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FISCAL IMPACT REPORT

SPONSOR: Lujan DATE TYPED: 3/21/03 HB 845/aHTRC/aHFL#1/aSFC

SHORT TITLE: NMFA Loan Agreements with OCA SB _____

ANALYST: Kehoe

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(\$200.0)		Recurring	GGRT % to ENMRD (State Park Improvements)
	\$200.0		Recurring	OCA (State Museum Im- provements)

(Parenthesis () Indicate Revenue Decreases)

Relates to House Appropriations and Finance Committee Substitute for House Bill 594

SOURCES OF INFORMATION

Taxation & Revenue Department (TRD)
 New Mexico Finance Authority (NMFA)
 Energy, Minerals & Natural Resources Department (EMNRD)
 Office of Cultural Affairs (OCA)
 LFC Files

SUMMARY

Synopsis of SFC Amendment

Senate Finance Committee amendment to House Bill 845 changes the percent gross receipts tax distributions to the Energy, Minerals & Natural Resources Department (EMNRD) and to the Office of Cultural Affairs (OCA). The initial bill would have transferred \$550.0 to the OCA, but this amendment reduces that amount to \$200.0. The new language is highlighted below:

"7-1-6.38. DISTRIBUTION--GOVERNMENTAL GROSS RECEIPTS TAX.--

B. A distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to the energy, minerals and natural resources department in an amount equal to

[~~twenty five~~] ~~twenty two and one half~~ **twenty-four** percent of the net receipts attributable to the governmental gross receipts tax. [~~Forty~~] ~~Forty four and one half~~ **Forty-one and two-third** percent of the distribution is appropriated to the energy, minerals and natural resources department to implement the provisions of the New Mexico Youth Conservation Corps Act and [~~sixty~~] ~~fifty five and one half~~ **fifty-eight and one-third** percent of the distribution is appropriated to the energy, minerals and natural resources department for state park and recreation area capital improvements, including the costs of planning, engineering, design, construction, renovation, repair, equipment and furnishings.

C. A distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to the office of cultural affairs in an amount equal to ~~two and one half~~ **one percent** of the net receipts attributable to the governmental gross receipts tax for capital improvements at state museums administered by the office of cultural affairs.

Synopsis of HFL#1 Amendment

House Floor Amendment #1 provides that the proceeds of governmental gross receipts tax revenue distributed to OCA after the payment of debt service may also be used for capital improvements to state monuments.

Synopsis of HTRC Amendment

House Taxation and Revenue amendments to House Bill 845 require that any governmental gross receipts tax revenue distributed to OCA remaining after the payment of debt service may be used by OCA for museum capital improvement projects. The amendment further provides that by July 1, 2003, NMFA, as holder of all outstanding bonds payable from GGRT revenue issued by the State Parks Division, has consented in writing to the reduction of the distribution of GGRT to EMNRD for state park and recreation capital projects

Synopsis of Original Bill

House Bill 845 provides for a distribution of governmental gross receipts tax revenue to OCA; allows OCA to enter into loan agreements with NMFA; and authorizes NMFA to make loans from the Public Project Revolving Fund to OCA.

Significant Issues

House Bill 845 provides a revenue stream from the governmental gross receipts tax for capital improvements at state museums administered by OCA. The bill also authorizes NMFA to make loans from the Public Project Revolving Fund (PPRF) to OCA to design, remodel, renovate, rehabilitate or improve state museums administered by OCA on terms and conditions established by NMFA.

House Bill 845 proposes to reduce the EMNRD annual GGRT collections from 25 percent to 22.5 percent, and distribute 2.5 percent of GGRT collections to OCA to pledge as revenue for the repayment of loans made from PPRF for the museum capital improvements.

The primary source of capital for infrastructure projects administered by NMFA is from an an-

nual distribution of 75 percent of the state's Governmental Gross Receipts Tax (GGRT) of which 25 percent is distributed to the Energy, Minerals & Natural Resources Department (EMNRD). Within the distribution State Parks Division receives 60% and the Youth Conservation Corps (YCC) receives 40%. The current distribution of the EMNRD 25% portion would change to 55.5% for State Parks and 44.5% for YCC. The effect of HB 845 reduces State Parks distribution from the GGRT from an overall 15% to 12.5% and YCC from the GGRT fund. The YCC distribution remains at the current 10% from the overall GGRT fund.

FISCAL IMPLICATIONS

According to EMNRD, the fiscal impact to State Parks would be a reduction of \$78.5. This revenue figure is based on the requested funding level for fiscal year 2004.

According to NMFA, the Parks and Recreation Division of EMNRD has issued approximately \$28.7 million in debt. EMNRD's current bonding capacity is zero.

RELATIONSHIP

House Bill 496/aHTRC renames the State Office Building Acquisition Bonding Act to "State Building Bonding Act"; renames the State Office Building Bonding Fund to "State Building Bonding Fund"; defines "building bonds" to include state museum tax revenue bonds; and authorizes NMFA to issue and sell "State Museum Tax Revenue Bonds" for renovations and maintenance of existing facilities and the development of permanent exhibits at state museums.

House Bill 594/aHTRC authorizes NMFA to issue and sell State Museum Tax Revenue Bonds, payable solely from the State Building Bonding Fund, in an amount not to exceed \$5,760; and appropriates the proceeds from the sale of the bonds to OCA for renovations and maintenance and the development of permanent exhibits.

A list of projects proposed by OCA for use of the proceeds of the sale of bonds is attached.

TECHNICAL ISSUES

According to TRD and EMNRD, HB 845 may violate the intent of the Non-Impairment clause by reducing and altering the distribution of GGRT. However, bondholders have the option to consent to a change in distribution of GGRT. Therefore, as bondholders, NMFA can approve the change of distribution without impacting the investor's confidence and without damaging the rating of bonds.

During testimony on HB 496/a and HB594/a, there was a question on whether or not "monuments" could also be maintained with the proceeds of the bonds if not specifically mention. House Bill 845/aHTRC/aHFI#1 clarifies the issue.

LMK/yr/njw/lr