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FISCAL IMPACT REPORT

ORIGINAL DATE 02/07/16

SPONSOR Ezzell/Wooley LAST UPDATED _____ HB 192

SHORT TITLE Lodger's Tax for Tourism Services SB _____

ANALYST Alejandro/Daly

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18	FY19	FY20		
\$0	\$0	\$0	\$0	\$0	Recurring	General Fund

Parenthesis () indicate revenue decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

Department of Transportation (TD)

SUMMARY

House Bill 192 allows municipalities and counties to use lodger's tax revenues to provide airlines with minimum revenue guarantees that would entice them to offer air service to currently underserved communities. This bill would also allow a municipality or county to issue revenue bonds secured by future lodger's tax proceeds.

This bill does not include an effective date. If enacted, the provisions would become effective 90 days after the end of the session (May 18, 2016). This bill does not contain a delayed repeal.

FISCAL IMPLICATIONS

According to the Economic Development Department, this bill would have no impact on state revenues because funds would be drawn entirely from municipal/county lodger's tax revenues.

SIGNIFICANT ISSUES

At present, Roswell and surrounding communities are in negotiations with a major U.S. airline that include a minimum revenue guarantee so that the carrier would provide regular service to that region. Some portion of the guarantee is intended to come from lodger's tax funds.

Language in the current law is unclear regarding whether or not such funds can be used in this manner.

According to the Tourism Department, local and county governments use lodger's tax to market to tourists and provide facilities and transportation that generate more tourism, thereby providing a return on investment. Any dollars being used to provide a minimum revenue guarantee for airlines are not being spent on marketing the destination. Without adequate marketing the demand for a particular airport would decrease, thereby increasing the gap between the contractually agreed upon guarantee and the actual revenues generated.

Further, the proposed use of lodger's tax revenues to fund a minimum revenue guarantee may violate the antidonation clause of the New Mexico Constitution. See Art. IX, Sec. 14.

TECHNICAL ISSUES

House Bill 192 does not contain language that limits the amount of lodger's tax revenues that can be used as minimum revenue guarantee.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

According to EDD, not enacting this bill would continue to restrict counties and cities from being able to utilize this revenue source for the purpose of providing commercial air transportation to their tourist related facilities and events.

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