

LFC Requester:

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 2/4/2025 *Check all that apply:*
Bill Number: S243-341 Original Correction
 Amendment Substitute

<p>Sponsor: <u>Larry R. Scott, James G. Townsend, Candy Spence Ezzell</u></p> <p>Short Title: <u>CREATE ALL CITIES & COUNTIES FUND</u></p>	<p>Agency Name and Code <u>DFA-341</u></p> <p>Number: _____</p> <p>Person Writing <u>Kathleen Coates</u></p> <p>Phone: <u>505-487-3907</u> Email <u>Kathleen.coates@dfa.</u></p>
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected

Total	0	\$124.8	\$64.272	\$189.072	Recurring	GF
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(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

S243-341 proposes An Act Relating to Taxation; Creating the All Cities and Counties Fund to transfer a portion of gross receipts tax revenue to municipalities and counties; distributing a portion of gross receipts tax revenue to the all cities and counties fund.

The bill proposal is to create an All Cities and Counties Fund in the State Treasury;

- The taxation and revenue department shall calculate an amount to be transferred to each municipality in an equal amount to the result of the following formula, where “municipality” is the municipality receiving the transfer and “county” is the county in which the municipality is located; provided that if a municipality is located in more than one county, a transfer shall be calculated for each county in the municipality is located – calculation is based on a formula for municipality population $(0.7 * (\text{fund balance}/\text{state population}) + 0.3 * (((\text{county EGRTR}/\text{all county EGRTR}) * \text{fund balance}/\text{county population}))$.
- The taxation and revenue department shall calculate an amount to be transferred to each county in an amount equal to the result of county area population $*(0.7 * (\text{fund balance}/\text{state population}) + 0.3 * (((\text{county EFRTR}/\text{all county EGRTR}) * \text{fund balance}/\text{county population}))$.
- By October 1, 2026 and October 1 of each year thereafter, taxation and revenue department shall certify to the state treasurer the amounts to be transferred to each municipality and county as calculated.
- By November 1, 2026 and November 1 of each year thereafter, state treasurer shall transfer from the all cities and counties fund to each municipality and county the amounts certified by the taxation and revenue department.
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A new section of the Tax Administration Act is enacted to read:

- A distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to the all cities and counties fund in an amount equal to eight percent of the net receipts attributable to the gross receipts tax distributable to the general fund.

Effective date to begin July 1, 2025.

FISCAL IMPLICATIONS

DFA anticipates implementation of the requirements of SB243 will cause additional administrative costs that have not been included in DFA’s FY 26 base budget.

- DFA anticipates 4,160 additional work hours will be needed for assisting and processing documentation in FY 26, standardizing of new process and procedures, training and additional travel associated with revenue changes at the county and municipal level.
 - DFA anticipates this to cost \$124,800 (4,160 hrs x \$30.00 per hr average).
- Additionally, DFA anticipates an increase in workload due to local entities historical references to revenue in existing budgetary development processes. As a result, DFA anticipates a reduction in processing capacity and efficiency due to additional BARs associated with recertification of budgets at the county level.
 - For FY 27, DFA anticipates an increased workload of 1 workday (8 hrs) per 5 FTEs to support BARs associated with recertifications for local entities. DFA anticipates this to costs \$59,080.80 (1912 work hours per year x \$30.09 [adjusted for 3% inflation]).

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

- This bill will increase revenue for counties and municipalities state-wide.
- Upon distribution from Taxation and Revenue counties and municipalities will need to create a Budget Adjustment Request (BAR) to increase their entity's GRT revenue.
- DFA/LGD's budget and reporting database, Local Government Budget Management System (LGBMS) will need to be updated adding a specific line item/object code for this specific GRT revenue.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS