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SENATE BILL 171

**48TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2008**

INTRODUCED BY

John Arthur Smith

FOR THE REVENUE STABILIZATION AND TAX POLICY COMMITTEE

AN ACT

RELATING TO MUNICIPALITIES; DIRECTING THAT THE FIRST USE OF  
DISTRIBUTIONS PURSUANT TO THE SMALL CITIES ASSISTANCE ACT SHALL  
BE FOR COMPLIANCE WITH THE AUDIT ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 3-37A-3 NMSA 1978 (being Laws 1979,  
Chapter 284, Section 3, as amended) is amended to read:

"3-37A-3. SMALL CITIES ASSISTANCE FUND--DISTRIBUTION.--

A. The "small cities assistance fund" is created  
within the state treasury.

B. On or before January 31, 2004 and on or before  
January 31 of each subsequent year, the local government  
division of the department of finance and administration shall  
certify to the taxation and revenue department the population  
of each municipality in the state.

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1 C. On or before the last day of February of 2004  
2 and of each subsequent year, the taxation and revenue  
3 department shall compute the amount to be distributed to each  
4 qualifying municipality as follows:

5 (1) the department first shall compute a  
6 distribution share for each qualifying municipality. The  
7 distribution share shall be an amount equal to the product of  
8 the qualifying municipality's population multiplied by the  
9 difference between the statewide per capita average and the  
10 municipal per capita average less the local tax effort of the  
11 qualifying municipality;

12 (2) in 2004 and subsequent years, the balance  
13 in the small cities assistance fund in February immediately  
14 after the distribution to the fund pursuant to Section 7-1-6.2  
15 NMSA 1978 for the preceding January will be divided by the  
16 number of qualifying municipalities. The quotient will be  
17 rounded down to the nearest dollar and may be cited as the  
18 "target amount";

19 (3) if the target amount determined in  
20 Paragraph (2) of this subsection is less than or equal to the  
21 minimum amount, the target amount is the amount to be  
22 distributed to each qualifying municipality; and

23 (4) if the target amount exceeds the minimum  
24 amount, the amount to be distributed to all qualifying  
25 municipalities whose distribution share equals or is less than

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1 the minimum amount shall equal the minimum amount. The sum to  
2 be distributed to such municipalities shall be subtracted from  
3 the amount in the fund. The target amount then shall be  
4 increased by dividing the balance remaining in the fund by the  
5 number of remaining qualifying municipalities. The amount to  
6 be distributed to each remaining qualifying municipality shall  
7 equal the lesser of the municipality's distribution share or  
8 the increased target amount. If the distribution share of one  
9 or more of these remaining qualifying municipalities is less  
10 than the increased target amount, the balance of the fund is to  
11 be further reduced by the amount necessary to provide for a  
12 distribution to those municipalities of their distribution  
13 shares. The target amount is to be increased again by dividing  
14 the recomputed fund balance by the number of qualifying  
15 municipalities not yet provided for. Successive iterations of  
16 the process to increase the target amount shall occur until no  
17 remaining municipality's distribution share is less than the  
18 increased target amount.

19 D. The state treasurer shall distribute from the  
20 small cities assistance fund on or before March 1, 2004 and  
21 March 1 of each subsequent year to each qualifying municipality  
22 the amount certified by the taxation and revenue department for  
23 each qualifying municipality for the year.

24 E. Funds distributed in accordance with this  
25 section shall be placed in the general fund of the qualifying

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1 municipalities receiving distributions; provided that the first  
2 use of the funds by the municipality shall be to comply with  
3 all requirements of the Audit Act in a timely manner."

4 Section 2. EFFECTIVE DATE.--The effective date of the  
5 provisions of this act is July 1, 2008.

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