

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website ([www.nmlegis.gov](http://www.nmlegis.gov)). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

ORIGINAL DATE 02/18/13

SPONSOR Gonzales LAST UPDATED \_\_\_\_\_ HB 554

SHORT TITLE Economic Development District Project & Board SB \_\_\_\_\_

ANALYST Clark

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
NFI	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Municipal League  
 Attorney General's Office (AGO)  
 New Mexico Department of Agriculture (NMDA)  
 Economic Development Department (EDD)

### SUMMARY

#### Synopsis of Bill

House Bill 554 amends sections of the Economic Advancement District Act to expand the definition of "project" and add an additional method of establishing a board of trustees of a district.

The bill amends 6-19-2D(2) NMSA 1978 to expand the description of a qualifying commercial enterprise by deleting language which currently excludes facilities designed for the sale of goods or commodities at retail or distribution to the public of electricity, gas, water, telephone, or other services commonly classified as public utilities.

The bill amends 6-19-2D(3) NMSA 1978 to expand the description of a qualifying business by deleting language which currently excludes establishments primarily engaged in the sale of goods or commodities at retail.

The bill amends 6-19-5A(2) NMSA 1978 to provide the county commission an additional option to establish a board of trustees for an economic advancement district. Amended language allows

a county commission to enter into a joint powers agreement between the county and all incorporated municipalities contained within the district to designate a board of trustees constituted from the members or appointees of those elected governing bodies. The joint powers agreement shall be reviewed and approved by the department of finance and administration prior to the board of trustees being appointed and shall be in compliance with all applicable New Mexico statutes.

### **FISCAL IMPLICATIONS**

There is no fiscal impact.

### **SIGNIFICANT ISSUES**

This bill grants more flexibility to county commissions in establishing a board of trustees. The bill also expands the descriptions of qualifying businesses and commercial enterprises, allowing additional entities to qualify as projects within economic advancement districts -- namely retail businesses and public utility distribution facilities.

As the New Mexico Municipal League notes in its analysis, the ability to use an economic advancement district to promote retail development would result in reducing the leakage of gross receipts taxes from many counties and municipalities to neighboring larger municipalities, including those located outside New Mexico. Small municipalities could benefit from increased gross receipts tax revenues, giving the municipality the ability to provide increased services to its citizens. In many cases retail development is the only type of development that can reasonably occur in certain locations.

However, the EDD states in its analysis that enactment of this amendment would be a significant departure from established economic development policies which posit that, in general terms, state economic development incentives provide the best return on public dollar investment when directed towards economic base activities that derive more than fifty-one percent of revenues from outside the state.

JC/blm