FISCAL IMPACT REPORT

SPONSOR	Senate Tax, Business & Transportation Committee	**LAST UPDATED**	3/17/25
		ORIGINAL DATE	3/13/25
SHORT TITLE	State Fairgrounds District Act	**BILL NUMBER**	CS/Senate Bill 481/STBTCS/aSFC
		ANALYST	Torres/Graeser

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
GRT & Gaming Tax diversions			At least ($9,000.0)	At least ($9,000.0)	At least ($9,000.0)	Recurring	General Fund
			Indeterminate but Positive			Recurring	Bernalillo County
			At least $9,000.0	At least $9,000.0	At least $9,000.0	Recurring	State Fair District
5 mill property tax			Indeterminate in amount and timing			Recurring	State Fairground operating fund
Conventional Property Tax			Indeterminate but Positive			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
State Fairgrounds District	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	Unknown
TRD	$230.0	$12.7	$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.

Conflicts with Senate Bill 482. Relates negatively to House Bill 218. May conflict with Senate Bill 274.

Sources of Information

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

Agency Analysis Received From
Taxation and Revenue Department (TRD)

Agency Analysis Received From (On original SB481)
Expo New Mexico (Expo)

General Services Department (GSD)
Department of Finance and Administration/ Board of Finance (DFA/BOF)

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

SUMMARY

Synopsis of SFC amendment to STBTC Substitute for Senate Bill 481

The Senate Finance Committee amendment to STBTC Substitute for Senate Bill 481 (SB481) allows the two legislative officials – the senator representing the district and the representative representing the district -- to appoint others as designees. The is no restrictions on who the senator or representative could designate.

Synopsis of STBTC Substitute for Senate Bill 481

The Senate Taxation, Business and Transportation Committee Substitute for Senate Bill 481 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 but unique powers.

The district would encompass 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, redevelopment, or demolition and removal projects within the fairgrounds. The district 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 defines a “public entity” that includes the usual “agency, department, institution, county, municipality”, but then adds “…or political subdivision of the state." The "state fairgrounds district" is created as a political subdivision of the state, separate and apart from a municipality.

The bill creates a seven-member board of directors, consisting of the governor, a state senator representing the district, the state representative representing the district, a Bernalillo County commissioner, an Albuquerque councilor representing the council district inclusive of the district, the mayor of Albuquerque and one person appointed by the Governor to represent neighborhood interests. The director of the local government division or the director’s designee will serve as treasurer and clerk, raising potential concerns about conflicts of interest (see “Technical Issues”). The board’s powers include selling, leasing, granting, or disposing of district property, as well as accepting gifts, grants, and loans for public projects.

The board would be subject to the Procurement Code for all actions of the board, including, “planning, design, engineering, financing, construct and acquisition of public improvement for the district;" However, the board would be exempt from the requirements of the Special Procedures Act and the Community Services Act. The Special Procedures Act would require the State Fairgrounds District to participate with Bernalillo County in the provision of any urban-oriented service such as water for domestic, commercial or industrial uses, sewage, garbage, refuse collection, and recreation. The Community Services Act provides a bonding mechanism to provide the services of the Special Procedures Act. Private property owners in the State Fairgrounds District would not be required to pay, for example, the property tax levies imposed by the Middle Rio Grande Conservancy District.

The bill authorizes the district to issue up to $500 million in revenue bonds, secured by 75 percent of the state gross receipts tax (GRT) revenue generated within the district and 75 percent of gaming tax revenue collected from the Downs Casino and any gaming-related businesses operating within the district. Bonds issued or refunded bonds would have a maximum term of 25 years measured from the date of the sale of the first bonds. There is also a provision that the board can solicit "acceleration, deceleration or other modification of the payment of the outstanding bonds, including, without limitation, any capitalization of any interest on the outstanding bonds in arrears or about to become due for any period not exceeding two years from the date of the refunding bonds."

In addition, the bill allows the district to impose a 5-mill property tax ($5 per $1,000 of taxable value) with the concurrence of the majority of qualified electors. There may be no currently registered voters in the district, which may prevent imposition until after the district purchased the southwest corner contiguous to the district (see map in attachment 1) which has residents.

Similar to a Tax Increment Development District (TIDD), the State Fair District Board would be subject to similar oversight and required analysis to determine if the plan and bonds could be paid with plausibly available revenues. This bill does not require a determination that the plan is in the best interest of the state, a critical element of a TIDD plan. The state Board of Finance (BOF) is assigned the responsibility of approving the plan and bond issuances, ensuring the bond proceeds will be spent on approved projects and approving the bond issuance. This review includes evaluating the long-term fiscal impact of district activities. The New Mexico Finance Authority (NMFA) is assigned approval of the master indenture and refunding bonds. Unlike a TIDD, there is no requirement that the formation of the district would have to be approved by property owners of the district and no requirement that the board must consider citizen input. However, the bill does require legislative approval of any bonds.

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. The earliest the property tax levy could go into effect would be for the 2026 property tax year based on values as of January 1, 2026, and payments posted to FY27.

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 incremental revenue generated within the district. 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.

Analyzing the financial viability of such a district is challenging, as it requires forecasting based on plans before the project begins and extending that forecast for at least 25 years. 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, and the application conformed in all respects to the detailed requirements published as New Mexico Administrative Code 2.61.3.

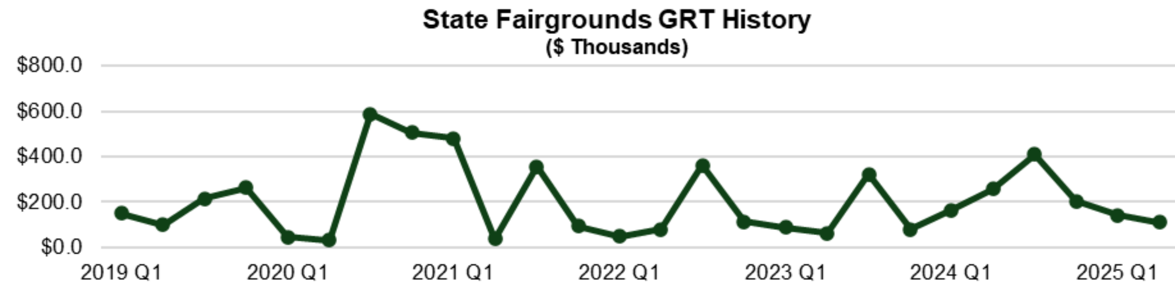
SB481 Financial Analysis. Unlike prior TIDD applications, SB481 does not include financial participation from local governments (city or county). The STBTC Substitute for SB481 does reserve 25 percent of revenues for the state to benefit from potential revenue growth and requires a plan with a financial estimate demonstrating whether the proposed project would generate sufficient revenue to repay bonds before Board of Finance approval.

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

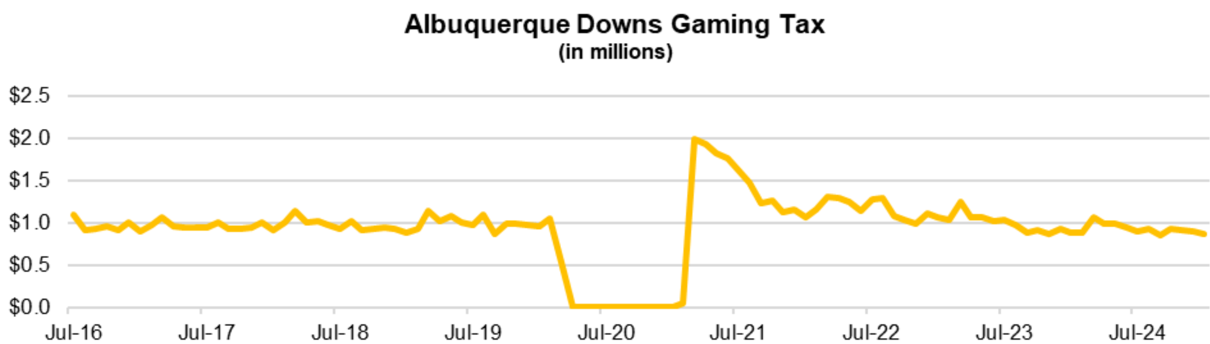
> Using an estimated 4.5 percent interest rate for a 25-year bond term, repaying $500 billion in bonds would require semiannual payments of approximately $16.7 million. To generate sufficient GRT transfers, the TIDD would need to generate $750 million in taxable activity annually for the entire 25-year period. Assuming the economic activity generated qualifies for 50 percent deductions, total gross receipts would need to average $1.5 billion annually, a figure that exceeds historical commercial activity levels in the fairgrounds area or for any comparable area except perhaps, Winrock center or Uptown.
>
> 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, of which $2.1 million would be diverted to the district. To generate $33 million in annual revenues, the district would require the equivalent of 16 Walmart Supercenters.

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. It should also be noted that affordable housing projects would not generate any appreciable GRT after the construction phase. LEDA supported projects would possibly generate GRT long term.

The potential state share of GRT revenues to the district and losses to the general fund are estimated from current GRT revenues shown above and average about $800 thousand annually. A 75 percent diversion is estimated as contributing $600 thousand to the district.



The estimated gaming tax revenues average about $11.4 million annually – however, note the impact of COVID closure and the longer-term decline from the post-COVID peak in 2021. 75 percent of the gaming tax would contribute about $8.5 million annually to the district.



Using these estimates and the current 25-year tax-exempt bond rate of 4.5 percent, the net present value is estimated at between $150 million and $170 million, or roughly one-third of the $500 million bond 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 16-17, create the district as a new political subdivision, "separate and apart from a municipality." This is in line with the current the status of the district, which is outside of the municipal boundaries but within the unincorporated area of Bernalillo County. Gross receipts sourced to the state fairgrounds are subject to the county GRT (but not to the City of Albuquerque GRT).

Timing of Impacts. 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, 2025, if enacted. This means that the diversion of the Gaming Tax could be implemented as early as the July 2025 distribution. For GRT local option distributions, including the distribution to the State Fairgrounds District Fund, the Taxation and Revenue Department (TRD) requires a three-month lead time to reprogram the GenTax system. No such notice is required in statute for the Gaming tax. The earliest the property tax levy could go into effect would be for the 2026 property tax year based on values as of January 1, 2026, and payments posted to FY27, however, TRD notes that there are no current qualified electors residing within the boundaries of the State Fairgrounds District; hence no property tax could be imposed. Also as noted in the conflicts section, HB218 would restrict local option GRT changes to July 1. This would mean that with the three-month lead time and the HB218 restriction, the earliest GRT diversion to the State Fairgrounds Fund would be July 1, 2026.

TRD further discusses the fiscal impacts of the provisions of this bill:

- Section 5(B) of the bill requires authorization of the tax by a majority of the votes cast by qualified electors of the district in an election held in accordance with the Local Election Act. A "qualified elector" must be a person who is a resident of the state and is qualified to vote (Section 1-1-4 NMSA 1978). There are currently no qualified electors in the district, and so no vote could be taken to authorize the property tax.

- The bill contemplates an initial "start-up" period of the district for six years, and it is assumed that during that time the district will sell property within its boundaries to private persons for the purpose of constructing residential housing and for business development purposes, creating a property tax base and qualified electors who may approve the imposition of a property tax. For purposes of the time frame of this fiscal impact report, TRD assumes that no significant property tax base will be developed that will generate tax revenue, if a property tax is imposed by the board and authorized by the qualified electors. TRD cannot predict how much such property will be sold to private entities, thereby becoming taxable, or the value of any property developed for commercial or residential purposes during this time frame, nor whether the qualified electors of the district would approve any tax imposed by the district's board during that time. TRD therefore cannot predict whether there will be any fiscal impact during the time frame of this report but assumes that to the extent there is any impact, it will be minimal.

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. Indirectly, the ultimate decision to relocate the state fair to a remote site can be done without explicit legislative approval. While this structure may streamline management and decision-making, it also reduces state oversight and transparency in the district's financial operations. Although, the bill does require legislative approval of the bonds, it does not require legislative approval of projects, which may mean relocating the state fair to a remote site does not require legislative approval.

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.

The county hearing on the TIDD formation scheduled for March 11 has been cancelled until after a plan contractor, selected and paid by the state, has been selected, assessed the will of the people in moving or renovating the state fair at the existing site, determined the financial viability of alternative plans, and presented a draft master plan for public comment.

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 the proposed county TIDD boundaries contained in SB482 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.

The financial backing for bonds is primarily determined by the 75 percent of the gaming tax. The 75 percent of state share of gross receipts tax may become important as construction GRT contributes. Because of the importance in the initial bond issue, the development plans must ensure that the Casino remains in the district.

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 seeks legislative authority to issue bonds before planning and after planning with the requirement the Legislature approve proposed issuances before bonds are issued.

SB481 does require a district plan before seeking Board of Finance approval, with plan requirements in line with TIDD requirements. The legislature will have access to the plan for analysis supplemental and independent of the analysis provided by BOF.

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 rely only on a portion – maximum 75 percent – of the incremental activity generated from new development and not 75 percent of the current activity. This district diverts 75 percent of current and 75 percent of incremental revenues, leaving a modest path for the state to benefit financially from the investment, unlike other TIDDs.

New Mexico's Framework and Historical Context. Unlike TIFs in other states, New Mexico's TIDD Act allows local TIDDs to use incremental local property taxes and state and local 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.

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.

HB218 removes January implementation change for local option GRT changes, presumably including establishing a new State Fairgrounds District location code and distribution.

The provisions of the sub may conflict with SB 274, which increases the financial thresholds that require approval from the State Board of Finance for sales, trades, donations or leases of state and local public property. The bill raises the resale value limit for tangible personal property that state agencies, local public bodies, and school districts can sell or dispose of without additional approvals from $5,000 to $30 thousand. It also increases the threshold for requiring State Board of Finance approval of real property transactions from $25 thousand to $150 thousand and raises the amount requiring legislative approval from $100 thousand to $550 thousand for sales, trades, or leases exceeding twenty-five years. However, 13-6-2 NMSA 1978 permits a public body to grant state-owned property to another public body without approval of either the Board of Finance or the Legislature.

TECHNICAL ISSUES

The director of the local government division 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 director would create a potential conflict of interest, although the director would not be a voting member.

Page 9, lines 5 and 6 require replacing a member who is not an elected official with a designee who is an elected official. This likely was intended to read as "shall be replaced by a designee who is named by an elected official representing the designee's position on the board" or something to this effect.

LFC staff notes on page 19, line 18 that the plan could recommend financing some portion of the activities of the district with property tax bonds. However, the 5-mill property tax is limited to four years and is subject to repeal by petition. Thus, the property tax would not be a suitable bonding pledge.

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.		Unclear purpose and goal without a master plan.
Clearly stated purpose	X	
Long-term goals	X	
Measurable targets	X	
Transparent: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	?	The diversions of GRT would be reported monthly but data on gaming taxes and property taxes will be less transparent.
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		All district diversions and control would cease 25 years after

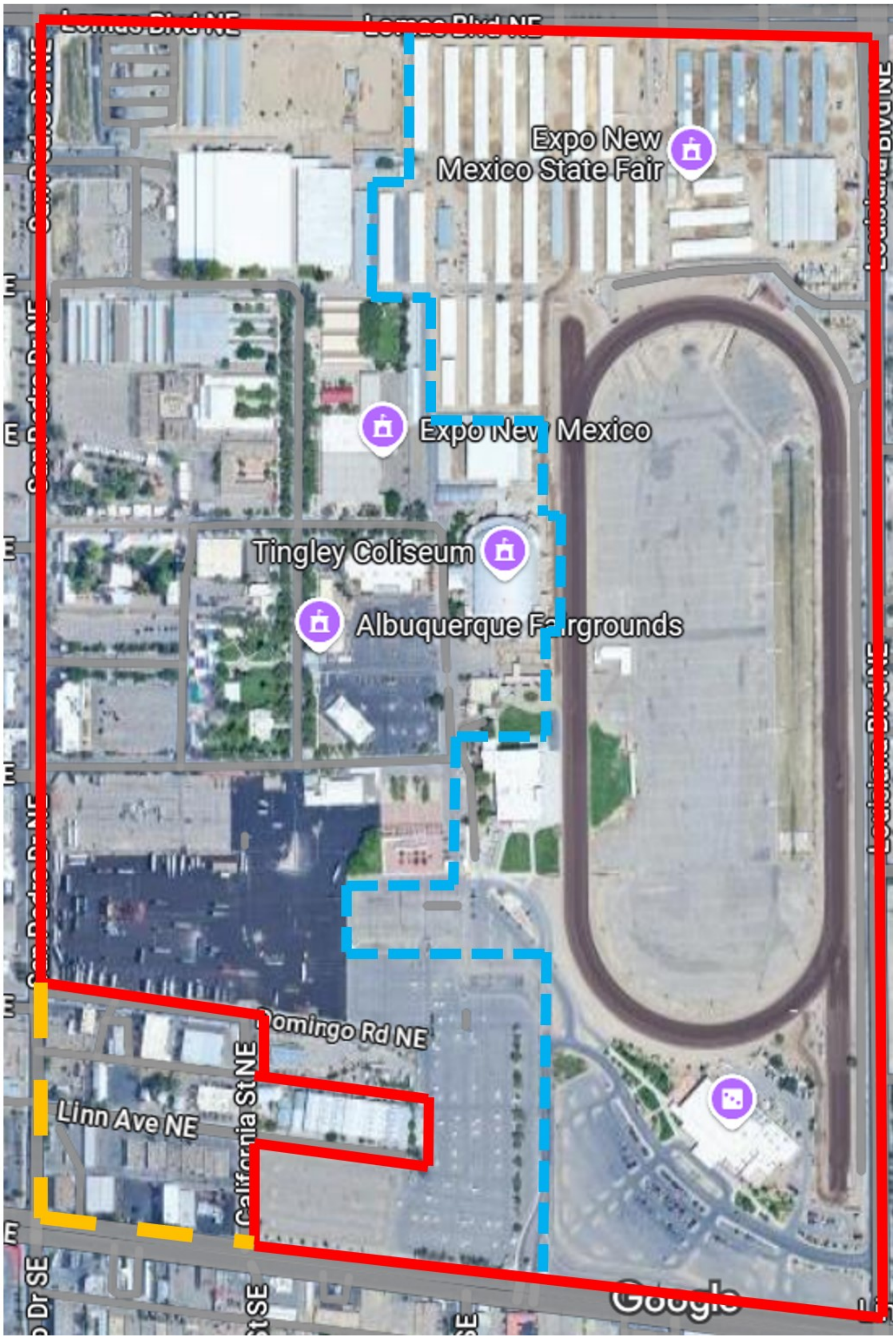
legislative action is taken to review the tax expenditure and extend the expiration date. Public analysis Expiration date	 X ✓	the first bonds were issued.
Effective: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development 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 ?	No conclusion possible until master plan with associated financial estimates presented.
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	?	
Key: ✓ Met ✗ Not Met ? Unclear		

Attachments:

1. Map
2. TIDD Comparisons

LG/iz/hj

Attachment 1: Map



Note: Proposed TIDD area to the left (west) of the blue dashed line. State Fairgrounds District boundaries shown as solid red line. Dashed yellow line delineates the probable expansion of district boundaries.

Attachment 2: 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	