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FISCAL IMPACT REPORT

SPONSOR Whitaker DATE TYPED 1-29-04 HB 117

SHORT TITLE Liquor Excise Tax Revenue to DWI Grant Fund SB _____

ANALYST Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
	(1,400.0)	(800.0)	Recurring	General Fund
	1,400.0	800.0	Recurring	Lea County

(Parenthesis () Indicate Revenue Decreases)

Relates to:

HB 115, Liquor Excise Tax Distributions
SB 119, Local DWI Grant Fund Distribution Increase

SOURCES OF INFORMATION

LFC Files

Responses Received From

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

SUMMARY

Synopsis of Bill

House Bill 11 amends statute to increase distributions to the DWI grant fund administered by DFA's local government division from the 34.57 percent of net liquor excise revenues to 38.12 percent in FY05 and 36.56 percent in FY06 and thereafter. An additional \$1.4 million in FY05 and \$800.0 thousand in FY06 is appropriated to Lea county for alcohol treatment facilities.

All other beneficiaries are held harmless, which includes \$2.5 million reserved for grants to local government, \$2.8 million distributed to certain counties for alcohol detoxification and treatment facilities and distributions to all counties by formula.

Significant Issues

The local DWI grant fund (7-1-6.40) is segmented into three parts: (1) \$2.5 million to the local government division of DFA to make grants to municipalities and counties in accordance with provisions of the local DWI Grant Program Act; (2) \$2.8 million to five counties to fund of alcohol detoxification and treatment facilities; (3) the remainder is distributed to all counties based on a formula provided by in law (11-6A-3 and 11-6A-5).

FISCAL IMPLICATIONS

TRD notes the following calculation:

Total liquor excise taxes are anticipated in FY05 to be approximately \$39.4 million. By increasing the DWI Grant Fund distribution in FY 2005 from 34.57% to 38.12%, this will decrease the State General Fund revenues and increase the DWI Grant Fund revenues by \$1.4 million ($\$39.4 \text{ million} \times 3.55\% = \1.4 million).

TECHNICAL ISSUES

TRD notes the following technical issues:

1. Section 2,C (page 3, line 5) and Section 3,A (page 7, line 14) change language to indicate that the amount of funds in the DWI Grant Fund that are NOT available for formula distribution to the counties will increase to \$6.2 million in FY 2005 and then decrease to \$5.6 million in each fiscal year thereafter. This amount should be \$7 million in FY 2005 and \$6.4 million in each fiscal year thereafter. It is necessary to increase the current law amount of \$5.6 million by the distributions to Lea County of \$1.4 million in FY 2005 and \$.8 million thereafter.
2. In Section 3,D (page 9, line 9), there is an amount given of \$1,325,000. This amount should be $\frac{1}{4}$ of \$7 million or \$1,750,000 in FY 2005 (see first technical issue) and $\frac{1}{4}$ of \$6.4 million (or \$1,600,000) in each fiscal year thereafter (see first technical issue).

An additional technical adjustment should be made: Section 3D (page 9 line 12), the deleted E should be reinserted. This refers to the new distribution to Lea county and should be included in the calculation. This is also true in Section 2, C (page 2, line 22).

OTHER SUBSTANTIVE ISSUES

1) Legislative History

The DWI Grant Fund was originally created by Laws 1993, Chapter 65, Section 3 (Chapter 11, Article 6A NMSA 1978) as part of a major liquor tax increase and DWI prevention effort. From 1993 through 1997 the fund was financed by state General Fund appropriation. The 1993 legislation appropriated \$5.5 million for the 1993-94 fiscal year to the newly created Local DWI Grant Fund for use in grants to local communities to fund innovative programs and services dealing with DWI, alcoholism

and alcohol abuse. Appropriations to the fund for fiscal years 1994 through 1997 were roughly \$5 million per year. Also in fiscal year 1993-94, an additional \$5.1 million was appropriated to the newly created DWI Program Fund administered by DFA for use in new state agency programs meeting the guidelines of the Alcoholism and Alcohol Abuse Prevention, Screening and Treatment Act.

The Community DWI Fund was appropriated \$9.2 million, replacing the old earmarked tax to the Community Alcoholism Treatment and Detoxification Fund.

1997 legislation (Laws 1997, Chapter 182 – 1997 HB-107) directed 27.2% (\$9.7 million) of state Liquor Excise Tax revenue from the State General Fund to the Local DWI Grant Fund, and created a new quarterly distribution by formula to counties amounting to available money in the fund less \$2 million reserved for local government grants.

2000 legislation (Laws 2000, Chapter 83 – 2000 SWMC Substitute for SB-96) increased the DWI Grant Fund distribution to 32.7% (an additional \$2.0 million) of liquor excise tax revenue for fiscal year 2002 only, and appropriated the additional amount to Bernalillo County (\$1.7 million) and San Juan County (\$0.3 million) to fund alcohol detoxification and treatment facilities.

2001 legislation (Laws 2001, Chapter 112 – HB-103) permanently directed 34.57% of state liquor excise tax revenue to the Local DWI Grant Fund, beginning in fiscal year 2002. An additional \$0.5 million was appropriated from the DWI Grant Fund for distribution to Santa Fe County (\$0.3 million) and Rio Arriba County (\$0.2 million) to fund alcohol detoxification and treatment facilities.

The one-time distributions to Bernalillo County (\$1.7 million) and San Juan County (\$0.3 million) formerly specified for fiscal year 2002 to fund alcohol detoxification and treatment facilities was made permanent.

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