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FISCAL IMPACT REPORT

ORIGINAL DATE 1/26/08

SPONSOR Barreras LAST UPDATED _____ HB 476

SHORT TITLE New Town of Peralta in Valencia County SB _____

ANALYST Propst

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	\$1,000.0	Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

House Bill 476, Making an Appropriation for Planning and Initial Administrative and other Operational Costs needed by the New Town of Peralta in Valencia County, appropriates \$1,000.0 million from the general fund to DFA for the purpose of planning and operational costs for Peralta.

FISCAL IMPLICATIONS

The appropriation of \$1,000.0 million contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY09 shall revert to the general fund.

DFA notes that the Town of Peralta was incorporated March 2007. Due to a technical error with the ballots of the January 2007 election, the district court considered that election invalid and a new election was held in March 2007.

This two month delay has adversely affected the finances of Peralta in several ways:

- The gross receipts tax that would have been enacted in either January 2007 or July 2007 was not enacted until January 2008. Because no businesses have yet reported gross

receipts tax, there is no way to estimate what the loss of revenue has been for FY08.

- The property tax operational rate that could have been imposed in September 2007, which would have been billed in November 2007 with Peralta receiving some revenue in January 2008, was not imposed. The earliest that Peralta could impose an operational property tax rate is September 2008, which means that revenues wouldn't come in until January 2009. Section 7-37-7B(3) NMSA 1978, authorizes a rate of seven dollars sixty-five cents (\$7.65) for each one thousand dollars (\$1,000) of net taxable value of both residential and nonresidential property allocated to the municipality. Based on the maximum rate authorization of \$7.65 (note: via a Resolution, Peralta may choose to impose a lower rate), the 2007 final valuations reported by Valencia County and certified by the Taxation and Revenue Department/Property Tax Division, and the property tax collection rate for Valencia County, the estimated loss in property tax revenue for FY08 is \$286.3 thousand (\$251.3 thousand from residential properties and \$35.0 thousand from non-residential properties).
- Peralta didn't meet the timeline to be considered for an estimated \$40.0 thousand distribution from the Small Cities Assistance Fund for FY08.
- Peralta had to secure a loan with the State Board of Finance for \$100.0 thousand to help cover minimal operating costs for FY08, such as contract personnel, lease of office space, office equipment, and a \$40.0 thousand Joint Powers Agreement with Bosque Farms for law enforcement services.

SIGNIFICANT ISSUES

DFA notes that before incorporation, there was a feasibility study that determined that a population base of 4,890 would be enough to sustain a small municipality. However, due to an inadvertent error with the voting ballots for the January 2007 election, that election was deemed invalid by the district court. Even though the March 2007 election was successful and the Town of Peralta became an incorporated municipality, the two month delay caused several key taxation deadlines to be missed. Because a municipality primarily depends on revenue generated by gross receipts taxes and property taxes, the Town of Peralta has very little revenue to use for fiscal year 2008 operating costs. The delay in property tax revenue also impacts fiscal year 2009.

The approved FY08 operating budget for Peralta is \$172.2 thousand in revenue (although \$40.0 thousand of that revenue won't be realized due to the missed deadline for the Small Cities Assistance distribution) and \$157.9 thousand in expenditures. If it wasn't for the \$100.0 thousand loan from the State Board of Finance, along with the first year insurance costs that are being covered by the New Mexico Municipal League, Peralta would not be able to operate for FY08.

Although the \$1.0 million appropriation in HB 476 is for FY09 start-up costs that include some recurring expenditures, the appropriation itself is non-recurring.

WEP/bb