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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/06/18

SPONSOR HJC LAST UPDATED \_\_\_\_\_ HB 197/HJCS/aSJC

SHORT TITLE Regional Air Center Special Economic District SB \_\_\_\_\_

ANALYST Martinez/Clark

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20	FY21	FY22		
NFI	Minimal	Minimal	Minimal	Minimal	Recurring	General Fund & GOB Capacity
NFI	Minimal	Minimal	Minimal	Minimal	Recurring	Local Governments

Parenthesis ( ) indicate revenue decreases

Conflicts with SB180  
Relates to Appropriation in the General Appropriation Act

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Economic Development Department (EDD)

Responses NOT Received From  
Taxation and Revenue Department

### SUMMARY

#### Synopsis of SJC amendment:

The Senate Judiciary Committee amendment removes all of Section 2, titled Purpose. In Section 6, the amendment removes “Regional Air Center Special Economic District Act,” and replaces it with “district it governs.” In Section 7, deletes the entire last paragraph and replaces it with a more detailed description of what is exempt from taxation by the state and its subdivisions.

Synopsis of Original Bill

The House Judiciary Committee Substitute for House Bill 197 creates the Regional Air Center Special Economic District Act. This act allows for the formation of authorities to own, operate, and govern districts encompassing an industrial air center and related property for the purposes of capitalizing on the economic potential of a former U.S. military base and stimulating aviation-related activity and investment in the state.

The authority would be created by the impacted county and municipal governments and overseen by an appointed board with no elected officials. The authority would be a governmental entity of the state and given the power of eminent domain, and thus any properties owned by the authority would not be subject to property tax and there would be some exclusions from the gross receipts tax (GRT). The authority would be allowed to issue tax-free revenue bonds to acquire or improve infrastructure and promote business development related to the purposes of this act.

The bill has no effective date; it is assumed to be effective 90 days after the end of the session.

**FISCAL IMPLICATIONS**

The bill would likely have no impact or a minimal impact on state revenues and general obligation bond (GOB) capacity, particularly initially. If the initial boundaries of the authority would encompass any private land, it appears the local governments would have to go through the normal, sometimes lengthy eminent domain process. Therefore, it is likely that at least the initial boundaries for any authority would likely encompass no or little private property, particularly if the local government(s) own aviation-related properties. It is possible that over time, the impact to the state could grow, but it is limited by the existing statutory controls and processes for the use of eminent domain.

Similarly, the bill might have a minimal impact on property tax and GRT revenues for the local governments, but they would be the entities to create the authority, so presumably an agreement would be reached to keep the local governments' revenues whole or advance their overall economic interests.

Additional controls limiting potential boundaries of an authority or potential losses in state taxes and property taxes could be considered to ensure the fiscal impacts would always remain minimal.

If the authority created by the local government(s) is successful at encouraging economic activity in the aviation industry, this could provide the state and local governments with additional tax revenues over time through increased employment and business activity.

Section 7C states that property owned by the authority, income derived from the property and the bonds, certificates, and other evidence of indebtedness issued by an authority are exempt from taxation by the state of New Mexico.

**SIGNIFICANT ISSUES**

Discussions with the bill's advocates indicate the bill's original intended purpose was to promote the improvement of the former Walker Air Force base in Roswell, although the bill language is

expansive enough to apply equally to any other current or future military base abandoned by the U.S. government.

Section 2: Purposes. Allows for the creation of an authority to own, operate and govern a special economic district consisting of an industrial air center and other related property.

Section 3: Provides definitions.

Section 4: Creation of a District. A municipality and county in which it resides may agree to form an industrial air center special economic district.

Section 5: Creation of an Authority: The authority shall consist of:

- An odd number of members, but not less than five or more than nine, appointed by the municipality or county.
- One-half of the membership shall serve for two years. The term of all other members shall be four years.
- A member shall not serve more than two consecutive four-year terms on the authority.
- The authority may authorize a county that borders the county that created the district or a municipality or an Indian nation, tribe or pueblo in a county that borders the county that created the district to become part of the authority.
  - May change the membership of the authority, up to the maximum allowed by subsection A of this section and change the terms of the members to allow the newly accepted entity to appoint one or more members to the authority.
- An elected official shall not serve on the authority. A member of the authority shall not receive a salary or other compensation from the authority.

Section 6: Powers and Duties.

- Section 4, states that an authority shall accept title to the real and personal property within the area constituting the district's initial boundaries;
  - This section does not clarify what jurisdiction the authority will have over private land that falls within this area.

Section 7: Revenue Bonds, Exemption from Taxation. An authority may issue revenue bonds to encourage the location of commercial, research or industrial or other enterprises to a district or acquire, purchase, lease, construct or improve commercial, research or industrial sites or buildings or make other capital improvements, including the construction or maintenance of energy or pollution abatement or control facilities, as necessary.

An authority may issue special facility revenue bonds backed by a long-term lease of the facility to finance specific tenant facility.

Property owned by an authority, income derived from the property and the bonds, certificates and other evidence of indebtedness issues by an authority are exempt from taxation by the state of New Mexico.

**CONFLICT, RELATIONSHIP**

This bill is similar to SB180 but contains a number of conflicting provisions. HB2/HAFCS currently has a \$900 thousand special appropriation for the Department of Finance and Administration for the Roswell Air Center.

JM-JC/al/jle