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FISCAL IMPACT REPORT

SPONSOR	Sanchez/Lundstrom/Garcia H./Borrego/Cadena	LAST UPDATED	
		ORIGINAL DATE	2/15/23
SHORT TITLE	National Lab Regional Tax Distribution	BILL NUMBER	House Memorial 36
		ANALYST	Graeser

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
\$5.0	\$5.0	\$0.0	\$10.0	Nonrecurring	LFC staff

Parenthesis () indicate expenditure decreases.

Sources of Information

LFC Files

SUMMARY

Synopsis of House Memorial 36

House Memorial 36 extolls the contributions of the Los Alamos National Laboratory:

- LANL annually purchased more than \$915 million in goods and services from suppliers in the state.
- LANL contracts awarded to New Mexico small businesses totaled more than \$613 million in 2022.
- LANL employs more than 14 thousand employees, mostly from northern New Mexico.
- LANL is crucial to New Mexico's economic health, paying more than \$1.5 billion in salaries, which has a direct impact on the state's economy each year.
- LANL's operations and construction have resulted in more than \$136 million in gross receipts tax revenues paid in 2022.

HM36 then points out that the city and county of Los Alamos benefits enormously from the local option and state-shared distributions of gross receipts taxes paid by LANL.

The memorial requests Legislative Finance Committee staff or any tax study committee appointed by the governor or Legislature in the interim to “research and develop legislative recommendations and alternatives that can promote more equitable regional tax distributions from Los Alamos National Laboratory or similar federal research facilities in New Mexico.”

The memorial also requests copies of this memorial be transmitted to the members of the New Mexico congressional delegation, the U.S. secretary of energy, the director of Los Alamos National Laboratory, the director of Sandia National Laboratories, the governor, and the co-chairs of the New Mexico Legislative Council.

This memorial requests this study be performed during the 2023 interim.

FISCAL IMPLICATIONS

Part of any study conducted would be to assemble data on per capita gross receipts for Los Alamos and surrounding communities and compare those averages with other areas of the state that do not benefit either directly from procurement or indirectly from purchases made by employees of the lab.

Assuming the research were assigned to the Legislative Finance Committee staff, assembling the relevant data could be done, interviews scheduled and accomplished, and a report written by approximately one person in one month for a cost of about \$10 thousand in staff resources.

SIGNIFICANT ISSUES

New Mexico annually rates first or second in the ratio of federal funds received to federal taxes paid. This ratio has occasionally exceeded \$2 in federal funds received per \$1 of federal taxes paid. The study requested by the memorial is partially an artifact of history and the largely serendipitous genesis of LANL.

A study of this important issue is certainly worth a relatively minimal expenditure of resource to update the thinking on New Mexico dependence on federal funding and simultaneously consider if there is any mechanism to spread these federal funds more equitably.

One immediate solution to this regional disparity of gross receipts is to disenfranchise all cities and counties, take all the gross receipts tax to the state level, and develop a funding formula for passing a portion of the revenue back to the local jurisdictions. Considering the annual fights over the school funding formula (state equalization guarantee), LFC staff cannot imagine how this proposal would be acceptable to any party.

LG/al/hg