

**MINUTES
of the
FIRST MEETING
of the
TOBACCO SETTLEMENT REVENUE OVERSIGHT COMMITTEE**

**June 17, 2004
Room 311, State Capitol
Santa Fe**

The first meeting of the Tobacco Settlement Revenue Oversight Committee for the 2004 interim was called to order by Representative Gail C. Beam, co-chair, on June 17, 2004 at 9:15 a.m. in Room 311 of the State Capitol.

PRESENT

Rep. Gail C. Beam, co-chair
Sen. Mary Jane M. Garcia, co-chair
Sen. Richard C. Martinez
Rep. J. Paul Taylor
Rep. Gloria C. Vaughn

ABSENT

Sen. Ramsay L. Gorham

Advisory members

Sen. Linda M. Lopez
Rep. Danice Picraux
Rep. Luciano "Lucky" Varela

Sen. Manny M. Aragon
Sen. Joseph J. Carraro
Sen. Dede Feldman
Sen. Steve Komadina
Rep. Teresa A. Zanetti

Staff

Maha Khoury
Kathleen Dexter

Guests

The guest list is in the meeting file.

Thursday, June 17

The committee initially convened as a special subcommittee; a sufficient number of voting members subsequently arrived to constitute a quorum.

WORK PLAN, MEETING SCHEDULE AND BUDGET

Maha Khoury of the Legislative Council Service reviewed the proposed work plan, meeting schedule and budget to be presented to the New Mexico Legislative Council for approval. In addition to the topics listed in the work plan, members discussed whether to look at the status of reserve revenue and the budget, and the possible repeal of the 2007 sunset for the

tobacco funds.

The committee chose the following dates and locations for its 2004 meeting schedule:

September 29	Santa Fe
November 10	Santa Fe

RECAP OF 2004 SESSION

Ms. Khoury reviewed the four major pieces of tobacco-related legislation introduced during the 2004 regular session, including House Bill 84 (Chapter 90) and Senate Bill 66 (Chapter 103), regarding escrow deposits and nonparticipating tobacco manufacturers; House Taxation and Revenue Committee Substitute for House Bill 86 (HTRC/HB 86), regarding cigarette tax stamps; and House Bill 83 (HB 83), regarding internet cigarette sales. The committee discussed which of its proposed programs were funded for fiscal year 2005 and the amount of the funding. The state budget director or representatives from the agencies that received funding will verify funding amounts at the next committee meeting.

TAXATION AND REVENUE DEPARTMENT COMMENTS

Jan Goodwin, secretary of taxation and revenue, and Ricky Bejerano, director of audit and compliance for the Taxation and Revenue Department (TRD), gave a presentation on the TRD's need for additional funds to carry out duties assigned to it in HTRC/HB 86 and HB 83. Ms. Goodwin projected that a \$70,000 appropriation added to HB 83 for two full-time employees could result in a revenue gain of \$450,000 in previously uncollected taxes on internet cigarette sales; likewise, an appropriation of approximately \$500,000 added to HTRC/HB 86 for employees and a system upgrade could net \$1.032 million in revenue that is currently being lost due to sales of unstamped cigarettes. Ms. Goodwin also proposed an increase in enforcement and collection of cigarette taxes that would cost \$1.3 million but would bring in approximately \$14 million in tax revenue.

The committee discussed the possibility of joint sponsorship of these bills with the Revenue Stabilization and Tax Policy Committee in the 2005 session, as well as the possibility of an exception to the Department of Finance and Administration's directive that agencies submit flat budgets for fiscal year 2006, thus allowing the TRD to incorporate some of the additional funds it needs into its general operating budget.

Vanessa Hawker of the University of New Mexico Health Sciences Center (UNMHSC) gave an update on the status of revenue bonds issued for the UNMHSC expansion and reported that construction bids are due by June 30.

The committee adjourned at 10:25 a.m.