FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Stewart	**ORIGINAL DATE**	3/5/25
SHORT TITLE	State Fairgrounds District Act	**BILL NUMBER**	Senate Bill 481
		ANALYST	Torres/Graeser

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
GRT & Gaming Tax diversions			At least ($13,000.0)	At least ($13,000.0)	At least ($13,000.0)	Recurring	General Fund
			Indeterminate but Negative			Recurring	Bernalillo County
			At least $13,000.0	At least $13,000.0	At least $13,000.0	Recurring	State Fair District
Property Tax			Indeterminate			Recurring	Bern Co, APS, other beneficiaries

Parentheses ( ) indicate revenue decreases.
*Amounts reflect the 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	$242.7	0	$0	$242.7	Nonrecurring	General Fund
GSD	Up to $500.0	Up to $500.0	Up to $500.0	Up to 500.0	Nonrecurring	General Fund
Expo NM		Unknown: depends on plan				

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

Relates to Senate Bill 482

Sources of Information
Gaming Tax Reports
Taxation and Revenue Department's RP500 and RP80
Bernalillo County TIDD Plan
LFC Files

<u>Agency Analysis Received From</u>
Expo New Mexico (Expo)
General Services Department (GSD)
Taxation and Revenue Department (TRD)
Department of Finance and Administration/ Board of Finance (DFA/BOF)

<u>Agency Analysis was Solicited but Not Received From</u>
New Mexico Attorney General (NMAG)
New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Senate Bill 481

Senate Bill 481 (SB481) establishes the State Fairgrounds District, a new governmental subdivision with broad authority over the State Fairgrounds and selected surrounding areas. The structure and powers of this district are derived from elements of both the Tax Increment for Development District Act (5-15-1 through 5-15-28 NMSA 1978) and the Metropolitan Redevelopment Code Act (3-60A-1 through 3-60A-49 NMSA 1978), as amended in 2023. However, the bill introduces major distinctions, granting the district extensive powers with limited oversight.

The district would encompass all state-owned land commonly referred to as the State Fairgrounds, as well as any adjacent properties acquired by the district. Its authority extends to planning, design, construction, and redevelopment projects within the fairgrounds, including potential relocation of the State Fair to a remote site. The district also includes the Albuquerque Downs Racetrack and Casino, adjacent parking areas, and horse barns, with provisions allowing the board to purchase additional private property southwest of the current fairgrounds (see map in attachment 1).

The bill creates a five-member board of directors, consisting of the governor, lieutenant governor, a state senator representing the district, a Bernalillo County commissioner, and the mayor of Albuquerque. The secretary of the Department of Finance and Administration (DFA), or a designee, would serve as treasurer, raising potential concerns about conflicts of interest (see "Technical Issues"). The board's powers include selling, leasing, or disposing of district property, as well as accepting gifts, grants, and loans for public projects.

The board is exempt from the Procurement Code for nearly all district-related activities, including planning, design, engineering, financing, construction, and acquisition of public improvements, contractors, or other individuals or entities.

Additionally, the bill authorizes the district to issue up to $1 billion in revenue bonds, secured by 100 percent of state gross receipts tax (GRT) revenue generated within the district and 100 percent of gaming tax revenue collected from the Downs Casino and any gaming-related businesses operating within the district. Bonds issued would have a maximum term of 25 years, with no apparent limit on the number of bond issuances or their cumulative duration.

Unlike a Tax Increment Development District (TIDD), the State Fair District Board would be subject to less oversight or required analysis to determine if the projects were in the best interest of the state. While the New Mexico Finance Authority (NMFA) and the state Board of Finance (BOF) must approve bond issuances, their review is limited to ensuring that proceeds are used for board-authorized projects, rather than evaluating the long-term fiscal impact of district activities. Unlike a TIDD, there is no requirement that the formation of the district would have to be approved by property owners of the district, no requirements for a master plan, no requirement of economic analysis, and no requirement that the board must consider citizen input.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or June 20, 2024, if enacted.

FISCAL IMPLICATIONS

Development and Tax Increment Financing. The creation of this district somewhat resembles a Tax Increment Development District (TIDD). The theory behind TIDDs is that the state and local governments share the cost of public infrastructure development with private developers. In practice, the sponsoring government creates a TIDD, which becomes a political subdivision of the state. The TIDD then issues bonds, often purchased by the developer, to finance public infrastructure such as roads, utilities, schools, fire stations, and parks. The developer typically fronts the cost of construction and later transfers ownership of the improvements to the sponsoring government. The TIDD reimburses the developer over time using gross receipts tax (GRT) or property tax increment revenue generated within the district. Historically, developers built and transferred public infrastructure to municipalities or counties without reimbursement, but TIDDs now enable reimbursement mechanisms for these expenditures. The intended long-term outcome is that, after the bonds are repaid, new businesses operating within the TIDD generate GRT revenue that exceeds the initial investment, creating a net benefit for the state.

However, analyzing the financial viability of such a district is challenging, as it requires forecasting based on plans before the project begins. Over time, the quality of TIDD applications has improved, culminating in the South Campus TIDD approved in 2023, which provided detailed projections and revenue estimates.

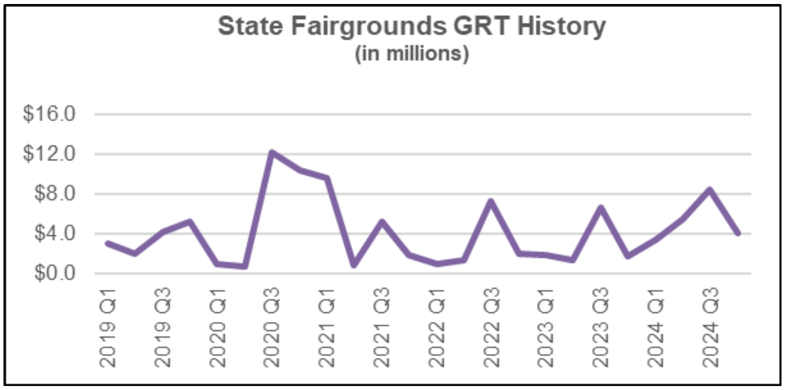
SB481 Financial Analysis. Unlike prior TIDD applications, SB481 does not include financial participation from local governments (city or county), does not reserve an increment for the state to benefit from contributing funds, and does not include an application or financial estimate demonstrating whether the proposed project would generate sufficient revenue to repay bonds.

To demonstrate the financial feasibility of the district, staff compiled the following comparisons:

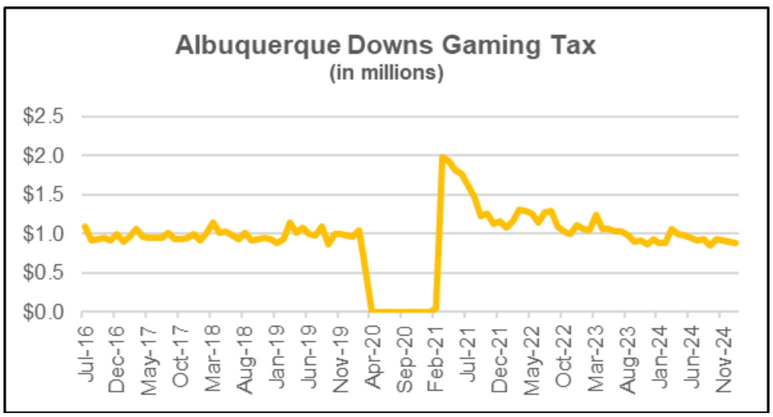
> Using an estimated 4.5 percent interest rate for a 25-year bond term, repaying $1 billion in bonds would require semiannual payments of approximately $33.5 million. To generate sufficient GRT transfers, the TIDD would need to generate $1.5 billion in taxable activity annually for the entire 25-year period. Assuming the economic activity generated qualifies for 50 percent deductions, total gross receipts would need to average $3 billion annually—a figure that exceeds historical commercial activity levels in the fairgrounds area.
>
> Even a large-scale retail development within the TIDD is unlikely to generate sufficient revenue to meet bond repayment obligations. For example, a Walmart Supercenter generates approximately $2.8 million in GRT. To generate $33.5 million in annual revenues, the district would require the equivalent of 12 Walmart Supercenters, an implausible concentration of retail activity.

Unlike a TIDD, under SB481 the state would be the developer and the bonds would be supported by current levels of the gross receipts taxes and gaming taxes collected within the borders of the district to amortize bonds. As plans and changes mature, there may be increases in gross receipts attributable to construction or business activity. When refunding bonds, the board is allowed to increase the amount of the bond consistent with increases in the revenues. Note, however, that if the board determines to move the fair to a remote site, any gross receipts or gaming taxes at the new site would not accrue to the benefit of the State Fair District, significantly undercutting the ability for the district to support bond payments.

The potential GRT revenues to the district and losses to the general fund are estimate from current GRT revenues shown below, and average slightly over $1 million annually.



The estimated gaming tax revenues average about $11.4 million annually.



Using these estimates and the current 25-year tax-exempt bond rate of 4.5 percent, the net present value is estimated at between $198 million to $223 million, or roughly one-fifth of the $1 billion authority requested. A more precise number is not possible until a plan has been created and a developer has been vetted and selected, which typically occurs before legislative approval of bonding authority for development districts.

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 statutory provisions because earmarking reduces the ability of the Legislature to establish spending priorities.

County Impacts. Page 3, lines 7-9, create the district as a new political subdivision, "separate and apart from a municipality or county." Currently, the state fairgrounds are part of the unincorporated area of Bernalillo County, and gross receipts sourced to the state fairgrounds are subject to the county GRT (but not of the City of Albuquerque). Once the district becomes a political subdivision of its own, Bernalillo County would no longer have the power to tax gross receipts sourced to the district. Bernalillo County would therefore lose GRT revenue related to activity currently occurring in the district and all future activities that may be generated by development.

SIGNIFICANT ISSUES

District Authority and State Oversight. The bill grants the State Fairgrounds District broad autonomy and financial authority, including the ability to acquire and dispose of property, enter into agreements, and operate public infrastructure. While this structure may streamline management and decision-making, it also reduces state oversight and transparency in the district's financial operations. The bill does not require legislative approval of specific projects, limiting the Legislature's role in evaluating the district's long-term fiscal impact.

Although the bill provides for annual reporting requirements, it lacks explicit accountability measures for financial management and project oversight. Additional legislative action may be necessary to ensure proper fiscal oversight and performance evaluation of the district's economic activities.

Land Ownership and Development Implications. The state of New Mexico currently owns the fairgrounds property, but the bill does not clarify whether the state would retain title to the land or sell subdivided parcels to private developers. Media reports and proposed county TIDD boundaries suggest that the racetrack and casino would remain until at least 2047. Maintaining these facilities requires significant acreage for parking and barns, raising questions about how much land would be available for redevelopment.

Of the 203-acre fairgrounds property, the racetrack, horse barns, casino, and limited casino parking currently occupy an estimated 118 acres. If the state sells portions of the property, it would reduce available land for public projects and infrastructure improvements within the district. The Board of Finance and the Legislature would need to approve any land sales, but the bill does not outline specific processes or restrictions on the disposal of state-owned land.

Deviation From Standard Development District Practices. Typically, TIDDs require multiple approvals, including a master plan and an economic feasibility analysis, before legislative authorization. These safeguards ensure project viability and confirm that anticipated revenues would cover public investment costs. The bill bypasses these requirements, shifting decision-making authority from the Legislature to the executive branch and limiting legislative input to the State Fairgrounds District governing board.

Although SB481 does not conform to the New Mexico TIDD Act, the financing mechanism proposed in the bill aligns with tax increment financing (TIF) principles. TIF is a public financing tool used to subsidize redevelopment, infrastructure improvements, and private investment in a designated area. While not a direct appropriation, TIF represents foregone tax revenue by redirecting future tax increments from the state general fund to fund redevelopment projects. However, TIDDs usually only on the incremental activity generated from new development and not 100 percent of generated activity. This district diverts 100 percent of current and 100 percent of incremental revenues, leaving no way for the state to benefit financially from the investment, unlike other TIDDs.

Finally, SB481 does not include the following findings required of TIDDs before approving the formation of the district:

1. The tax increment development plan reasonably protects the interests of the governing body in meeting its goals to support:
    (a) job creation,
    (b) workforce housing,
    (c) public school facility creation and improvement, including the creation and improvement of facilities for charter schools, and
    (d) underdeveloped area or historical area redevelopment.
2. The tax increment development plan demonstrates elements of innovative planning techniques, including mixed-use transit-oriented development, traditional neighborhood design or sustainable development techniques, that are deemed by the governing body to benefit community development.
3. The tax increment development plan includes sustainable development considerations.
4. The tax increment development plan conforms to general or long-term planning of the governing body.

New Mexico's Framework and Historical Context. Unlike TIF in other states, New Mexico's TIDD Act allows local TIDDs to use incremental local property taxes and state GRT for funding without requiring a blight designation or brownfield status. The TIDD board, as a government subdivision, manages these funds to comply with constitutional constraints on public spending.

SB481 differs significantly from traditional TIDDs because the State Fairgrounds District involves fee-simple state-owned land, rather than state trust land. This distinction means that the district board could recommend and implement the sale of state-owned land to private developers, subject to approval by the Board of Finance and the Legislature under existing laws.

Because SB481 does not require local participation in GRT revenues or property taxes, redevelopment efforts would be 100 percent state-funded despite a lack of demonstrated long-term benefit to the state.

ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department (TRD) would update forms, instructions, and publications and make information system changes. This implementation would require a new gaming excise tax code to facilitate distribution to the State Fairgrounds District Fund. The State Fairgrounds reporting location for GRT purposes is currently assumed to reflect the correct boundaries for the new political subdivision and would continue to be used for the GRT distribution to the fund.

TRD’s Administrative Services Division (ASD) would update the general ledger and revenue reporting for the new GRT and gaming excise tax distributions. It is anticipated this work would take approximately 200 hours split between 2 FTE of a pay band 70 and a pay band 80 at a cost of approximately $12.7 thousand. Collaboration and input from the Department of Finance and Administration (DFA) is required as this would decrease general fund revenue distributions.

This bill would have a high impact on TRD’s Information Technology Division (ITD), approximately 1,000 hours or about six months and $230 thousand in contractual costs

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB481 conflicts with Senate Bill 482, which proposes a joint state and county TIDD on an area somewhat less than half the full 203 acres of the State Fairgrounds. The county is planning to take a final vote on the TIDD formation on March 11. Both bills designate the same revenues for multiple bond issuances.

TECHNICAL ISSUES

The effective date should conform to the usual GRT notification and implementation dates (January 1 or July 1).

The current fairgrounds are outside the incorporation boundaries of a municipality, but the bill makes reference to the district being within a municipality.

On page 6, Lines 24 and 25, and page 7, lines 1 and 2, the language "prior to the board issuing bonds, the New Mexico finance authority, state board of finance and state bond counsel shall approve the proposed issuance of the bonds…" implies that none of the three entities named can deny the issuance of the bonds.

The secretary of DFA is required to serve as treasurer and clerk for the board but must also be responsible for approving budgets and budget adjustments of political subdivisions of the state. The dual role for the secretary of the Department of Finance and Administration would create a potential conflict of interest.

From the Taxation and Revenue Department (TRD):

> Page 3, lines 7-9, create the district as a new political subdivision, "separate and apart from a municipality or county." Currently, the state fairgrounds are part of the unincorporated area of Bernalillo County, and receipts sourced to the state fairgrounds are subject to local option gross receipts tax of the County (but not of the City of Albuquerque). Once the district becomes a political subdivision of its own, Bernalillo County will no longer have the power to tax gross receipts sourced to the district. If this is not the intention of the bill, then clarifying language should be added stating that receipts sourced to the district are still subject to local option gross receipts tax.
>
> On page 2, lines 17-18 and on page 3, lines 9-10, the bill states: "district that consists of all land owned by the state". TRD suggests removing the word "all", which would also conform with other definitions of "state fairgrounds" in the Tax Code. See, e.g., Section 7-1-6.46(F)(1)(b) NMSA 1978, ("on land owned by the state, commonly known as the 'state fairgrounds', within the exterior boundaries of the municipality.")
>
> TRD suggests amending page 14, line 22 through page 15, line 1, to state "equal to the net receipts attributable to the gross receipts tax from business locations within the state fairgrounds district." This suggested amendment resolves a potential conflict between Sections 2(C) and (E), and Section 11. Subsection 2(C) defines the district as "all land

owned by the state … and lying within the exterior boundaries of the City of Albuquerque", whereas Subsection 2(E) defines a "property owner" as "a person owning real property within the boundaries of the district." Section 3(B) gives the board the power to sell the property of the district so, although the initial district is defined as being made up only of state-owned real property, "property owners", as owners of real property within the district, could be created following formation of the district. But Section 11 only requires distribution of "the net receipts attributable to the gross receipts tax from business locations on land owned by the state, commonly known as the state fairgrounds…" This language would potentially exclude gross receipts tax from business locations owned by property owners other than the state.

Page 3, lines 7-9, create the district as a new political subdivision, "separate and apart from a municipality or county." Currently, the state fairgrounds are part of the unincorporated area of Bernalillo County, and receipts sourced to the state fairgrounds are subject to local option gross receipts tax of the County (but not of the City of Albuquerque). Once the district becomes a political subdivision of its own, Bernalillo County will no longer have the power to tax gross receipts sourced to the district. If this is not the intention of the bill, then clarifying language should be added stating that receipts sourced to the district are still subject to local option gross receipts tax.

There is a potential conflict between House Bill 481 and House Bill 482, its companion legislation, related to a potential overlap in revenue that may be pledged to secure up to $1 billion in bonds. First, TRD's interpretation is that the two bills each authorize up to $1 billion in bonds, $2 billion in total. If this is not the intent, it should be clarified.

Second, SB481 creates the state fairgrounds district as a new political subdivision inside Bernalillo County and exclusive from the City of Albuquerque. The district itself is not a TIDD, though the district's Board could form a TIDD. SB481 requires the state fairgrounds district to pledge ALL State GRT and gaming excise tax sourced to the state fairgrounds district to repay up to $1 billion of bonds. Separately, SB482 contemplates that a TIDD formed at the state fairgrounds could pledge the incremental State GRT in the TIDD to repay up to $1 billion in bonds. Because SB481 requires the district to pledge all the GRT revenues to payment of the district bonds, there would potentially be no revenues to pay the SB482-authorized bonds, at least during the term of any SB481 bonds.

This bill does not have an effective date. It is always preferred that GRT bills have an effective date of July 1. This allows for the changes to match up with the release of the GRT Filer's Kit by TRD. This allows for smoother implementation for both taxpayers and TRD.

From the BOF:

Page 4, Line 16: Should be amended to include "or county" at the end of the text.

The provision currently states reimbursement to a municipality or county for staff and consultant services and support facilities supplied by the municipality but excludes reference to services and support facilities supplied by the county.

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:

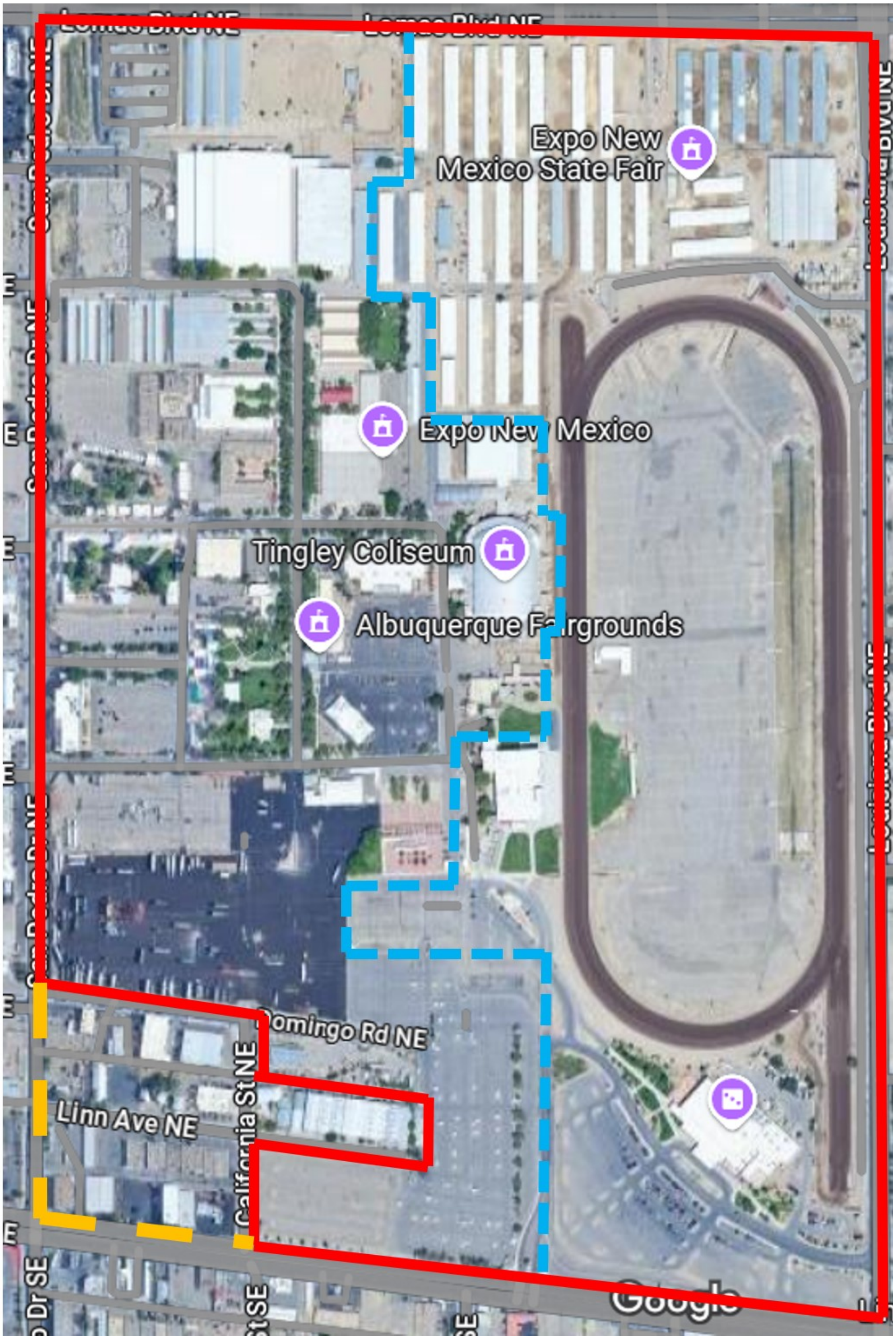
- **Adequacy**: Revenue should be adequate to fund needed government services.
- **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity**: Different taxpayers should be treated fairly.
- **Simplicity**: Collection should be simple and easily understood.
- **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
Vetted: 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.	X	Not introduced or heard by an interim committee nor are development plans available for analysis
Targeted: 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	 X X X	Unclear purpose and goal without a master plan.
Transparent: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✓	N
Accountable: 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	 X X	
Effective: 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. Fulfills stated purpose Passes "but for" test	? X ?	Unlikely to be in the best interest of the state as growth of economic activity in the district would only benefit the district at 100% despite state subsidy.
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	?	
Key: ✓ Met × Not Met ? Unclear		

LG/iz/hj/hg/sgs

Attachment: Map



Attachment: TIDD Comparisons

Current Participation	TIDD	Formed	Bond Cap	Total Transfers to Date	Current Status
Albuquerque; Bernalillo County; State	Mesa Del Sol TID District	2007	$500,000,000	$39,961,429	
Albuquerque; Bernalillo County; State	Mesa Del Sol TID District 2	2007		$0	
Albuquerque; Bernalillo County; State	Mesa Del Sol Maxeon	2024		$0	New Authorization
Albuquerque; Bernalillo County; State	Winrock Town Center TID Dist 1	2009	$137,000,000	$31,539,310	
Albuquerque; Bernalillo County; State	Winrock Town Center TID Dist 2	2009		$10,399,553	
Albuquerque; State	Quorum at ABQ Uptown TIDD	2009	$27,000,000	$843,457	Sold to Target; no clawback
Albuquerque; Bernalillo County; State	Sun Cal	2009	$408,000,000	$0	TIDD denied; Sold at bankruptcy sale for $148,000,000 in 2010
Dona Ana County; Las Cruces	City of Las Cruces TIDD	2010	$8,000,000	$42,647,297	10-Year bonds paid out in 2020
Taos Ski Valley; State	Taos Ski Valley TIDD (Inside TIDD)	2015	$44,000,000	$14,488,976	
Albuquerque; Bernalillo County; State	South Campus	2023	$267,000,000	$723,505	
No State Participation					
Albuquerque; Bernalillo County	Lower Petroglyphs TIDD	2018		$753,206	
Bernalillo County	Santolina -- All	2019		$3,947	
Rio Rancho	Stonegate TIDD	2015		$1,067,672	
Rio Rancho	Village at Rio Rancho	2010		$2,044,799	
Rio Rancho	Las Diamantes	2021		$1,614,536	