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## FISCAL IMPACT REPORT

**SPONSOR** Sanchez / Powdrell-Culbert      **ORIGINAL DATE** 1/30/19  
**LAST UPDATED** \_\_\_\_\_      **HB** \_\_\_\_\_  
**SHORT TITLE** Municipal Revenue For Bond Repayment      **SB** 165  
**ANALYST** Clark

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

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	NFI	Indeterminate, Possible Savings		Possible Savings	Recurring	Municipal Governments

Parenthesis ( ) indicate expenditure decreases

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Finance Authority (NMFA)  
 Regulation and Licensing Department (RLD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 165 amends Section 3-31-8 NMSA 1978 to strike language that currently restricts municipalities from:

- Using gross receipts tax (GRT) revenue to repay utility bonds, joint utility bonds, or gas tax revenue bonds;
- Using gas tax revenue to repay utility bonds, joint utility bonds, or GRT bonds; and
- Using the revenues of any utility or joint utility to repay GRT bonds or gas tax bonds.

It also explicitly provides authority to municipalities to pledge revenues from one source to the payment of bonds that refund bonds payable from a different source of revenue.

The effective date of this bill is July 1, 2019.

### FISCAL IMPLICATIONS

The New Mexico Finance Authority notes this bill would provide greater fiscal flexibility to municipalities, resulting in decreased risk of bond payment defaults and improved financial

performance. Therefore, municipalities will be able to achieve savings from the refunding of bond issues previously unable to be refunded.

### **SIGNIFICANT ISSUES**

This provides increased financial flexibility for municipalities at a time when many of them report significant financial constraints and slowing or declining revenues.

**Does the bill meet the Legislative Finance Committee tax policy principles?**

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

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