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FISCAL IMPACT REPORT

SPONSOR: Varela DATE TYPED: 03/16/01 HB 103/aHBIC/aHTRC
 SHORT TITLE: Liquor Excise Tax to Local DWI Grant Fund SB _____
 ANALYST: Padilla

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		See Narrative		Recurring	General Fund
		See Narrative		Recurring	Local Govt.

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriations in the General Appropriation Acts HB 2 and SB 98

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
\$ (43.6)	\$ (800.0)	\$ (2,800.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
 Department of Health (DOH)
 Taxation and Revenue Department (TRD)
 Department of Finance and Administration (DFA)

SUMMARY

Synopsis of HTRC Amendment

(Note: HTRC appears to have approved two amendments: *they are exactly the same.*)

The House Taxation and Revenue Committee amendment does the following:

- It increases the liquor excise tax distribution to the DWI grant fund from 34 percent to 34.57 percent. (The original bill increases it from the current 32.7 percent to 34 percent.) TRD estimates that this change will increase new revenue to the DWI grant fund to \$2.8 million.

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- It increases the distributions to specific counties from \$2.5 million to \$2.8 million.
- Per the definitions of counties in paragraph 5 of the amendment, the additional \$300.0 in distributions to specific counties would go in equal amounts (\$150.0 each) to Sandoval and Socorro counties.
- Information on county classification and population is attached to this FIR.

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment defines Rio Arriba county as a recipient of specific distributions from the Liquor Excise Tax to the Local DWI Grant Fund. It excludes Quay and Torrance counties as recipients. The original analysis of the bill was done under the assumption that this amendment would be adopted.

Synopsis of Original Bill

House Bill 103 permanently increases distributions of the state Liquor Excise Tax from 32.7 percent to 34 percent to the Local DWI Grant Fund administered by the Local Government Division (LGD) of the Department of Finance and Administration (DFA). The bill expands and makes permanent the distributions of Liquor Excise Tax revenues for alcohol detoxification and treatment facilities in certain class A and class B counties. Unchanged by the bill are distributions for other beneficiaries of the fund, the formula distribution to all counties and the \$2 million for grants to local governments.

Significant Issues

Legislation passed in 2000 increased the DWI Grant Fund distribution to 32.7 percent (an additional \$2 million) of Liquor Excise Tax for FY 2001-2002 only. The bill was designed to give one-time distributions to Bernalillo county of \$1.7 million and to San Juan county of \$300.0 to fund alcohol detoxification and treatment facilities. HB 103 would make those distributions permanent. It would also add three more counties (Santa Fe, Quay and Torrance) to the original list of specific allocations. TRD has noted a technical error in the drafting of the bill which may mean that Rio Arriba county was an intended recipient of the allocations and NOT Quay and Torrance counties.

PERFORMANCE IMPLICATIONS

DFA's Local Government Division, which has responsibility for managing the DWI Grants Fund, is part of a performance-based budgeting program. Funding of the Local DWI Grants program increased from \$5 million in FY98 to \$9,766.1 in FY01 due to a statutory change that altered the funding mechanism from a direct appropriation to a percentage of the state Liquor Excise Tax. It is not clear whether this significantly increased funding has meant better local programs that in fact contribute to fewer DWI-related arrests, injuries, crashes and fatalities. A focus on performance of the Local DWI Grant program may mean that DFA needs to impose additional requirements on grant recipients or that statutory change could be needed to require more accountability from recipients

HB 103 would reduce LGD's discretion in allocating Local DWI Grant Funds. It would therefore reduce LGD's ability to improve accountability in the program.

FISCAL IMPLICATIONS

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Distribution to the Local DWI Grant fund of net receipts attributable to the Liquor Excise Tax would be increased from 32.7 percent to 34 percent in FY 2001-2002 and from 27.2 percent to 34 percent in subsequent fiscal years. The distribution from the Liquor Excise Tax is currently 27.2 percent, which has been equivalent to about \$9.5 million in annual revenue to the Local DWI Grant Fund. Assuming other variables remain the same, the proposed 34 percent distribution would increase that amount by \$2.5 million and decrease the General Fund by the same amount.

The FY 2000-2001 impact results from the July 1 effective date of the bill. Money received in one month is distributed in the following month. Some taxes, like the Motor Vehicle Excise Tax, specify that money is distributed “as of the end of the month” no matter what the actual date of the computation and transfer. The Liquor Excise Tax and most other Tax Administration Act taxes are distributed under Section 7-1-6.1 NMSA 1978 which states that “the money . . . in the suspense fund as of the last day of the month” shall be identified and distributed. Thus, the change to the distribution percentage would be in effect in mid-July when the distribution of June, 2001 revenue is executed.

HB 103 would effectively appropriate the following amounts to the LGD for distribution to the following counties:

<u>FY2001-2002</u>	<u>FY 2002-2003</u>	<u>County</u>
0	1,700.0	Bernalillo
0	300.0	San Juan
300.0	300.0	Santa Fe
200.0	200.0	Rio Arriba (see note a)
43.6	*	Shared among all counties (see note b)

*Denotes a small, undetermined amount that would be distributed to all counties by a formula distribution specified in Section 3 of the bill.

(Note a: See “Technical Issue and Amendment” regarding Rio Arriba county below.)

(Note b: The exact time of the distribution of the additional \$43.6 thousand “shared among all counties” has not been determined and may depend on the time of distributions to the particular counties with alcohol detoxification and treatment centers.)

DOH reports that if the cost of providing alcohol detoxification and treatment facilities can be absorbed at the county level (as this bill anticipates) there would be little recurring financial impact to DOH. If counties cannot meet operations demands over time, however, additional support from DOH may be requested through the regular community funding process which could reduce the amount of available funding for other already existing programs.

OTHER SUBSTANTIVE ISSUES

DOH believes that HB 103 would erode the original intent of the laws that created the Local DWI Grant Fund. DOH believes that prior to 2000, when all Local DWI Grant Fund monies were managed by DFA, DFA could assess needs and prioritize projects. This process, DOH notes, allowed for a statewide perspective to be established which allocated funding based on assessments of needs and capacity for service delivery. HB 103 would reduce DFA’s authority to control funding to some

counties and would reduce its ability to conduct accurate and targeted needs assessments to ensure that DWI Grant Fund projects provide the greatest benefit to citizens.

POSSIBLE QUESTIONS

DOH asks whether the increase in distribution of the Liquor Excise Tax to the Local DWI Grant Fund could be made without specifying that parts of the appropriation to DFA must be allocated to certain counties.

TECHNICAL ISSUES AND AMENDMENT

TRD notes that it was their understanding that “it was the intent of the Revenue Stabilization and Tax Policy Committee that Section 2, Subsection C, Paragraph 3 of the bill apply to Rio Arriba County only.” As drafted, the bill currently defines Quay and Torrance counties and does not include Rio Arriba county. TRD assumes that a committee amendment will be adopted which changes the paragraph to specify Rio Arriba county only.

TRD proposes the following amendment to address the technical issue described above:

In Section 2, Subsection C, Paragraph 3, at the top of page 4 on lines 1 and 2, replace the phrase “ten thousand but less than twelve” with the phrase “thirty thousand but less than forty.”

LP/ar
Attachment