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FISCAL IMPACT REPORT

ORIGINAL DATE 2/5/15

SPONSOR Muñoz LAST UPDATED 2/9/15 HB _____

SHORT TITLE Liquor Tax Proceeds for Homeless SB 265a

ANALYST Dorbecker

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17	FY18	FY19		
\$0.0	(\$100.0)	(\$100.0)	(\$100.0)	(\$100.0)	Recurring	Local Liquor Excise Tax
\$0.0	\$100.0	\$100.0	\$100.0	\$100.0	Recurring	Winter Homeless Shelter

(Parenthesis () indicate revenue decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Department of Health (DOH)

New Mexico Municipal League (NMML)

SUMMARY

Synopsis of SPAC Amendment

The Senate Public Affairs Committee amendments to Senate Bill 265:

- increases the period for which a local liquor excise tax may be imposed from three to four years; and
- requires governing bodies enacting a local liquor excise tax to dedicate no less than \$100 thousand of the revenue to winter shelter for the homeless, \$500 thousand of the revenue to a social or medical detoxification center, and to dedicate the remaining revenue to fund the prevention, evaluation, and treatment of substance use disorders and winter shelter for the homeless within the county and for no other purpose.

Synopsis of Original Bill

Senate Bill 265 proposes to amend the Municipal and County Gross Receipts Tax on Liquor Act, Section 7-24-10 NMSA 1978 to allow a governing body to use the proceeds of the local liquor

excise tax for the prevention, evaluation, and treatment of substance use disorders and winter shelter for the homeless. The bill mandates that at least \$100,000 of the local liquor tax revenue be used for winter shelter for the homeless. Due to the definition of “county” specified in Section 7-24-9 (B) NMSA 1978, it is commonly understood the only county to which the local liquor tax applies is McKinley County.

The bill provides for reporting requirements. On or before April 1 of each calendar year, the governing body of McKinley County must report itemizing the receipts, expenditures, and number of clients served for the preceding calendar year, to the Department of Finance and Administration (DFA), which must compile an annual report. On or before September 1 of each year and every year afterwards, DFA must present an audit of the county’s report the Revenue Stabilization and Tax Policy Committee (RSTP) and the Legislative Finance Committee (LFC). There is no effective date of this bill. It is assumed that the new effective date is 90 days after this session ends.

FISCAL IMPLICATIONS

Currently, McKinley County is the only county that has passed an ordinance to collect a local liquor excise tax. According to TRD, McKinley County reports that funds from the local liquor excise tax totaled \$1.2 million on average per year in the last three years. The bill proposes to change the distribution of the local liquor excise tax revenue amongst the net beneficiaries. The net beneficiaries include the general fund and the Taxation and Revenue Department (TRD). TRD reports the bill creates a new distribution in addition to the existing distributions to beneficiaries where the proposed distribution does not have an effect on the general fund but reduces the total amount of local excise tax revenue collected by \$100,000 while creating a “winter homeless shelter fund”. According to TRD, on average, local liquor excise tax collects about \$1.2 million every year in revenue over the past three years.

The SPAC amendment requires the dedication of a further \$500 thousand of the revenue for to a social or medical detoxification center, and the dedication of the remaining revenue to fund the prevention, evaluation, and treatment of substance use disorders and winter shelter for the homeless within the county and for no other purpose.

SIGNIFICANT ISSUES

According to DOH¹, the alcohol-related death rate for McKinley County between 2009 and 2013 was 109 deaths per 100,000 people, more than twice the same rate for the entire state (52 deaths per 100,000). This positions McKinley as the second highest alcohol-related death rate county in the state. DOH notes alcohol-related death rate among American Indians in McKinley County (136 deaths per 100,000 population) is three times higher than the rate among non-Hispanic whites (44 deaths per 100,000 population).

DOH adds the most common causes of alcohol-related death in McKinley County between 2009 and 2013 are:

- Chronic liver disease (37 percent of alcohol attributable deaths)
- Alcohol poisoning (13 percent of deaths)
- Motor vehicle traffic crash deaths (12 percent of deaths)

¹ www.cdc.gov/alcohol/ardi.htm

- Alcohol dependence/abuse (11 percent of deaths)
- Homicide (7 percent of deaths)
- Suicide (6 percent of deaths)
- Fall injuries (3 percent of deaths)
- Deaths from hypothermia make up 3 percent of alcohol-related deaths in McKinley County. It is estimated that approximately 42 percent of deaths from hypothermia are due to alcohol.

DOH notes funds for educational programs, prevention and treatment including social detoxification of alcoholism and drug abuse funded through the local liquor excise tax in McKinley County, would likely be reduced if the bill is passed. Further, DOH believes the use of a statutorily-established minimum amount of funds of \$100,000 directed to help shelter the homeless during the winter, as opposed to a percentage of the tax revenue, would cause the alcohol-related and substance abuse-related programs to fluctuate inordinately during each fiscal year.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is partially met since DFA but not TRD is required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from the governing body to determine whether the proceeds from the tax are meeting their purpose.

ADMINISTRATIVE IMPLICATIONS

TRD estimates a minimal impact from the bill.

RELATIONSHIP

SB 265 and HB 108 relate to providing funding for behavioral health and substance abuse services.

TECHNICAL ISSUES

This bill does not contain a sunset date. The LFC recommends adding a sunset date.

Does the bill meet the Legislative Finance Committee tax policy principles?

- 1. Adequacy:** Revenue should be adequate to fund needed government services.
- 2. Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- 3. Equity:** Different taxpayers should be treated fairly.
- 4. Simplicity:** Collection should be simple and easily understood.
- 5. Accountability:** Preferences should be easy to monitor and evaluate