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FISCAL IMPACT REPORT

SPONSOR Maestas **ORIGINAL DATE** 02/10/09
LAST UPDATED _____ **HB** 627
SHORT TITLE Albuquerque Route 66 Tax Increment District **SB** _____
ANALYST White

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|----------|-------------------------|------------------|
| FY09 | FY10 | | |
| | \$ 100.0 | Nonrecurring | General Fund |

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB 19, SB 201, SB 249, SB 467, SB 483, SB 509, HB 392, HB 451, HB 470

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

New Mexico Finance Authority (NMFA)

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

House Bill 627 appropriates \$100,000 from the general fund to the Local Government Division of DFA for the purpose of conducting a feasibility study concerning the establishment of a tax increment development district (TIDD) along the Central avenue-route 66 corridor in Albuquerque.

FISCAL IMPLICATIONS

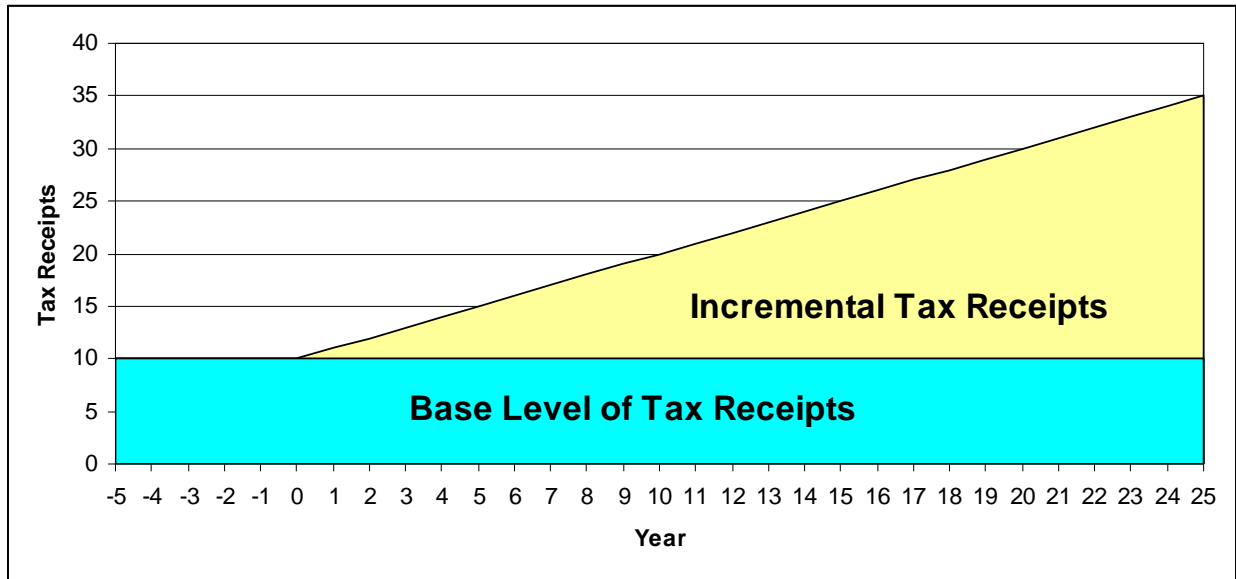
The appropriation of \$100,000 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2010 shall revert back to the general fund.

SIGNIFICANT ISSUES

The Tax Increment for Development Act was enacted in 2006. This act allows property owners within an area that is a subset of a city or county to form a tax increment development district

(TIDD). A district can propose a plan of infrastructure investments that would encourage economic development among other goals that would be paid for out of the increased revenue from the development. This increment, as shown in Figure 1, is derived from the difference between the stagnant base level of tax receipts in year zero and the increasing level of receipts during the life of the TIDD.

Figure 1: Tax Increment Financing



The state is then not losing out on any tax revenues that it is already receiving but rather giving up a certain percentage of the incremental or increased tax receipts that are a result of increased business activity within the TIDD.

In the past, developers have been required to finance their own feasibility studies as opposed to receiving an appropriation from the state. This bill would actually require the state to finance a feasibility study for the use of a private developer or the City of Albuquerque. The New Mexico Finance Authority (NMFA) notes that consideration should be given to language allowing the state to be reimbursed if TIDDs are actually formed as a result of the study.

There are currently no performance expectations or timelines set out in the bill's current language. In order to better direct the actions of DFA, certain performance measures may need to be addressed within the legislation.

ADMINISTRATIVE IMPLICATIONS

The local government division of DFA would need to oversee the appropriation and would most likely be required to issue a request for proposal (RFP) to find an economic consultant to perform the study.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 627 relates to a number of different bills currently before the legislature. House Bills 392 and 451 in addition to Senate Bills 201, 483, and 509 all address various amendments to the Tax Increment for Development Act. Senate Bills 19, 249, and 467 in addition to House Bill 470 authorize various existing TIDDs to issue bonds secured by dedicated incremental tax revenues.

ALTERNATIVES

The state does not usually fund TIDD feasibility studies on behalf of private developers or cities. A private developer or the City of Albuquerque should be able to find adequate funding within their own operating budgets to contract an economic advisor to conduct a feasibility study.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Either the City of Albuquerque or a private developer would have to finance their own feasibility study.

DMW/svb