

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

## FISCAL IMPACT REPORT

**SPONSOR** Reps. Cortez, Henry, Murphy, and Block/Sen. Block
**LAST UPDATED** \_\_\_\_\_  
**ORIGINAL DATE** 2/11/25  
**SHORT TITLE** All Cities & Counties Fund
**BILL NUMBER** House Bill 292  
**ANALYST** Graeser

### REVENUE\* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
GRT	\$0	\$0	\$241,300.0	\$249,500.0	\$256,600.0	Recurring	All Cities and Counties Fund – to Municipalities
	\$0	\$0	\$112,100.0	\$115,900.0	\$119,200.0	Recurring	All Cities and Counties Fund – to Counties
	\$0	\$0	(\$353,400.0)	(\$365,400.0)	(\$375,800.0)	Recurring	General Fund

Parentheses ( ) indicate revenue decreases.

\*Amounts reflect most recent analysis of this legislation.

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD	\$69.0	\$6.3	No fiscal impact	\$75.3	Nonrecurring	General Fund
	No fiscal impact	No fiscal impact	\$2.1	\$2.1	Recurring	General Fund
<b>Total</b>	<b>\$69.0</b>	<b>\$6.3</b>	<b>\$2.1</b>	<b>\$77.4</b>		<b>General Fund</b>

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Duplicate of Senate Bill 243.

### Sources of Information

LFC Files

2024 House Bill 54 FIR

2023 House Bill 440 FIR

#### Agency Analysis Received From

Taxation & Revenue Department (TRD)

Department of Finance (DFA) on Senate Bill 243

New Mexico Municipal League (NMML) on Senate Bill 243

#### Agency Analysis was Solicited but Not Received From

New Mexico Counties (NMC)

State Treasurer's Office (STO)

Department of Justice (DOJ)

## SUMMARY

### Synopsis of House Bill 292

House Bill 292 (HB292) establishes the all cities and counties fund and distributes 8 percent of the general fund share of gross receipts tax collections to the fund monthly. By October 1 of each year, the Taxation and Revenue Department (TRD) will calculate distributions from the fund to each county and municipality in the state based on a formula provided in HB292. “EGRTR” is the equalized gross receipts tax revenue calculated as the amount of taxable gross receipts attributed to a county-wide local option gross receipts tax rate of ¼ percent.

The formula for each municipal distribution is:

$$\text{Municipality population} * (0.7 * (\text{fund balance}/\text{state population}) + 0.3 * ((\text{county EGRTR}/\text{all county EGRTR}) * \text{fund balance})/\text{county population}).$$

And for the county distribution:

$$\text{County area population} * (0.7 * (\text{fund balance}/\text{state population}) + 0.3 * ((\text{county EGRTR}/\text{all county EGRTR}) * \text{fund balance})/\text{county population}).$$

The effective date of this bill is July 1, 2025. The first distribution from the fund would occur by October 1, 2026.

## FISCAL IMPLICATIONS

The bill does not include a recurring appropriation but diverts or “earmarks” revenue, representing a recurring loss from the general fund. LFC has concerns with including continuing distribution language in the statutory provisions for funds because earmarking reduces the ability of the Legislature to establish spending priorities.

TRD details the methodology for calculating these distributions:

This bill redirects 8 percent of the state share of gross receipts tax (GRT) revenue to the newly-created all cities and counties fund and then provides for distribution of that amount to municipalities and counties. The analysis assumes the bill redirects 8 percent of the state GRT distributed to the general fund after making all other statutory distributions, including the .05 percent share for land grants-mercedes. TRD applied the proposed formulas to determine the revenue transfer for municipalities and counties from the new distribution. The analysis assumes no revenue impacts to tribal governments (see Policy Issues). The estimated revenue impact is based on the annual estimates of the resident population for incorporated places in New Mexico for 2023 from the United States Census Bureau Population Estimates Program,<sup>1</sup> the December 2024 consensus revenue estimating group (CREG) forecasting for net GRT to the general fund, and local government GRT distribution reports from TRD’s report, RP- 500.

LFC confirmed that the formulae distribute all of the money in the fund and has attached to this review an estimate of the amount each county and municipality will receive from this distribution.

---

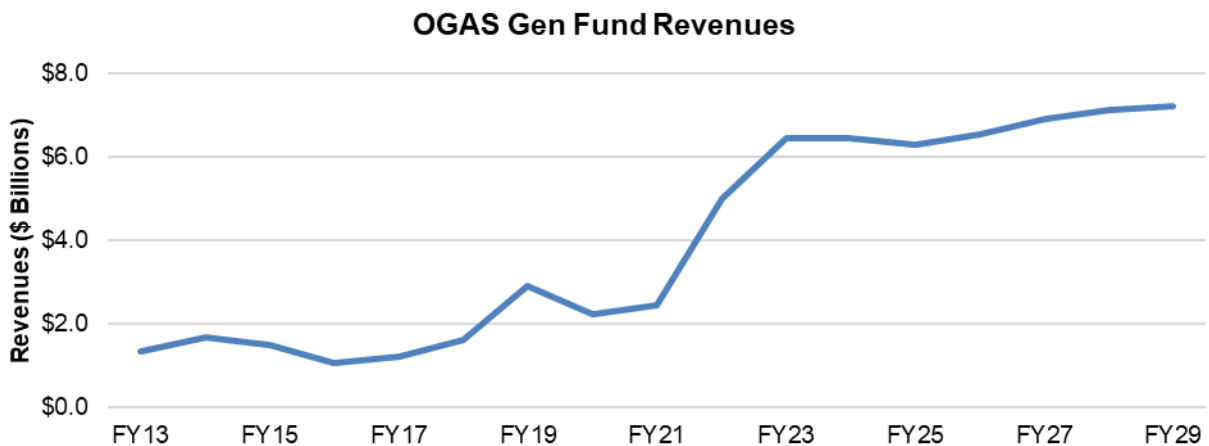
<sup>1</sup> <https://www.census.gov/data/tables/time-series/demo/popest/2020s-total-cities-and-towns.html>

TRD will need to update reports including the RP-500 and make information system changes to distribute this new distribution of GRT revenue. Implementing this bill will have an impact on TRD’s Information Technology Division (ITD) of approximately 300 hours, or about two months and \$69 thousand in contractual cost.

Additionally, TRD’s Administration Services Division (ASD) will require two existing FTEs and 100 hours split between pay-band 70 and 80 positions to test the new distribution and certify the transfers. The GenTax system’s general ledger and reporting will need to be updated for the new distribution. Both ASD staff and the economists in the Office of the Secretary (OOS) will annually need to calculate and certify the transfers to the state treasurer. For each county, the economists will need to calculate the “equalized gross receipts tax revenue” used in the formula, pull the most recent population estimates and then calculate the distributions amounts for each county and municipality. This will be a recurring staff workload impact for ASD and the OOS.

## SIGNIFICANT ISSUES

Oil and natural gas contributions to the general fund and other diversionary funds have increased from \$1.34 billion in FY13 to \$6.4 billion in FY24 and are expected to grow to \$7.2 billion in FY29. The purpose of this proposed distribution is to share this increase in general fund revenues with cities and counties both within and outside the oil patch.



The distributions formulae distribute 70 percent of the revenue based on the jurisdiction’s population share and 30 percent based on the equalized gross receipts in that jurisdiction.

TRD makes several policy observations regarding this proposal:

State revenue sharing with local governments will strengthen local governments by providing additional revenue. However, the diversity of special funds and distributions across the Tax Administration Act is becoming intricate, leading to a more complex tax management process. The proliferation of new funds and distributions implies a fragmentation of the existing boundaries that determine service obligations and the parameters for intergovernmental relationships between the State and local governments.

The state General Fund currently makes several significant transfers to local governments. Under Section 7-1-6.4 NMSA 1978, state gross receipts tax revenues are already shared with

all municipalities, in an amount equal to 1.225 percent of the 4.875 percent state gross receipts tax rate, (i.e., with respect to the overall 4.875 percent rate, 1.255 percent is transferred to the municipalities, and 3.620 percent is retained by the state.) Section 7-1-6.2 NMSA 1978 provides for a distribution to the Small Cities Assistance Fund, and Section 7-1-6.5 NMSA 1978 provides a distribution to the Small Counties Assistance Fund; Section 7-1-6.16 provides for a county equalization distribution; and pursuant to Sections 7-1-6.46 and 7-1-6.47 NMSA 1978, distributions are made to certain municipalities and counties, respectively, to offset the cost of food and health care practitioner deductions. In addition, local governments have their own taxing authority to impose general and special increments of local option gross receipts and compensating taxes. Additional distributions may be made, as authorized by local governments and the State Board of Finance, to other special taxing districts and for local economic development purposes.

Simplicity and fairness are important considerations in making tax policy, and the proliferation of general and special distributions to local governments goes against those principles. Allowing greatly varying local government tax rates decreases simplicity and makes compliance harder for taxpayers; allowing for a centralized system of revenue distribution, as this bill does, results in greater simplicity, but only if it replaces the competing, and less simple, tax system, and not when it is added on to it. TRD recommends that a bill of this nature be accompanied by a repeal of other statutes distributing general fund revenues to local governments.

Furthermore, administering multiple distributions on this scale comes with challenges, including:

- 1) A high number of distributions and funds that are burdensome and conflicting, requiring TRD to expend resources inefficiently. Streamlining the number of funds and distributions helps reduce the administrative costs and the burden for local governments.
- 2) Duplication and overlap of different funds and distributions aimed at attaining the same purpose deplete the general fund's resources and reduce effectiveness of these distributions.
- 3) Increasing the number of distributions to multiple funds reduces TRD's capacity for oversight and accountability.

The bill proposes distributing funds to municipalities and counties but does not specify whether tribal governments benefit from this new distribution. The formulas proposed in the bill use data on state population and county populations, so tribal residents, representing nearly 10.9% of the state's entire population, are used to compute the distributions, benefiting county finances without any corresponding benefit to tribal governments, who also provide services to their residents. Furthermore, tribal governments that share borders with some local governments are not accounted for in the distributions.

TRD has two recommendations to ease administration of this proposal:

TRD suggests a more precise definition for the source for the current population, such as the decennial census released every 10 years. This will provide clarity in the application of this distribution. Annual estimates are released at various times of the year and given the bill's timeline for the distribution, calculations could lead to using different sources for the population estimates every year.

The annual October 1 deadline for TRD to certify to the state treasurer the transfer amounts would most likely occur before the annual general fund audit will be complete. The all cities and counties fund could potentially be adjusted with audit release. TRD suggests an annual deadline of February 1 for TRD to certify, with the deadline for the state treasurer to distribute by March 1.

## PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is met with publication in the RP500 of both the 8 percent monthly diversion to the fund and the annual distribution from the fund to each county and municipality.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicate of Senate Bill 243.

## OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy:** Revenue should be adequate to fund needed government services.
- **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity:** Different taxpayers should be treated fairly.
- **Simplicity:** Collection should be simple and easily understood.
- **Accountability:** Preferences should be easy to monitor and evaluate

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
<b>Vetted:</b> The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	✓	<b>Proposed and debated in 2024 session</b>
<b>Targeted:</b> The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals. Clearly stated purpose Long-term goals Measurable targets	? ? ?	The implicit goal is to allow counties and municipalities to share in the extraordinary increase in general fund revenues.
<b>Transparent:</b> The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✓	Amounts of revenue diverted published monthly in RP500
<b>Accountable:</b> The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date. Public analysis Expiration date	? X	

**House Bill 292 – Page 6**

<p><b>Effective:</b> The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions “but for” the existence of the tax expenditure.                  Fulfills stated purpose                  Passes “but for” test</p>		<p>TRD asserts proliferation of funds creates administrative inefficiency</p>
<p><b>Efficient:</b> The tax expenditure is the most cost-effective way to achieve the desired results.</p>	<p>?</p>	
<p>Key: ✓ Met ✗ Not Met ? Unclear</p>		

LG/hj

Jurisdiction	CODE	Population	Distribution	Jurisdiction	CODE	Population	Distribution	Jurisdiction	CODE	Population	Distribution	Jurisdiction	CODE	Population	Distribution
Bernalillo	02002	674,357		Eddy	03003	61,114		McKinley	13013	71,172		Santa Fe	01001	155,175	
Albuquerque	02100	562,488	\$90,568,712	Carlsbad	03106	31,813	\$11,915,902	Gallup	13114	21,333	\$3,008,108	Santa Fe	01123	88,224	\$14,519,952
Los Ranchos de Albuquerque	02200	5,869	\$944,994	Artesia	03205	12,555	\$4,702,611	McKinley (rmdr)		<b>49,839</b>	\$7,027,661	Edgewood	01320	5,795	\$953,744
Edgewood	02334	290	\$46,694	Hope	03304	99	\$37,082	Mora	30030	4,176		Espanola (part)	01226	1,006	\$165,568
Village of Tijeras	02318	548	\$88,236	Loving	03403	1,317	\$493,297	Wagon Mound	30115	587	\$91,676	Santa Fe (rmdr)		<b>60,150</b>	\$9,899,518
Rio Rancho (Bernalillo)	02647	4,261	\$686,134	Eddy (rmdr)		<b>15,330</b>	\$5,742,017	Mora (rmdr)		<b>3,589</b>	\$560,520	Sierra	21021	11,511	
Bernalillo (rmdr)		<b>100,901</b>	\$16,246,470	Grant	08008	27,856		Otero	15015	68,235		T or C	21124	6,026	\$905,819
Catron	28028	3,685		Silver City	08107	9,574	\$1,450,283	Alamogordo	15116	31,063	\$4,353,612	Williamsburg	21220	599	\$90,041
Reserve	28130	323	\$47,681	Bayard	08206	2,370	\$359,011	Cloudcroft	15213	1,275	\$178,697	Elephant Butte	21319	1,586	\$238,405
Catron (rmdr)		<b>3,362</b>	\$496,297	Santa Clara	08305	1,751	\$265,244	Tularosa	15308	2,584	\$362,159	Sierra (rmdr)		<b>3,300</b>	\$496,051
Chaves	04004	64,446		Hurley	08404	1,137	\$172,234	Otero (rmdr)		<b>33,313</b>	\$4,668,959	Socorro	25025	16,308	
Roswell	04101	47,823	\$7,071,828	Grant (rmdr)		<b>13,024</b>	\$1,972,893	Quay	10010	8,616		Socorro	25125	8,540	\$1,197,003
Dexter	04201	1,144	\$169,169	Guadalupe	24024	4,379		Tucumcari	10117	5,197	\$757,794	Magdalena	25221	764	\$107,085
Hagerman	04300	599	\$88,577	Santa Rosa	24108	2,447	\$415,910	San Jon	10214	136	\$19,831	Socorro (rmdr)		<b>7,004</b>	\$981,710
Lake Arthur	04400	438	\$64,769	Vaughn	24207	548	\$93,142	Logan	10309	858	\$125,108	Taos	20020	34,516	
Chaves (rmdr)		<b>14,442</b>	\$2,135,611	Guadalupe (rmdr)		<b>1,384</b>	\$235,235	House	10407	47	\$6,853	Taos	20126	17,085	\$2,639,329
Cibola	33033	27,059		Harding	31031	748		Quay (rmdr)		<b>2,378</b>	\$346,745	Questa	20222	2,112	\$326,267
Milan	33131	2,473	\$336,784	Roy	31109	321	\$59,536	Rio Arriba	17017	40,165		Red River	20317	456	\$70,444
Grants	33227	9,106	\$1,240,096	Mosquero	31208	38	\$7,048	Chama	17118	748	\$103,090	Taos Ski Valley	20430	39	\$6,025
Cibola (rmdr)		<b>15,480</b>	\$2,108,136	Harding (rmdr)		<b>389</b>	\$72,148	Espanola	17215	8,338	\$1,149,147	Taos (rmdr)		<b>14,824</b>	\$2,290,045
Colfax	09009	12,336		Hidalgo	23023	4,097		Rio Arriba (rmdr)		<b>31,079</b>	\$4,283,320	Torrance	22022	15,290	
Raton	09102	6,013	\$961,790	Lordsburg	23110	2,139	\$328,242	Roosevelt	11011	19,002		Mountainair	22127	1,308	\$199,177
Maxwell	09202	370	\$59,182	Viriden	23209	192	\$29,463	Portales	11119	12,023	\$1,688,055	Moriarty	22223	2,074	\$315,820
Springer	09301	1,098	\$175,627	Hidalgo (rmdr)		<b>1,766</b>	\$271,003	Elida	11216	151	\$21,201	Willard	22314	246	\$37,460
Cimarron	09401	717	\$114,685	Lea	06006	<b>73,154</b>		Dora	11310	54	\$7,582	Encino	22410	37	\$5,634
Eagle Nest	09509	270	\$43,187	Hobbs	06111	39,887	\$13,345,551	Causey	11408	183	\$25,694	Estancia	22503	1,399	\$213,034
Angel Fire	09600	1,089	\$174,188	Eunice	06210	2,989	\$1,000,072	Floyd	11502	131	\$18,393	Torrance (rmdr)		<b>10,226</b>	\$1,557,174
Colfax (rmdr)		<b>2,779</b>	\$444,506	Jal	06306	2,069	\$692,254	Roosevelt (rmdr)		<b>6,460</b>	\$906,998	Union	18018	4,039	
Curry	05005	47,932		Lovington	06405	11,444	\$3,828,979	San Juan	16016	<b>121,178</b>		Clayton	18128	2,680	\$416,054
Clovis	05103	38,153	\$5,805,452	Tatum	06500	736	\$246,254	Farmington	16121	46,339	\$7,069,256	Des Moines	18224	92	\$14,282
Grady	05203	106	\$16,129	Lea (rmdr)		<b>16,029</b>	\$5,363,047	Aztec	16218	6,177	\$942,334	Grenville	18315	40	\$6,210
Texico	05302	858	\$130,555	Lincoln	26026	20,227		Bloomfield	16312	7,391	\$1,127,536	Folsom	18411	56	\$8,694
Melrose	05402	536	\$81,559	Ruidoso	26112	321	\$54,911	Kirtland	16323	575	\$87,719	Union (rmdr)		<b>1,171</b>	\$181,791
Curry (rmdr)		8,279	\$1,259,753	Capitan	26211	1,262	\$215,882	San Juan (rmdr)		<b>60,696</b>	\$9,259,491	Valencia	14014	77,382	
De Baca	27027	1,580		Carrizozo	26307	959	\$164,050	San Miguel	12012	27,036		Rio Communities	14037	4,924	\$713,360
Fort Sumner	27104	958	\$149,394	Corona	26406	167	\$28,568	Las Vegas	12122	13,120	\$1,847,620	Belen	14129	7,427	\$1,075,979
De Baca (rmdr)		<b>622</b>	\$96,997	Ruidoso Downs	26501	2,629	\$449,726	Pecos	12313	1,145	\$161,244	Los Lunas	14316	17,932	\$2,597,881
Doña Ana	07007	221,665		Lincoln (rmdr)		<b>14,889</b>	\$2,546,962	Mosquero (part)	12418		-	Peralta	14412	3,385	\$490,399
Las Cruces	07105	112,612	\$16,502,559	Los Alamos	32032	19,374	\$5,632,345	San Miguel (rmdr)		<b>12,771</b>	\$1,798,472	Bosque Farms	14505	4,042	\$585,581
Hatch	07204	1,663	\$243,702	Luna	19019	25,420		Sandoval	29029	151,538		Valencia (rmdr)		<b>39,672</b>	\$5,747,442
Mesilla	07303	1,850	\$271,106	Deming	19113	14,735	\$2,112,664	Bernalillo	29120	9,068	\$1,321,420				
Sunland Park	07416	17,085	\$2,503,696	Columbus	19212	1,147	\$164,454	Jemez Springs	29217	318	\$46,340				
Anthony	07507	8,701	\$1,275,075	Luna (rmdr)		<b>9,538</b>	\$1,367,532	Edgewood (part)	29335	290	\$42,260				
Doña Ana (rmdr)		<b>79,754</b>	\$11,687,432					Cuba	29311	476	\$69,364				
								San Ysidro	29409	190	\$27,687				
								Corrales	29504	8,557	\$1,246,956				
								Rio Rancho	29524	102,272	\$14,903,383				
								Sandoval (rmdr)		<b>30,367</b>	\$4,425,231				