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AN ACT

RELATING TO MUNICIPALITIES; AMENDING THE SMALL CITIES ASSISTANCE ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 3-37A-3 NMSA 1978 (being Laws 1979, Chapter 284, Section 3, as amended) is amended to read:

"3-37A-3. SMALL CITIES ASSISTANCE FUND--DISTRIBUTION.--

A. The "small cities assistance fund" is created within the state treasury.

B. On or before January 31, 2004 and on or before January 31 of each subsequent year, the local government division of the department of finance and administration shall certify to the taxation and revenue department the population of each municipality in the state.

C. On or before the last day of February of 2004 and of each subsequent year, the taxation and revenue department shall compute the amount to be distributed to each qualifying municipality as follows:

(1) the department first shall compute a distribution share for each qualifying municipality. The distribution share shall be an amount equal to the product of the qualifying municipality's population multiplied by the difference between the statewide per capita average and the municipal per capita average less the local tax effort of the qualifying municipality;

(2) in 2004 and subsequent years, the balance in the small cities assistance fund in February immediately after the distribution to the fund pursuant to Section 7-1-6.2 NMSA 1978 for the preceding January will be divided by the number of qualifying municipalities. The quotient will be rounded down to the nearest dollar and may be cited as the "target amount";

1 (3) if the target amount determined in Paragraph (2) of this
2 subsection is less than or equal to the minimum amount, the target amount is the
3 amount to be distributed to each qualifying municipality; and

4 (4) if the target amount exceeds the minimum
5 amount, the amount to be distributed to all qualifying municipalities whose
6 distribution share equals or is less than the minimum amount shall equal the
7 minimum amount. The sum to be distributed to such municipalities shall be
8 subtracted from the amount in the fund. The target amount then shall be increased
9 by dividing the balance remaining in the fund by the number of remaining qualifying
10 municipalities. The amount to be distributed to each remaining qualifying
11 municipality shall equal the lesser of the municipality's distribution share or the
12 increased target amount. If the distribution share of one or more of these remaining
13 qualifying municipalities is less than the increased target amount, the balance of the
14 fund is to be further reduced by the amount necessary to provide for a distribution to
15 those municipalities of their distribution shares. The target amount is to be
16 increased again by dividing the recomputed fund balance by the number of
17 qualifying municipalities not yet provided for. Successive iterations of the process
18 to increase the target amount shall occur until no remaining municipality's
19 distribution share is less than the increased target amount.

20 D. The state treasurer shall distribute from the small cities
21 assistance fund on or before March 1, 2004 and March 1 of each subsequent year
22 to each qualifying municipality the amount certified by the taxation and revenue
23 department for each qualifying municipality for the year.

24 E. Funds distributed in accordance with this section shall be placed
25 in the general fund of the qualifying municipalities receiving distributions."