

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 03/10/09

SPONSOR Barela LAST UPDATED _____ HM 90

SHORT TITLE Development District Study Task Force SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	NFI			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Response Received from
NM Municipal League (NMML)

No Responses Received From
Department of Finance Administration (DFA)

SUMMARY

Synopsis of Bill

House Memorial 90 requests the legislative council to assemble a task force to study the status and impact of special districts created to encourage development in NM. The reasons for the task force are the recently increased interest in special districts, which include tax increment for development districts (TIDD), infrastructure development zones (IDZ), public improvement districts (PID), business improvement districts (BID), and metropolitan redevelopment areas (MRA). The memorial cites the four TIDDs that have been created since 2006 and the annual legislation to create or change these tools. Determining the impact and clarifying the purpose of the districts requires study.

The task force should include legislators and stakeholders. Examples of stakeholders are developers, local government representatives, urban planners, economists, municipal finance experts, and legislative and state agency experts on development districts. Information that is gathered should be from proponents and opponents.

FISCAL IMPLICATIONS

There is no appropriation or revenue impact and the costs of assembling the task force are likely to be minor.

SIGNIFICANT ISSUES

Currently, there are several economic development tools that have significant fiscal impacts on the state but which are not closely monitored and have not been the subject of any directed study as the memorial would request. The most recent and most significant are the tax increment for development districts (TIDDs) which are development areas that capture “incremental” revenue from development activity to pay for the costs of building the public infrastructure. There is also legislation currently pending that would allow the formation of infrastructure development zones (IDZ) which are similar to TIDDs and public improvement districts (PID).

Most of the special districts are for infrastructure financed by *additional* property taxes and do not have any fiscal impact on the state. The property tax the state collects is used for debt service for general obligation bonds and not for any operating costs. Only TIDDs and metropolitan redevelopment areas (MRA) allow for incremental revenue which is the additional revenue generated in an area because of the development and does not require new taxes. MRAs are blighted areas and can capture the incremental property tax from renovating the area. TIDDs can capture both gross receipts and property taxes. The ability to capture gross receipts tax is the major concern for the state. All of the analyses done so far for the four active TIDDs are dependent on using the state gross receipts taxes.

Most of the special districts are set up by the local governments and so do not necessarily have an impact on the state. However, it is important for the state policymakers who are considering changes to existing laws or adding new laws that govern these types of special districts to understand the interactions of the different types. It is also important to determine how many of each kind are in effect and what the status is. For example, the introduction of legislation to create IDZs is a response to the other tools that are in current statute ability to finance infrastructure. On the surface, it would seem that PIDs achieve the same purpose but the IDZs would be much more expansive. Proper evaluation of all of the districts would suggest where tools are not working and should be repealed or modified.

Each special district is stacked on top of a local government. For example, at Mesa del Sol there is a PID within a TIDD, all of which under the jurisdiction of the City of Albuquerque. As a result, in addition to the City Council, there is a TIDD board and a PID board each of which have to have meetings, post agendas and minutes, and set policy.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to HB480 which requires reporting on all economic development incentives including TIDDs.

ALTERNATIVES

Stakeholders could be expanded to include public interest groups that have been outspoken on special districts.

NF/svb

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

- 1. Adequacy:*** revenue should be adequate to fund government services.
- 2. Efficiency:*** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
- 3. Equity:*** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
- 4. Simplicity:*** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
- 5. Accountability/Transparency:*** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc