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FISCAL IMPACT REPORT

SPONSOR SCORC DATE TYPED 03/12/05 HB _____

SHORT TITLE Municipal Office Complex Financing Act SB 577/SCORCS

ANALYST Hadwiger

APPROPRIATION (in \$000s)

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	NFI				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

Senate Bill 577 would authorize specified local governments to impose a \$2.50 per room per day (when rooms are occupied) “municipal office complex fee” at lodging facilities located within the jurisdiction or, if enacted through a joint powers agreement between a qualified municipality and the county, within 20 miles of the corporate limits of the municipality. Fee revenues could be used to buy land for and build, operate and maintain a municipal office complex located within the boundaries of the municipality, as well as to pay for the cost of administering the fee. SB577 specifies mechanisms to collect and enforce the fees, as well as exemptions to the fees, requirements for annual review of the fees by the governing body, and authorization to issue revenue bonds payable from fee revenues. The bill would also set caps on the amounts of fees collected, requiring the local governing body to adjust the fees accordingly.

Significant Issues

Senate Bill 557 defines a “qualified municipality” that would be authorized to impose the new fee as “an incorporated municipality that has a population of more than 1,000 but less than

1,100...and is located in a class B county with a population greater than 11,000 but less than 15,000....” At this time, only the Village of Angel Fire would meet these criteria. SB577 would provide a mechanism to finance construction, operation and maintenance of a municipal office complex in Angel Fire. The particular financing mechanism proposed, a fee on lodging, would impose little if any of the cost of the facilities upon local residents.

User fees are typically imposed to pay for governmental functions related to the activity upon which the fee is imposed (i.e. highway toll charges are used to maintain the highway). In this instance, there is not a clear nexus between the lodging fee and construction of general municipal facilities. Because tourists place exceptional demands for public services in Angel Fire, a rationale could be advanced that they should pay their share of the general operating and capital costs of the village.

In New Mexico statute, local taxes on lodging are targeted to tourism promotion, construction of convention center facilities, and other tourism-related costs. The proposed fee, although not a tax, would be a departure from that general practice.

FISCAL IMPLICATIONS

SB577 would have limited direct fiscal impact on state government. The local government would bear the cost of collecting and administering fees. However, enforcement would become the duty of state agencies including the attorney general, district attorney and district courts. As such, those entities might encounter additional costs if the fee were imposed.

TECHNICAL ISSUES

Section 6 of SB577 requires vendors to collect the fees and act as trustee for the fees collected, but does not require the vendors to remit the fees to the local government at times and through means determined by the ordinance that is enacted.

OTHER SUBSTANTIVE ISSUES

DFA provided the following background to SB577:

The 2004 legislature passed SB 236 which amended the Civic and Convention Center Funding Act. The criteria set forth in that bill was based upon the population of the municipality and the classification of the county where the municipality is located. This bill only applied to the City of Santa Fe. The allowable expenses are similar to those in SB 577.

The site for the proposed location of the municipal office complex in Angel Fire is currently owned by the village. The complex will provide space for a post office, a performing arts theater, an amphitheater, office space for the public safety division as well as city hall offices. The village has also acquired \$100,000 in federal funds to implement solar power at the complex. The solar panels will be purchased from a company in Questa, thus keeping economic development within the region. The village has also accumulated revenues from dedicated GRT and plans to also utilize these funds in the development and construction of the complex. Once the complex is completed the village will propose to sell the property where the current city hall exists.