



IMPACT OF FOOD AND MEDICAL HOLD HARMLESS PROVISIONS ON MUNICIPALITIES

***Presented To:
Revenue Stabilization & Tax
Policy Committee***

Submitted By:

***William F. Fulginiti, Executive Director
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Santa Fe, NM***

NEW MEXICO MUNICIPAL LEAGUE 2011-2012 FINANCE AND TAX LEGISLATIVE ACTION STATEMENT

The Board of Directors adopted their legislative priorities for the upcoming 2012 Legislative Session at the October 1, 2011 meeting. They approved a number of policies outlining proposed legislation for the League's Action Program.

In recognition of the continued downturn in the economy and its effect on state and local finances the Board focused attention on the protection of municipal revenues. The Board also rejected as a priority any resolution asking for new or increased funding for any program funded by state revenues. In addition, they highlighted the issue of preemption of local authority.

PROTECTION OF MUNICIPAL REVENUES. Any restructuring of available revenue sources by the state or federal government should not result in the loss of actual revenue to any municipality (***Sections 3.2.01 and 3.2.02 – Policy Statement***). At present, several state-levied taxes are shared with municipalities. Any change made in rates of state shared taxes must maintain or improve upon present distribution ratios. Any changes in the base for taxes should not reduce present or future revenues (***Section 3.2.05 – Policy Statement***). The state should not take any action to impair municipal bonds (***Section 3.4.03 – Policy Statement***).

PREEMPTION OF TAXING AUTHORITY. At both the state and federal level attempts are being made to preempt local government authority to tax certain transactions. Preemption of local taxing authority deprives local governments of the ability to raise revenue to provide service to their constituents. The League opposes federal and state legislation that preempts local taxing authority (***Section 3.2.12 – Policy Statement***).

Mr. Chairman, members of the committee, the economic forecast for municipalities is similar to the State's. Like the State's economic decline, municipalities have also experienced significant budget decreases within the last three years. Municipalities find themselves extremely vulnerable because they are so dependent on the gross receipts tax. This single source of revenue constitutes up to 75% of municipal general funds.

Granted, while some municipalities have weathered the economic downturn better than others, the vast majority have not. Municipalities began making significant adjustments to their budgets in 2008. Even though they have budgeted conservatively, the decrease in general fund revenues due to the decline in gross receipts tax have negatively impacted many of our municipalities.

Regarding municipal projections, FY 11 shows a range of general fund decreases up to a **negative 39%** in cities. Several municipalities have responded to these decreases by imposing gross receipts taxes. The cities of Rio Rancho, Carlsbad, Sunland Park and Las Vegas have enacted additional gross receipts taxes. In response to the decreases in operating revenues, municipalities have spent the last three budget cycles balancing their budgets.

Like the State, Municipalities continue to monitor the situation. Based on projections, they will have to take appropriate actions to adjust budgets as needed to continue to provide services at current levels, if possible.

There is a great deal of uncertainty and municipalities are evaluating alternative ways to reduce expenditures. The uncertainties include whether or not increases in gross receipts tax occur and potential shortfalls in the property tax revenue due to lower assessed values.

Municipalities are concerned that during the upcoming legislative session, the legislature may be looking at the hold harmless on food and medical (\$130 million impact for local government). If our hold harmless would be withdrawn by the state, the average negative impact to our municipal general funds would equal a 9.2% decrease in general fund expenditures and some municipalities would experience a loss of up to 38.85% in general fund expenditures.

Municipalities will face major challenges if their gross receipts revenues are not maintained. This would have a significant impact on the provision of public services and public safety. Gross receipts taxes to the state and local governments would be reduced. At a time when there is absolutely no slack in municipal budgets, any significant reductions in the gross receipts tax will have a negative impact, not only in our ability to provide basic services to all of our citizens, but with any outstanding bonds that have been pledged through payment of the gross receipts tax. To illustrate the importance of the gross receipts revenue bonds, in FY 09 municipalities had an outstanding gross receipts tax bond indebtedness of almost half a billion dollars. Any action that impairs this vital revenue stream would adversely affect the amount of interest paid on those projects. If the amount is significant enough, it could impair outstanding bonds. Such actions may violate New Mexico statutes that require pledged revenues to

be replaced by an equal source of revenue. Such actions could also violate the New Mexico Constitutional provision concerning impairment of contracts.

In closing, Mr. Chairman, you can see that a loss of the hold harmless on food and medical would necessitate serious reductions in municipal services and further layoffs in local government employment.

HOLD HARMLESS FOOD/MEDICAL DISTRIBUTIONS TO MUNICIPALITIES IN 2010-11

Municipality	2010 Population	Distribution on Medical	Distribution on Food	Total Distributions	2010-2011 General Fund Expenditures	Food/Medical Distributions as % of General Fund
Alamogordo	30,403	\$558,022.02	\$2,235,144.49	\$2,793,166.51	\$10,496,432	26.61%
Albuquerque	545,852	\$12,067,070.43	\$24,613,843.33	\$36,680,913.76	\$425,894,000	8.61%
Angel Fire	1,216	\$2,009.86	\$65,935.24	\$67,945.10	\$3,446,564	1.97%
Anthony	9,360	\$5,379.64	\$7,721.21	\$13,100.85	\$0	0.00%
Artesia	11,301	\$79,377.40	\$1,112,843.38	\$1,192,220.78	\$22,106,972	5.39%
Aztec	6,763	\$57,723.55	\$584,624.92	\$642,348.47	\$7,058,302	9.10%
Bayard	2,328	\$6,652.83	\$75,063.56	\$81,716.39	\$985,483	8.29%
Belen	7,269	\$152,364.99	\$830,228.89	\$982,593.88	\$4,960,068	19.81%
Bernalillo	8,320	\$32,811.72	\$1,194,171.42	\$1,226,983.14	\$5,344,463	22.96%
Bloomfield	8,112	\$20,531.39	\$373,695.11	\$394,226.50	\$7,534,315	5.23%
Bosque Farms	3,904	\$20,832.42	\$43,523.68	\$64,356.10	\$1,971,419	3.26%
Capitan	1,489	\$0.00	\$102,150.47	\$102,150.47	\$1,260,965	8.10%
Carlsbad	26,138	\$462,053.80	\$1,739,680.91	\$2,201,734.71	\$27,208,228	8.09%
Carrizozo	996	\$0.00	\$15,956.50	\$15,956.50	\$569,220	2.80%
Causey	104	\$0.00	\$0.00	\$0.00	\$51,890	0.00%
Chama	1,022	\$424.58	\$139,172.03	\$139,596.61	\$1,063,936	13.12%
Cimarron	1,021	\$0.00	\$0.00	\$0.00	\$1,234,251	0.00%
Clayton	2,980	\$4,109.73	\$160,863.22	\$164,972.95	\$2,843,286	5.80%
Cloudcroft	674	\$1,106.88	\$20,490.49	\$21,597.37	\$844,558	2.56%
Clovis	37,775	\$787,111.44	\$2,138,730.25	\$2,925,841.69	\$21,630,745	13.53%
Columbus	1,664	\$73.21	\$18,027.09	\$18,100.30	\$906,120	2.00%
Corona	172	\$0.00	\$5,424.77	\$5,424.77	\$132,691	4.09%
Corrales	8,329	\$14,200.42	\$17,540.45	\$31,740.87	\$3,439,228	0.92%
Cuba	731	\$0.00	\$89,455.51	\$89,455.51	\$1,314,114	6.81%
Deming	14,855	\$139,527.09	\$975,057.73	\$1,114,584.82	\$9,240,518	12.06%
Des Moines	143	\$0.00	\$0.00	\$0.00	\$142,000	0.00%
Dexter	1,266	\$0.00	\$45,238.56	\$45,238.56	\$854,852	5.29%
Dora	133	\$0.00	\$0.00	\$0.00	\$91,367	0.00%
Eagle Nest	290	\$0.00	\$0.00	\$0.00	\$283,153	0.00%
Edgewood	3,735	\$43,119.32	\$826,679.13	\$869,798.45	\$2,238,587	38.85%
Elephant Butte	1,431	\$1,368.02	\$9,010.17	\$10,378.19	\$709,961	1.46%
Elida	197	\$0.00	\$10,818.50	\$10,818.50	\$283,153	3.82%
Encino	82	\$0.00	\$0.00	\$0.00	\$64,909	0.00%
Espanola	10,224	\$121,070.53	\$1,287,980.75	\$1,409,051.28	\$9,840,008	14.32%
Estancia	1,655	\$0.00	\$49,347.95	\$49,347.95	\$1,035,755	4.76%
Eunice	2,922	\$0.00	\$79,014.09	\$79,014.09	\$3,626,124	2.18%
Farmington	45,877	\$1,407,874.03	\$3,793,429.34	\$5,201,303.37	\$49,332,343	10.54%
Floyd	133	\$0.00	\$0.00	\$0.00	\$65,000	0.00%
Folsom	56	\$0.00	\$0.00	\$0.00	\$53,945	0.00%
Fort Sumner	1,031	\$0.00	\$63,036.41	\$63,036.41	\$545,968	11.55%
Gallup	21,678	\$197,728.11	\$2,811,756.26	\$3,009,484.37	\$25,695,150	11.71%
Grady	107	\$0.00	\$90.11	\$90.11	\$90,768	0.10%
Grants	9,182	\$102,705.13	\$619,188.14	\$721,893.27	\$6,466,004	11.16%
Grenville	38	\$0.00	\$0.00	\$0.00	\$70,000	0.00%
Hagerman	1,257	\$1,087.51	\$23,999.70	\$25,087.21	\$604,093	4.15%
Hatch	1,648	\$0.00	\$147,506.08	\$147,506.08	\$1,369,258	10.77%
Hobbs	34,122	\$170,989.32	\$2,184,570.24	\$2,355,559.56	\$51,008,013	4.62%
Hope	105	\$0.00	\$0.00	\$0.00	\$125,700	0.00%
House	68	\$0.00	\$0.00	\$0.00	\$84,053	0.00%
Hurley	1,297	\$564.17	\$0.00	\$564.17	\$684,149	0.08%
Jal	2,047	\$0.00	\$79,388.21	\$79,388.21	\$1,220,143	6.51%
Jemez Springs	250	\$0.00	\$0.00	\$0.00	\$382,096	0.00%
Lake Arthur	436	\$0.00	\$0.00	\$0.00	\$187,000	0.00%
Las Cruces	97,618	\$2,453,401.16	\$6,100,206.40	\$8,553,607.56	\$79,005,267	10.83%

Municipality	2010 Population	Distribution on Medical	Distribution on Food	Total Distributions	2010-2011 General Fund Expenditures	Food/Medical Distributions as % of General Fund
Las Vegas	13,753	\$291,587.30	\$955,972.76	\$1,247,560.06	\$10,610,375	11.76%
Logan	1,042	\$886.43	\$55,559.02	\$56,445.45	\$888,562	6.35%
Lordsburg	2,797	\$337.50	\$108,754.00	\$109,091.50	\$3,257,875	3.35%
Los Alamos	17,744	\$672,927.64	\$1,115,830.35	\$1,788,757.99	\$44,193,311	4.05%
Los Lunas	14,835	\$147,257.09	\$1,509,705.71	\$1,656,962.80	\$18,240,439	9.08%
Los Ranchos	6,024	\$16,691.28	\$64,070.10	\$80,761.38	\$1,732,559	4.66%
Loving	1,413	\$0.00	\$25,871.88	\$25,871.88	\$824,393	3.14%
Lovington	11,009	\$18,336.43	\$443,830.07	\$462,166.50	\$7,503,536	6.16%
Magdalena	938	-\$814.23	\$22,943.77	\$22,129.54	\$367,944	6.01%
Maxwell	254	\$0.00	\$220.18	\$220.18	\$160,650	0.14%
Melrose	651	\$0.00	\$11,986.26	\$11,986.26	\$363,648	3.30%
Mesilla	2,196	\$30,103.31	\$9,975.66	\$40,078.97	\$1,255,036	3.19%
Milan	3,245	\$0.00	\$141,730.94	\$141,730.94	\$3,144,406	4.51%
Moriarty	1,910	\$61,669.86	\$90,296.37	\$151,966.23	\$2,143,548	7.09%
Mosquero	93	\$0.00	\$39.35	\$39.35	\$145,000	0.03%
Mountainair	928	\$5,656.22	\$446.12	\$6,102.34	\$493,744	1.24%
Pecos	1,392	\$0.00	\$30,463.55	\$30,463.55	\$610,661	4.99%
Peralta	3,660	\$0.00	\$9,623.82	\$9,623.82	\$523,180	1.84%
Portales	12,280	\$37,581.37	\$746,778.43	\$784,359.80	\$7,585,623	10.34%
Questa	1,770	\$0.00	\$46,542.62	\$46,542.62	\$674,406	6.90%
Raton	6,885	\$135,122.60	\$345,973.97	\$481,096.57	\$4,486,702	10.72%
Red River	477	\$374.56	\$57,688.72	\$58,063.28	\$1,517,532	3.83%
Reserve	289	\$0.00	\$20,950.90	\$20,950.90	\$170,500	12.29%
Rio Rancho	87,521	\$688,299.91	\$2,558,437.96	\$3,246,737.87	\$49,019,589	6.62%
Roswell	48,366	\$580,659.52	\$2,665,035.30	\$3,245,694.82	\$36,565,920	8.88%
Roy	234	\$0.00	\$8,839.64	\$8,839.64	\$184,005	4.80%
Ruidoso	8,029	\$0.00	\$623,822.09	\$623,822.09	\$12,250,920	5.09%
Ruidoso Downs	2,815	\$150,843.69	\$261,901.82	\$412,745.51	\$3,245,112	12.72%
San Jon	216	\$0.00	\$0.00	\$0.00	\$103,554	0.00%
San Ysidro	193	\$0.00	\$20,809.79	\$20,809.79	\$275,319	7.56%
Santa Clara	1,686	\$314.32	\$0.00	\$314.32	\$526,009	0.06%
Santa Fe	67,947	\$2,888,544.99	\$7,224,403.72	\$10,112,948.71	\$65,507,700	15.44%
Santa Rosa	2,848	\$71,596.68	\$136,541.24	\$208,137.92	\$2,552,111	8.16%
Silver City	10,315	\$394,104.27	\$1,203,230.69	\$1,597,334.96	\$8,003,841	19.96%
Socorro	9,051	\$37,551.00	\$497,328.30	\$534,879.30	\$5,710,720	9.37%
Springer	1,047	\$3,323.64	\$31,451.28	\$34,774.92	\$445,767	7.80%
Sunland Park	14,106	\$9,332.64	\$64,029.39	\$73,362.03	\$4,957,584	1.48%
T or C	6,475	\$23,965.50	\$459,727.86	\$483,693.36	\$5,244,178	9.22%
Taos	5,716	\$232,565.80	\$1,670,414.18	\$1,902,979.98	\$10,828,045	17.57%
Taos Ski Valley	69	\$303.68	\$0.00	\$303.68	\$1,146,631	0.03%
Tatum	798	\$0.00	\$44,249.44	\$44,249.44	\$1,121,252	3.95%
Texico	1,130	\$0.00	\$18,167.31	\$18,167.31	\$535,938	3.39%
Tijeras	541	\$1,036.37	\$0.00	\$1,036.37	\$1,140,635	0.09%
Tucumcari	5,363	\$10,453.67	\$253,143.23	\$263,596.90	\$5,023,589	5.25%
Tularosa	2,842	\$0.00	\$96,990.47	\$96,990.47	\$1,071,427	9.05%
Vaughn	446	\$0.00	\$16,940.92	\$16,940.92	\$438,362	3.86%
Virden	152	\$0.00	\$0.00	\$0.00	\$66,431	0.00%
Wagon Mound	314	\$0.00	\$1,835.61	\$1,835.61	\$171,396	1.07%
Willard	253	\$0.00	\$0.00	\$0.00	\$147,019	0.00%
Williamsburg	449	\$0.00	\$0.00	\$0.00	\$172,500	0.00%
TOTALS	1,358,323	\$25,421,903.74	\$78,362,376.58	\$103,784,280.32	\$1,125,045,771	9.22%

Taxation and Revenue Department Data:

Business Activity	From:	To:
Reporting Months	July-2010	June-2011
Distribution Month	August-2010	July-2011
Processing Dates:	September-2010	August-2011
Report Run Date:	12-Aug-2010	12-Aug-2011
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Source: Bureau of the Census/New Mexico Municipal League/Taxation and Revenue Department