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FISCAL IMPACT REPORT

SPONSOR	Senate Taxation, Business and Transportation Committee	**LAST UPDATED**	
		ORIGINAL DATE	03/08/25
SHORT TITLE	Flood Recovery Bonds & Gross Receipts	**BILL NUMBER**	CS/Senate Bill 383/STBTCS/ec
		ANALYST	Graeser

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
GRT Administrative Fee	$0*	$0*	Up to $117.0	Up to $120.0	Up to $123.0	Recurring	General Fund
Muni Flood Recovery GRT	$0*	$0*	Up to $3,780.0	Up to $3,880.0	Up to $3,990.0	Recurring	Roswell
Bond Proceeds			$0 to $44,000.0*	$0	$0	Nonrecurring	Roswell
FEMA Reimbursement	$0*	$0	Up to $132,00.0	$0	$0	Nonrecurring	Roswell

Parentheses ( ) indicate revenue decreases.
*Probable despite emergency clause – see timing discussion at FISCAL IMPLICATIONS

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD	Up to $500.0			Up to $500.0	Nonrecurring	General Fund

Parentheses ( ) indicate expenditure decreases.

Sources of Information

RP500 Reports
LFC Files

Agency Analysis Received From
Department of Public Safety (DPS)
Taxation and Revenue Department (TRD)

Agency Analysis was Solicited but Not Received From
Department of Finance and Administration/Local Government Division (DFA/LGD)
Department of Homeland Security and Emergency Management (DHSEM)

SUMMARY

Synopsis of STBTC Substitute for Senate Bill 383

The Senate Taxation, Business and Transportation Committee substitute for Senate Bill 383 (SB383) expands the use of revenue bonds to include rebuilding, repairing, replacing, and hardening of municipal property damaged by a flood. The bill implements a new local option municipal flood recovery gross receipts tax of up to 0.25 percent and authorizes the use of the proceeds of that tax to amortize gross receipts revenue bonds. This option is allowed for any municipality damaged by flood but does not include similar features in the county code.

This bill contains an emergency clause and would become effective immediately on signature by the governor.

FISCAL IMPLICATIONS

Although the provisions of the substitute bill are applicable to any municipality damaged by flood, the principal beneficiary would be Roswell, which was damaged by flood in October 2024 and declared a federal disaster area in November. The provisions of the bill could also benefit Ruidoso and Ruidoso Downs damaged by wildfire and flood earlier in 2024. There was substantial flooding in Mora and Cleveland after the Calf Canyon/Hermit's Peak fire in 2023. Roswell could use the bond proceeds to provide the 25 percent local share for federal disaster aid for rebuilding, repairing, replacing, and hardening of municipal property damaged by a flood. The proceeds of the bonds are specifically restricted to repairs of municipal property damaged by the flood.

The municipal flood recovery gross receipt tax may be imposed in increments of 0.001 percent up to .25 percent. The tax will continue until the bonds are paid off.

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
MTGR ($1,000,000)	$1,328	$1,412	$1,421	$1,468	$1,514	$1,557	$1,600	$1,643
Revenue at .25% ($1,000)	$3,220	$3,420	$3,450	$3,560	$3,674	$3,778	$3,882	$3,986
3% Admin -- Gen Fund ($1,000)	$100.0	$106.0	$107.0	$110.0	$114.0	$117.0	$120.0	$123.0

With the emergency clause, the tax could begin as early as April 1, 2025, but this would be out of cycle for the Taxation and Revenue Department (TRD). Pursuant to 7-19D-3 NMSA 1978, the department requires a three-month lead time to implement the new tax. This means that the earliest implementation date would be January 1, 2026. If HB218 of this session is passed and signed, a January 1 implementation date would not be possible. The tax would most likely begin July 1, 2026 and the bonds might be issued as of June 30, 2026. The current tax-exempt interest rate for a revenue bond loan from the public project revolving fund is 4.42 percent. For 20-year bonds and projecting the proceeds of the tax based on FY22 through FY25 second quarter amounts, total proceeds of the tax would be $68 million and the net present value $45 million. This $45 million, less cost of the bond sales, would be a good approximation of the maximum amount of the loan. This calculation would be for the full amount of the 0.25 percent tax.

TRD sustains this observation in their analysis of the original bill:

> The earliest the local option municipal flood recovery GRT could be implemented is January 1, 2026, and, if HB218 passes, the earliest date would be July 1, 2026. Note that this delay would mean that Roswell would have to use some other means to generate the 25 percent FEMA match.

All the contract construction needed to remediate, rehabilitate and harden municipal buildings and infrastructure would generate gross receipts tax. This gross receipts tax would conventionally be reimbursed by the city to the contractors. This derivative gross receipts tax is not shown in table 1, but if it were shown, it would provide approximately $2.2 million in general fund gross receipts tax.

SIGNIFICANT ISSUES

On October 21, 2024, Roswell experienced serious flooding with substantial property damage and two fatalities. The area was declared a federal disaster area on November 2, 2024:

- Roswell recorded 5.78 inches of rainfall, four times the region's average October rainfall, and breaking the previous record of 5.65 inches set in 1901.
- The Spring River channel overflowed, causing extreme flooding in downtown Roswell. First responders performed more than 300 water rescues.
- The flooding inundated roads, swept away cars, and damaged bridges and buildings. The flooding left much of the city under a layer of silt.
- The governor declared a state of emergency for the Chaves County area, unlocking $1 million in state funding to help relief efforts.
- The president declared a federal disaster area and made it eligible for federal disaster relief.

TRD notes a policy issue in their analysis of the original bill:

> TRD notes that the proposed legislation is contrary to the policy carried out in "de-earmarking" legislation enacted in 2019 (HB479) whereby local governments were given more flexibility to use GRT revenues for local priorities. Better tax policy is to allow the funding of any project from general municipality local option gross receipts tax revenues, imposed pursuant to Section 7-19D NMSA 1978. Currently, the GRT rate in the City of Roswell is 7.8958% and Sections 7-19D(C)(1) and 7-19D(C)(2) NMSA 1978 still allow for GRT increments the city might impose and dedicate to infrastructure repairs and upgrades.

TECHNICAL ISSUES

Opening this new tax to all municipalities in need improves tax equity, subject to the TRD note about the restructuring of basic municipal local option taxes. However, the extension of both the tax and the bonding authority to the counties should be done explicitly. It is unknown if Lincoln County or Chaves County have comparable rehabilitation needs like Ruidoso or Roswell.

LG/sgs/hg/SL2/SL2/sgs