR}/\text{all county EGRTR}) * \text{fund balance})/\text{county population}).$$

The effective date of this bill is July 1, 2025. The first distribution from the fund would occur by October 1, 2026.

## FISCAL IMPLICATIONS

The bill does not include a recurring appropriation but diverts or “earmarks” revenue, representing a recurring loss from the general fund. LFC has concerns with including continuing distribution language in the statutory provisions for funds because earmarking reduces the ability of the Legislature to establish spending priorities.

TRD details the methodology for calculating these distributions:

This bill redirects 8 percent of the state share of gross receipts tax (GRT) revenue to the newly-created all cities and counties fund and then provides for distribution of that amount to municipalities and counties. The analysis assumes the bill redirects 8 percent of the state GRT distributed to the general fund after making all other statutory distributions, including the .05 percent share for land grants-mercedes. TRD applied the proposed formulas to determine the revenue transfer for municipalities and counties from the new distribution. The analysis assumes no revenue impacts to tribal governments (see Policy Issues). The estimated revenue impact is based on the annual estimates of the resident population for incorporated places in New Mexico for 2023 from the United States Census Bureau Population Estimates Program,<sup>1</sup> the December 2024 consensus revenue estimating group (CREG) forecasting for net GRT to the general fund, and local government GRT distribution reports from TRD’s report, RP- 500.

LFC confirmed that the formulae distribute all of the money in the fund and has attached to this review an estimate of the amount each county and municipality will receive from this distribution.

---

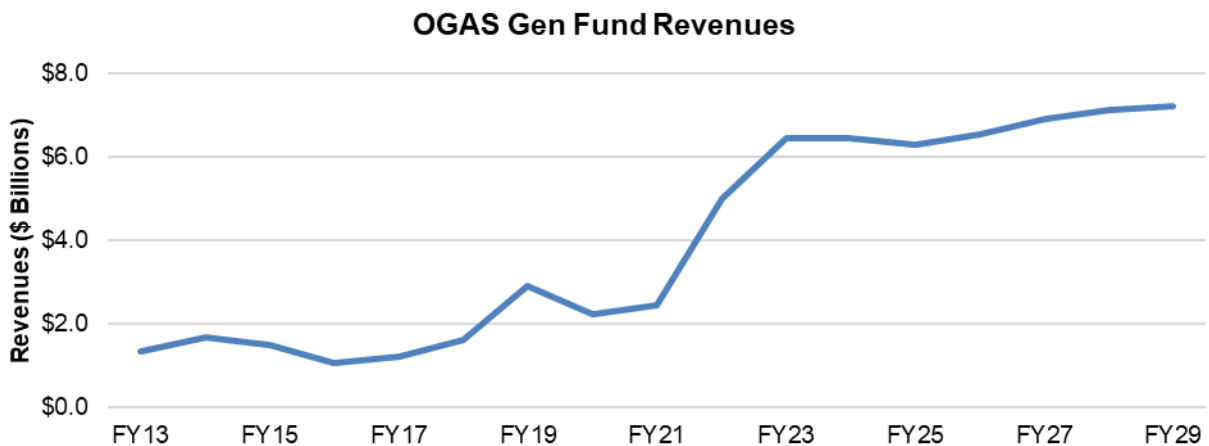
<sup>1</sup> <https://www.census.gov/data/tables/time-series/demo/popest/2020s-total-cities-and-towns.html>

TRD will need to update reports including the RP-500 and make information system changes to distribute this new distribution of GRT revenue. Implementing this bill will have an impact on TRD’s Information Technology Division (ITD) of approximately 300 hours, or about two months and \$69 thousand in contractual cost.

Additionally, TRD’s Administration Services Division (ASD) will require two existing FTEs and 100 hours split between pay-band 70 and 80 positions to test the new distribution and certify the transfers. The GenTax system’s general ledger and reporting will need to be updated for the new distribution. Both ASD staff and the economists in the Office of the Secretary (OOS) will annually need to calculate and certify the transfers to the state treasurer. For each county, the economists will need to calculate the “equalized gross receipts tax revenue” used in the formula, pull the most recent population estimates and then calculate the distributions amounts for each county and municipality. This will be a recurring staff workload impact for ASD and the OOS.

## SIGNIFICANT ISSUES

Oil and natural gas contributions to the general fund and other diversionary funds have increased from \$1.34 billion in FY13 to \$6.4 billion in FY24 and are expected to grow to \$7.2 billion in FY29. The purpose of this proposed distribution is to share this increase in general fund revenues with cities and counties both within and outside the oil patch.



The distributions formulae distribute 70 percent of the revenue based on the jurisdiction’s population share and 30 percent based on the equalized gross receipts in that jurisdiction.

TRD makes several policy observations regarding this proposal:

State revenue sharing with local governments will strengthen local governments by providing additional revenue. However, the diversity of special funds and distributions across the Tax Administration Act is becoming intricate, leading to a more complex tax management process. The proliferation of new funds and distributions implies a fragmentation of the existing boundaries that determine service obligations and the parameters for intergovernmental relationships between the State and local governments.

The state General Fund currently makes several significant transfers to local governments. Under Section 7-1-6.4 NMSA 1978, state gross receipts tax revenues are already shared with

all municipalities, in an amount equal to 1.225 percent of the 4.875 percent state gross receipts tax rate, (i.e., with respect to the overall 4.875 percent rate, 1.255 percent is transferred to the municipalities, and 3.620 percent is retained by the state.) Section 7-1-6.2 NMSA 1978 provides for a distribution to the Small Cities Assistance Fund, and Section 7-1-6.5 NMSA 1978 provides a distribution to the Small Counties Assistance Fund; Section 7-1-6.16 provides for a county equalization distribution; and pursuant to Sections 7-1-6.46 and 7-1-6.47 NMSA 1978, distributions are made to certain municipalities and counties, respectively, to offset the cost of food and health care practitioner deductions. In addition, local governments have their own taxing authority to impose general and special increments of local option gross receipts and compensating taxes. Additional distributions may be made, as authorized by local governments and the State Board of Finance, to other special taxing districts and for local economic development purposes.

Simplicity and fairness are important considerations in making tax policy, and the proliferation of general and special distributions to local governments goes against those principles. Allowing greatly varying local government tax rates decreases simplicity and makes compliance harder for taxpayers; allowing for a centralized system of revenue distribution, as this bill does, results in greater simplicity, but only if it replaces the competing, and less simple, tax system, and not when it is added on to it. TRD recommends that a bill of this nature be accompanied by a repeal of other statutes distributing general fund revenues to local governments.

Furthermore, administering multiple distributions on this scale comes with challenges, including:

- 1) A high number of distributions and funds that are burdensome and conflicting, requiring TRD to expend resources inefficiently. Streamlining the number of funds and distributions helps reduce the administrative costs and the burden for local governments.
- 2) Duplication and overlap of different funds and distributions aimed at attaining the same purpose deplete the general fund's resources and reduce effectiveness of these distributions.
- 3) Increasing the number of distributions to multiple funds reduces TRD's capacity for oversight and accountability.

The bill proposes distributing funds to municipalities and counties but does not specify whether tribal governments benefit from this new distribution. The formulas proposed in the bill use data on state population and county populations, so tribal residents, representing nearly 10.9% of the state's entire population, are used to compute the distributions, benefiting county finances without any corresponding benefit to tribal governments, who also provide services to their residents. Furthermore, tribal governments that share borders with some local governments are not accounted for in the distributions.

TRD has two recommendations to ease administration of this proposal:

TRD suggests a more precise definition for the source for the current population, such as the decennial census released every 10 years. This will provide clarity in the application of this distribution. Annual estimates are released at various times of the year and given the bill's timeline for the distribution, calculations could lead to using different sources for the population estimates every year.

The annual October 1 deadline for TRD to certify to the state treasurer the transfer amounts would most likely occur before the annual general fund audit will be complete. The all cities and counties fund could potentially be adjusted with audit release. TRD suggests an annual deadline of February 1 for TRD to certify, with the deadline for the state treasurer to distribute by March 1.

## PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is met with publication in the RP500 of both the 8 percent monthly diversion to the fund and the annual distribution from the fund to each county and municipality.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicate of House Bill 292.

## OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

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

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
<b>Vetted:</b> The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	✓	Proposed and debated in 2024 session
<b>Targeted:</b> The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals. Clearly stated purpose Long-term goals Measurable targets	? ? ?	The implicit goal is to allow counties and municipalities to share in the extraordinary increase in general fund revenues.
<b>Transparent:</b> The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✓	Amounts of revenue diverted published monthly in RP500
<b>Accountable:</b> The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date. Public analysis	?	

Expiration date	<b>X</b>	
<p><b>Effective:</b> The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions “but for” the existence of the tax expenditure.</p> <p style="padding-left: 40px;">Fulfills stated purpose Passes “but for” test</p>		TRD asserts proliferation of funds creates administrative inefficiency
<p><b>Efficient:</b> The tax expenditure is the most cost-effective way to achieve the desired results.</p>	<b>?</b>	
Key: ✓ Met   ✗ Not Met   ? Unclear		

Attachments:

1. Distribution by Locality.

LG/hj

Jurisdiction	CODE	Population	Distribution	Jurisdiction	CODE	Population	Distribution	Jurisdiction	CODE	Population	Distribution	Jurisdiction	CODE	Population	Distribution
<b>Bernalillo</b>	0200 2	674,357		<b>Eddy</b>	0300 3	61,114		<b>McKinley</b>	1301 3	71,172		<b>Santa Fe</b>	01001	155,175	
Albuquerque	0210 0	562,488	\$90,568,712	Carlsbad	0310 6	31,813	\$11,915,902	Gallup	1311 4	21,333	\$3,008,108	Santa Fe	01123	88,224	\$14,519,952
Los Ranchos de Albuquerque	0220 0	5,869	\$944,994	Artesia	0320 5	12,555	\$4,702,611	McKinley (rmdr)		<b>49,839</b>	\$7,027,661	Edgewood	01320	5,795	\$953,744
Edgewood	0233 4	290	\$46,694	Hope	0330 4	99	\$37,082	<b>Mora</b>	3003 0	4,176		Espanola (part)	01226	1,006	\$165,568
Village of Tijeras	0231 8	548	\$88,236	Loving	0340 3	1,317	\$493,297	Wagon Mound	3011 5	587	\$91,676	Santa Fe (rmdr)		<b>60,150</b>	\$9,899,518
Rio Rancho (Bernalillo)	0264 7	4,261	\$686,134	Eddy (rmdr)		<b>15,330</b>	\$5,742,017	Mora (rmdr)		<b>3,589</b>	\$560,520	<b>Sierra</b>	21021	11,511	
Bernalillo (rmdr)		<b>100,901</b>	\$16,246,470	<b>Grant</b>	0800 8	27,856		<b>Otero</b>	1501 5	68,235		T or C	21124	6,026	\$905,819
<b>Catron</b>	2802 8	3,685		Silver City	0810 7	9,574	\$1,450,283	Alamogordo	1511 6	31,063	\$4,353,612	Williamsburg	21220	599	\$90,041
Reserve	2813 0	323	\$47,681	Bayard	0820 6	2,370	\$359,011	Cloudcroft	1521 3	1,275	\$178,697	Elephant Butte	21319	1,586	\$238,405
Catron (rmdr)		<b>3,362</b>	\$496,297	Santa Clara	0830 5	1,751	\$265,244	Tularosa	1530 8	2,584	\$362,159	Sierra (rmdr)		<b>3,300</b>	\$496,051
<b>Chaves</b>	0400 4	64,446		Hurley	0840 4	1,137	\$172,234	Otero (rmdr)		33,313	\$4,668,959	<b>Socorro</b>	25025	16,308	
Roswell	0410 1	47,823	\$7,071,828	Grant (rmdr)		<b>13,024</b>	\$1,972,893	<b>Quay</b>	1001 0	8,616		Socorro	25125	8,540	\$1,197,003
Dexter	0420 1	1,144	\$169,169	<b>Guadalupe</b>	2402 4	4,379		Tucumcari	1011 7	5,197	\$757,794	Magdalena	25221	764	\$107,085
Hagerman	0430 0	599	\$88,577	Santa Rosa	2410 8	2,447	\$415,910	San Jon	1021 4	136	\$19,831	Socorro (rmdr)		<b>7,004</b>	\$981,710
Lake Arthur	0440 0	438	\$64,769	Vaughn	2420 7	548	\$93,142	Logan	1030 9	858	\$125,108	<b>Taos</b>	20020	34,516	
Chaves (rmdr)		<b>14,442</b>	\$2,135,611	Guadalupe (rmdr)		<b>1,384</b>	\$235,235	House	1040 7	47	\$6,853	Taos	20126	17,085	\$2,639,329
<b>Cibola</b>	3303 3	27,059		<b>Harding</b>	3103 1	748		Quay (rmdr)		<b>2,378</b>	\$346,745	Questa	20222	2,112	\$326,267
Milan	3313 1	2,473	\$336,784	Roy	3110 9	321	\$59,536	<b>Rio Arriba</b>	1701 7	40,165		Red River	20317	456	\$70,444
Grants	3322 7	9,106	\$1,240,096	Mosquero	3120 8	38	\$7,048	Chama	1711 8	748	\$103,090	Taos Ski Valley	20430	39	\$6,025
Cibola (rmdr)		<b>15,480</b>	\$2,108,136	Harding (rmdr)		<b>389</b>	\$72,148	Espanola	1721 5	8,338	\$1,149,147	Taos (rmdr)		<b>14,824</b>	\$2,290,045
<b>Colfax</b>	0900 9	12,336		<b>Hidalgo</b>	2302 3	4,097		Rio Arriba (rmdr)		<b>31,079</b>	\$4,283,320	<b>Torrance</b>	22022	15,290	
Raton	0910 2	6,013	\$961,790	Lordsburg	2311 0	2,139	\$328,242	<b>Roosevelt</b>	1101 1	19,002		Mountain air	22127	1,308	\$199,177
Maxwell	0920	370	\$59,182	Virден	2320	192	\$29,463	Portales	1111	12,023	\$1,688,055	Moriarty	22223	2,074	\$315,820

Senate Bill 243 – Page 2

	2				9				9						
Springer	0930 1	1,098	\$175,627	Hidalgo (rmdr)		<b>1,766</b>	\$271,003	Elida	1121 6	151	\$21,201	Willard	22314	246	\$37,460
Cimarron	0940 1	717	\$114,685	Lea	0600 6	<b>73,154</b>		Dora	1131 0	54	\$7,582	Encino	22410	37	\$5,634
Eagle Nest	0950 9	270	\$43,187	Hobbs	0611 1	39,887	\$13,345,551	Causey	1140 8	183	\$25,694	Estancia	22503	1,399	\$213,034
Angel Fire	0960 0	1,089	\$174,188	Eunice	0621 0	2,989	\$1,000,072	Floyd	1150 2	131	\$18,393	Torrance (rmdr)		<b>10,226</b>	\$1,557,174
Colfax (rmdr)		<b>2,779</b>	\$444,506	Jal	0630 6	2,069	\$692,254	Roosevelt (rmdr)		<b>6,460</b>	\$906,998	Union	18018	4,039	
Curry	0500 5	47,932		Lovington	0640 5	11,444	\$3,828,979	San Juan	1601 6	<b>121,178</b>		Clayton	18128	2,680	\$416,054
Clovis	0510 3	38,153	\$5,805,452	Tatum	0650 0	736	\$246,254	Farmington	1612 1	46,339	\$7,069,256	Des Moines	18224	92	\$14,282
Grady	0520 3	106	\$16,129	Lea (rmdr)		<b>16,029</b>	\$5,363,047	Aztec	1621 8	6,177	\$942,334	Grenville	18315	40	\$6,210
Texico	0530 2	858	\$130,555	Lincoln	2602 6	20,227		Bloomfield	1631 2	7,391	\$1,127,536	Folsom	18411	56	\$8,694
Melrose	0540 2	536	\$81,559	Ruidoso	2611 2	321	\$54,911	Kirtland	1632 3	575	\$87,719	Union (rmdr)		<b>1,171</b>	\$181,791
Curry (rmdr)		8,279	\$1,259,753	Capitan	2621 1	1,262	\$215,882	San Juan (rmdr)		<b>60,696</b>	\$9,259,491	Valencia	14014	77,382	
De Baca	2702 7	1,580		Carrizozo	2630 7	959	\$164,050	San Miguel	1201 2	27,036		Rio Communitie s	14037	4,924	\$713,360
Fort Sumner	2710 4	958	\$149,394	Corona	2640 6	167	\$28,568	Las Vegas	1212 2	13,120	\$1,847,620	Belen	14129	7,427	\$1,075,979
De Baca (rmdr)		<b>622</b>	\$96,997	Ruidoso Downs	2650 1	2,629	\$449,726	Pecos	1231 3	1,145	\$161,244	Los Lunas	14316	17,932	\$2,597,881
Doña Ana	0700 7	221,665		Lincoln (rmdr)		<b>14,889</b>	\$2,546,962	Mosquero (part)	1241 8		-	Peralta	14412	3,385	\$490,399
Las Cruces	0710 5	112,612	\$16,502,559	Los Alamos	3203 2	19,374	\$5,632,345	San Miguel (rmdr)		<b>12,771</b>	\$1,798,472	Bosque Farms	14505	4,042	\$585,581
Hatch	0720 4	1,663	\$243,702	Luna	1901 9	25,420		Sandoval	2902 9	151,538		Valencia (rmdr)		<b>39,672</b>	\$5,747,442
Mesilla	0730 3	1,850	\$271,106	Deming	1911 3	14,735	\$2,112,664	Bernalillo	2912 0	9,068	\$1,321,420				
Sunland Park	0741 6	17,085	\$2,503,696	Columbus	1921 2	1,147	\$164,454	Jemez Springs	2921 7	318	\$46,340				
Anthony	0750 7	8,701	\$1,275,075	Luna (rmdr)		<b>9,538</b>	\$1,367,532	Edgewood (part)	2933 5	290	\$42,260				
Doña Ana (rmdr)		<b>79,754</b>	\$11,687,432					Cuba	2931 1	476	\$69,364				
								San Ysidro	2940 9	190	\$27,687				



								Corrales	2950 4	8,557	\$1,246,956			
								Rio Rancho	2952 4	102,272	\$14,903,383			
								Sandoval (rmdr)		<b>30,367</b>	<b>\$4,425,231</b>			