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FISCAL IMPACT REPORT

ORIGINAL DATE 3/9/09

SPONSOR Cisneros LAST UPDATED _____ HB _____

SHORT TITLE Liquor Tax For Alcohol Detox and Treatment SB 660

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	(\$240.0)	(\$240.0)	Recurring	General Fund
	\$240.0	\$240.0	Recurring	Taos County

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 60 makes a distribution of \$20,000 monthly from the net proceeds of the liquor excise tax to fund alcohol detoxification and outpatient treatment in a county with between 29,000 and 30,000 according to the latest federal decennial census.

The effective date for the distribution is July 1, 2009.

FISCAL IMPLICATIONS

The distribution from the tax suspense fund is made on a monthly basis so a \$20,000 distribution will total \$240,000 for the year. Only Taos County qualifies at this time according to the 2000 federal census but TRD reports that Luna county is, according to projections by the University of New Mexico Bureau of Business and Economic Research, expected to meet the target after the 2010 census. At that time, however, Taos county will be above 30,000 and will no longer receive the distribution. In FY12, if no counties satisfy the population level, the distribution will cease.

Since the liquor excise tax is distributed by formula with the residual going to the general fund, any additional distribution such as this will reduce general fund revenue.

SIGNIFICANT ISSUES

The next decennial census is 2010 and the results likely will not be available until March 2011. At that time, this provision and all other statutes that designate counties based on federal census populations will be revisited.

DFA:

SB 660 specifies that half of the distribution (\$120,000) shall be used for alcohol detoxification programs and services. Currently there is one detox center in Taos County, the Tri County Community Service (TCCS), which provides services to the three northern counties (Taos, Col-fax and Union) with 8 beds. TCCS has indicated that it costs approximately \$225/day per person to operate the detox center. They receive approximately \$150/day per person from Value Options; this leaves a shortfall of approximately \$50/day per person. In 2007 (the most recent year that numbers are available) the detox center served 321 people for an average of 7 days. With that level of service for 321 people, TCCS would have a funding shortfall of \$112,350. The \$120,000 requested in HB 660 would be used to fill the shortfall.

SB 660 also specifies that half of the distribution (\$120,000) shall be used for outpatient treatment facilities or programs. Currently, there are multiple outpatient treatment providers in Taos County. The county would have to RFP for services.

Funds from this proposed change in legislation will have no state level program or fiscal oversight. It would be up to the county to expend and monitor the funds to ensure that they are being spent for alcohol treatment and rehabilitation services.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

There are several bills that change either the liquor excise tax rates or distributions. HB805 directs additional funds to Local Government Division of DFA. SB578 enacts a local hospitality liquor excise tax. HB57 and SB487 expand the current local liquor excise tax. HB528 increases the rates.

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

TECHNICAL ISSUES

If the intent was to provide a recurring distribution for Taos County alone, the language should be revised to refer to the 2000 federal census to fix the population level at that time.

TRD notes that “Counties” should be added to the title of Section 7-1-6.40 NMSA 1978 to reflect the changes to the section proposed in this bill.

NF/mt