

LFC Requester: \_\_\_\_\_

**AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**

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**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

**Date Prepared:** 1/26/2026 *Check all that apply:*  
**Bill Number:** H160 Original  Correction   
 Amendment  Substitute

Rep. Sena Cortez  
Rep. Martínez

**Agency Name and Code Number:** DFA-341

**Sponsor:** \_\_\_\_\_

**Short Title:** CREATE ALL CITIES & COUNTIES FUND

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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

**REVENUE (dollars in thousands)**

					Recurring or	Fund Affected
FY26	FY27	FY28	FY29	FY30		
	(\$365,000)	(\$376,600)	(\$390,400)	(\$404,800)	R	General Fund GRT
	\$255,900	\$263,600	\$273,300	\$283,300	R	All Cities & Counties Fund to Municipalities

	\$109,700	\$113,000	\$117,100	\$121,400	R	All Cities & Counties Fund to Counties
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(Parenthesis ( ) indicate revenue decreases)

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

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$551.2	\$551.2	\$1,102.5	R	GF

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
 Duplicates/Relates to Appropriation in the General Appropriation Act

**SECTION III: NARRATIVE**

**BILL SUMMARY**

House Bill 160 (HB160) establishes the "All Cities and Counties Fund" in the state treasury to allocate a portion of gross receipts tax revenue to municipalities and counties in New Mexico. It outlines the formulas and procedures for calculating and distributing these funds.

Key Provisions:

- Creation of the All Cities and Counties Fund:
  - The fund is established in the state treasury to distribute gross receipts tax revenue among municipalities and counties.
  - The Taxation and Revenue Department will calculate transfer amounts for municipalities and counties using formulas that consider population, fund balance, and equalized gross receipts tax revenue (EGRTR).
- Formulas for Distribution:
  - Municipalities: Transfer amount = Municipality population \* (0.7 \* (fund balance/state population) + 0.3 \* (((county EGRTR/all county EGRTR) \* fund balance)/county population)).
    - If a municipality spans multiple counties, the transfer is calculated separately for each county.
  - Counties: Transfer amount = County area population \* (0.7 \* (fund balance/state population) + 0.3 \* (((county EGRTR/all county EGRTR) \* fund balance)/county population)).

- Annual Certification and Transfer:
  - By October 1, 2027, and annually thereafter, the Taxation and Revenue Department will certify the transfer amounts for municipalities and counties.
  - By November 1, 2027, and annually thereafter, the State Treasurer will transfer the certified amounts from the fund to municipalities and counties.
- Definitions:
  - HB160 defines key terms such as "all county EGRTR," "county area population," "county EGRTR," "county population," "equalized gross receipts tax revenue," "fund balance," "municipality population," and "state population." These definitions clarify how fund distributions are calculated.
- Distribution to the Fund:
  - Eight percent of the net receipts from the gross receipts tax distributable to the general fund will be allocated to the All Cities and Counties Fund.
- Effective Date:
  - The provisions of this act will take effect on July 1, 2026.

## **FISCAL IMPLICATIONS**

HB160, as drafted, will have several fiscal impacts on the State's General Fund. Specifically:

- Section 2 of HB160 creates a new provision in the Tax Administration Act titled "Distribution to an All Cities and Counties Fund."
  - This provision requires a distribution to the All Cities and Counties Fund equal to eight percent (8%) of the net receipts from the gross receipts tax that would otherwise be distributed to the General Fund.
  - In effect, Section 2 establishes both the funding mechanism and the specific share of gross receipts tax revenue dedicated to the new fund.
  - This represents a significant reduction in General Fund revenue.
    - Based on the December 2025 consensus revenue estimate, HB160 is projected to reduce General Fund revenues by \$365 million in FY27, \$376 million in FY28, \$390 million in FY29, and \$404 million in FY30.
- While the calculation and distribution responsibilities under HB160 rest with the Taxation and Revenue Department and the State Treasurer, the resulting transfers will have material implications for local government budgeting that fall within the Department of Finance and Administration (DFA)'s oversight and advisory role.
  - DFA will need to incorporate these distributions into budget reviews, cash balance analyses, and long-term fiscal sustainability assessments to ensure that local governments treat the revenue as recurring and do not use it to support

structurally unsustainable expenditures.

- This will also materially influence DFA's evaluation of debt capacity, reserves, and compliance with statutory and best-practice fiscal thresholds. DFA anticipates that implementing the requirements of HB160 will incur additional administrative costs not included in DFA's FY 26 base budget.
  - DFA anticipates 4,160 additional work hours (2.18 FTEs) will be needed to assist with and process documentation in FY26, standardize new processes and procedures, provide training, and cover additional travel associated with revenue changes at the county and municipal levels.
    - DFA anticipates this to cost \$264,495.04 per fiscal year.
  - Additionally, DFA anticipates an increase in workload due to local entities' historical references to revenue in existing budgetary development processes. As a result, DFA anticipates reduced processing capacity and efficiency due to additional BARs associated with recertifying budgets at the county level.
    - For FY 27, DFA anticipates an increased workload of 1 workday (8 hrs.) per 5 FTEs to support BARs associated with recertifications for local entities. DFA anticipates this will cost \$286,800 (1,912 work hours per year x \$150 per hr.).

## **SIGNIFICANT ISSUES**

- **Instability in Revenue Distributions:** A key issue proposed by HB160 is the potential for misunderstanding at the local level regarding the nature and reliability of the distributions.
  - HB160 allocates distribution in a formula-driven manner and is tied to gross receipts tax performance; distributions may fluctuate year to year.
    - This fluctuation will create a risk that local governments assume static or guaranteed revenue growth and use these amounts to pay for multi-year costs.
  - As such, HB160, as currently drafted, increases the risk of Bateman Act violations by local entities.
- **Local Debt Dedication:** HB160 does not specify whether local governments can dedicate distributions from the "All Cities and Counties Fund" to local debt. It only outlines the formulas for calculating the transfers and the process for distributing funds to municipalities and counties.
  - Under New Mexico law, local governments are not categorically prohibited from pledging statutory distributions of state funds for local debt, but generally, the legislature provides express prohibitions or authorization of local governments'

authority to do so.

- However, unless explicitly prohibited, a local government could borrow against distributions from the All Cities and County Fund and bypass voter approval, provided it adhered to its constitutional debt limits according to the N.M. Const., followed the Bateman Act's pay-as-you-go rules (§ 6-6-11, N.M.S.A., 1978), and complied with the special fund doctrine.
- Without an explicit prohibition on pledging of distributions from the “All Cities and Counties Fund” to local debt, or an identified process for local governments to request such authority from the State, HB160 could lead to new obligations and legal liability for the State.

## **PERFORMANCE IMPLICATIONS**

N/A.

## **ADMINISTRATIVE IMPLICATIONS**

HB160 introduces new administrative responsibilities that may require additional resources, system updates, and coordination between state and local governments.

- HB160 would introduce new downstream fiscal coordination, monitoring, and advisory responsibilities for the DFA related to the creation of the All Cities and Counties Fund.
  - While the Taxation and Revenue Department (TRD) is responsible for calculating and certifying distributions, DFA would be required to make the actual distributions (see § 6-5-7, NMSA 1978) and would need to integrate this new recurring revenue stream into its budget oversight, financial analysis, and technical assistance functions for local governments.
- Operationally, DFA would need to update internal guidance, budget review protocols, and training materials to reflect the availability of a new, formula-based distribution funded by gross receipts tax revenues.
  - Analysts would be expected to account for these transfers when reviewing local government budgets, assessing cash balances, evaluating debt capacity, and advising on sustainability and long-term financial planning.
  - This includes helping entities distinguish between recurring statutory distributions and discretionary or one-time revenues to prevent structural imbalances.
- Finally, the legislation increases fiscal monitoring requirements in the budget year across local governments, particularly for smaller or lower-capacity entities.
  - Upon distribution, counties and municipalities will need to submit a Budget Adjustment Request (BAR) to increase their entity's GRT revenue.
  - DFA/LGD's budget and reporting database, Local Government Budget Management System (LGBMS), will need to be updated to include a specific line

item/object code for this GRT revenue.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

N/A.

## **TECHNICAL ISSUES**

- HB160 requires the State Treasurer to transfer certified amounts from the “All Cities and Counties Fund” to each municipality and county by November 1, 2027.
  - However, in accordance with § 6-5-7, NMSA 1978, the DFA’s Financial Control Division is responsible for settling all claims against the state payable by law out of the treasury and keeping an account between the state and treasurer.
  - As a result, DFA would recommend HB160 be amended to require the Financial Control Division, instead of the State Treasurer, to transfer amounts certified by the Taxation and Revenue Department.

## **OTHER SUBSTANTIVE ISSUES**

N/A.

## **ALTERNATIVES**

N/A.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

N/A.

## **AMENDMENTS**

N/A.