

LFC Requester:

## AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

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(Analysis must be uploaded as a PDF)

### SECTION I: GENERAL INFORMATION

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

Date Prepared: 3/13/2025

Check all that apply:

Bill Number: S481cs-341

Original ☐ Correction ☐

Amendment ☐ Substitute ☒

Sponsor: Sen. Stewart

Short STATE FAIRGROUNDS

Title: DISTRICT ACT

Agency Name

and Code

DFA-341

Number:

Person Writing Ashley Leach, SBOF Director

Phone: Email Ashley.Leach@dfa.nm.gov

### SECTION II: FISCAL IMPACT

#### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis ( ) indicate expenditure decreases)

#### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
	(\$500.00) up to 29 years from bill enactment		Recurring	General Fund GRT and Gaming Revenue Distributions to District
	Indeterminate but possibly positive revenues up to and beyond 29 years		Recurring	State, City of Albuquerque, Bernalillo County GRT and Gaming Tax Revenues

(Parenthesis ( ) indicate revenue decreases)

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

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Conflicts with SB 482, State Fairgrounds TIDD

### **SECTION III: NARRATIVE**

#### **Senate Tax, Business, and Transportation Committee Substitute for Senate Bill 481**

STBTC substitute for Senate Bill 481(SB481cs) proposes the creation of the State Fairgrounds District Act. SB481cs creates the State Fairgrounds District over land currently owned by the state, known as the "state fairgrounds," and any contiguous land that may be acquired later. The district is granted various powers, including acquiring land, altering boundaries, selling or disposing of property, levying property taxes, and issuing up to \$500 million in bonds. The bonds and income from them are tax-exempt. SB481cs makes several changes to the original Senate Bill 481, including the following:

- **Definitions:**
  - Bond: The definition of “Bond” from the original bill has been removed.
  - Community Benefit: includes affordable housing, job creation, open space, and health services.
  - Person: means an association, corporation, individual, limited liability company, partnership, other legal entity or public entity
  - Project: updated to include acquiring or improving land or acquiring, developing, constructing, demolishing, removing, operating, maintaining, repairing, reconstructing, enlarging, improving, installing, rehabilitating, remodeling or renovating infrastructure, buildings, roads, utilities, public improvements or equipment in the district and public schools in the close vicinity of the district and includes associated planning, design work, and professional services.
  - Public Entity: means an agency, department, institution, county, municipality, or political subdivision of the state.
  - Public Improvements mean on-site and off-site improvements that directly or indirectly benefit the district or facilitate development within the district and are dedicated to a public entity.

- **District Land Composition:** As of July 1, 2025, the district now includes land owned by the state, commonly known as the “state fairgrounds,” lying within the exterior boundaries of the city of Albuquerque, and land contiguous to the state fairgrounds that may be subsequently acquired by the district or another public entity and included in the district's boundaries by the board.
- **District Powers:** now includes the power to enter into contracts, expend money, enter into agreements with public entities, enter into intergovernmental agreements, sell/lease/dispose of property, grant/donate/dispose of property, acquire land/undertake projects, employ/contract with staff/counsel, pay for services/facilities, accept gifts/grants/loans, levy property taxes, pay costs, enter into contracts/agreements/trust indentures to obtain credit enhancement/liquidity support, borrow money/issue bonds, use public easements/rights of way, alter district boundaries, and exercise necessary/incidental powers.
- **District Board Composition:** now initially governed by a seven-member board composed of the governor or designee, a designee of the State Senator, a designee of a member of the House of Representatives, the Bernalillo county commissioner, an Albuquerque city councilor, the mayor of Albuquerque, and a community member designee of the governor.
  - Board Term: The initial term is now six (6) years.
  - Board Clerk and Treasurer: now Director of the Local Government Division of the Department of Finance and Administration or the director’s designee.
- **Bonding:**
  - Capacity Limit: now \$500,000,000.00.
  - Approval: now requires legislative approval.
- **Distribution to State Fairgrounds District Fund:** limited to 75% of the net receipts attributable to the state portion of the gross receipts tax and gaming tax from locations within the state fairgrounds district.
  - Distribution Sunset: Until bonds are fully discharged or June 30, 2029, if no bonds have been issued by that date.
  - Reversion of Unexpended Funds: Money from distributions made prior to June 30, 2029, reverts to the general fund if no bonds have been issued by that date.
- **Exemption from Acts:** The district is exempt from the Community Service District Act and the Special District Procedures Act.

- **Effective Date:** July 1, 2025.

## ORIGINAL BILL SUMMARY

Senate Bill 481(SB481) proposes the creation of the State Fairgrounds District Act. SB481 will establish the State Fairgrounds District over the land owned by the state, commonly referred to as the "state fairgrounds," and any contiguous land that may be subsequently acquired. SB481 outlines the powers of the district, creates the State Fairgrounds District Board, authorizes the issuance of bonds and refunding bonds, establishes the State Fairgrounds District Fund, provides a tax exemption for bonds and income from bonds, and makes distributions of net receipts from the gross receipts tax and gaming tax from business locations on the state fairgrounds.

- **Definitions:** This section defines key terms such as "board," "bond," "district," "project," and "property owner."
- **Creation and Powers of the District:** SB481 establishes the State Fairgrounds District as a political subdivision of the state.
  - SB481 outlines the district's powers, including entering into contracts, agreements, and intergovernmental agreements, selling or leasing property, reimbursing municipalities or counties, operating and maintaining public infrastructure, employing staff, accepting gifts or grants, borrowing money, and issuing bonds.
- **State Fairgrounds District Board:** The State Fairgrounds District will be governed by a five-member board composed of the governor, lieutenant governor, a state senator, a Bernalillo county commissioner, and the mayor of Albuquerque.
  - The board is responsible for accounting for all revenues and indebtedness based on gross receipts tax and gaming tax distributed to the state fairgrounds district fund.
- **Authorization of Issuance of Bonds:** The State Fairgrounds District Board may issue revenue bonds not exceeding one billion dollars for projects.
  - Bonds are payable only from properly pledged revenues and are not general obligations of the state.
  - Bonds may have various terms and conditions, including maturity not exceeding twenty-five years, and may be sold at public or negotiated sale.
- **Refunding Bonds:** The State Fairgrounds District Board may issue refunding bonds to refinance, pay, and discharge outstanding bonds.
  - Refunding bonds may have terms and conditions similar to original bonds and may be issued separately or in combination.
- **Tax Modifications and Bond Terms:** SB481 allows the legislature to increase or decrease the state gross receipts tax, and bond terms must account for such modifications.
- **State Fairgrounds District Fund (Section 8):** SB481 creates the State Fairgrounds

District Fund in the state treasury.

- The fund consists of distributions, appropriations, gifts, grants, donations, and income from investments.
  - Money in the fund is appropriated to the board for the issuance and payment of bonds.
- **Exemption from Taxation:** Bonds and income from bonds issued under the act are exempt from all state and local taxation.
- **Annual Report:** The State Fairgrounds District Board must report annually to the state board of finance and the legislative finance committee on the implementation and progress of the act, including expenditures, bonds issued, debt service reserve funds, capital investment, job creation, and revenue distribution.
- **Distribution of Gross Receipts Tax:** A distribution of net receipts attributable to the gross receipts tax from business locations on the state fairgrounds is made to the state fairgrounds district fund until the bonds are fully discharged.
- **Distribution of Gaming Tax:** Net receipts attributable to the gaming tax from business locations on the state fairgrounds are distributed to the state fairgrounds district fund until the bonds are fully discharged.

## FISCAL IMPLICATIONS

### **Senate Tax, Business, and Transportation Committee Substitute for Senate Bill 481**

As with the original bill, SB481cs will promote development and economic growth within the state fairground area while introducing significant fiscal responsibilities that will need to be carefully managed to ensure the intended benefits are realized without adversely impacting the state's fiscal and financial health.

- **Bond Issuance and Debt Service:** SB481cs authorizes the issuance of up to \$500,000,000 in gross receipt tax and gaming tax revenue bonds, secured by gross receipts and gaming tax revenues generated by businesses in the District. The issuance of up to \$500,000,000 in bonds will create a significant debt obligation.
- **Revenue Allocation:** SB481cs will allocate three-quarters (75%) of the gross receipts and gaming tax revenues to the District for securing and repaying revenue bonds. Both existing and future tax revenues would be diverted from other uses for up to 29 years since the District must issue bonds by 2029, and bond maturity is limited to 25 years from the first date the district issues bonds.
- **Property Tax Levy:** SB481cs provides the District with the authority to levy property taxes on property within the District for operations, maintenance, and capital improvements. Publicly owned property within the district would be exempt from property taxes. However, to the extent property within the District is privately owned, property tax revenues could be realized.

- **Economic Development:** Projects funded by the bonds issued under SB481cs may lead to successful development and increased economic activity within the District. This activity may increase property values, business activity, and employment within the District and surrounding communities, which will generate additional tax revenues for the state and local governments.
- **Administrative Costs:** SB481 will create administrative costs associated with the District's management, administration, operation, bond issuance and servicing, project planning, design, development, and oversight by the State Board of Finance and New Mexico Finance Authority.

### **Original Bill**

SB481 will promote development and economic growth within the state fairgrounds area; it also introduces significant fiscal responsibilities that will need to be carefully managed to ensure the intended benefits are realized without adversely impacting the state's fiscal and financial health.

- **Bond Issuance and Debt Service:** SB481 authorizes the issuance of up to one billion dollars (\$1,000,000) in gross receipt tax and gaming tax revenue bonds, secured by gross receipts and gaming tax revenues generated on state-owned land in the District. The issuance of up to one billion dollars (\$1,000,000,000) in bonds will create a significant debt obligation.
- **Revenue Allocation:** SB481 will allocate a yet-to-be-determined amount of gross receipts and gaming tax revenues to the District for securing and repaying revenue bonds. Both existing and future tax revenues would be diverted from other uses for up to 50 years, depending on when the last bonds are issued by the district (which can be no more than 25 years from SB 481's passage).
- **Economic Development:** Projects funded by the bonds issued under SB481 may lead to successful development and increased economic activity within the District. This activity may increase property values, business activity, and employment within the District and surrounding communities, which will generate additional tax revenues for the state and local governments.
- **Administrative Costs:** SB481 will create administrative costs associated with the District's management, administration, operation, bond issuance and servicing, project planning, design, development, and oversight by the State Board of Finance and New Mexico Finance Authority.

### **SIGNIFICANT ISSUES**

#### **Senate Tax, Business and Transportation Committee Substitute for Senate Bill 481**

N/A.

### **Original Bill**

- **Bond Issuance Approval:** SB481 requires the New Mexico Finance Authority, State Board of Finance, and "State Bond Counsel" to review and approve any bonds or refunding bonds of the District prior to issuance.

- Under New Mexico law, there is no “State Bond Counsel.” Instead, the State Board of Finance and the New Mexico Finance Authority employ outside bond counsel as advisors for issuances of debt.
- As written, SB481’s requirement of review and approval of bonds or refunding bonds issued by the District by “State Bond Counsel” is impossible to implement. A private entity employed as specialized counsel to the State Board of Finance should not have statutory approval authority over the issuance of state debt.
- As an alternative, SB481 could authorize the District to employ outside bond counsel to review bond issuances or require the New Mexico Attorney General to review and approve the form of bonds or refund bonds prior to issuance.
- **Administrative/Operational Funding:** SB481 provides broad authority to the District to hire staff; contract with vendors, the home municipality and/or county, and other entities; and engage in other agreements for various needed operations, maintenance, and development of and for the District.
  - However, SB481 does not identify or include a provision authorizing the District to raise revenue to pay for administrative or operational funding. Both gross receipts tax and gaming tax revenues from the District must be pledged to bonds until discharged.
  - SB481 should include some provisions for funding the District’s activities, such as taxing power, authority to charge fees, and/or state/local appropriations.

## PERFORMANCE IMPLICATIONS

### Original Bill

- The basis of the revenue scheme established in SB481cs is to leverage anticipated tax revenues for the development and redevelopment of the blighted and neglected areas within the State Fairgrounds District.
  - The development and redevelopment of blighted and neglected areas within the State Fairgrounds District will increase its tax base, creating revenue to repay issued debt.
  - Thus, leveraging future tax revenues to make public infrastructure investments of up to \$1 billion today, at today’s prices, should result in a net positive fiscal impact (i.e., greater long-term revenues and a more robust future tax base) over the life of the bonds to the State, City of Albuquerque, and Bernalillo County.

## ADMINISTRATIVE IMPLICATIONS

### *Senate Tax, Business and Transportation Committee Substitute for Senate Bill 481*

SB481cs imposes additional administrative duties on the State Board of Finance.

- **State Board of Finance Review, Rule Promulgation:** To define the requirements for requesting approval and establish parameters for the State Board of Finance's consideration of the development plan and bond issuances, it is recommended that SB481cs include a provision granting the State Board of Finance rulemaking authority to carry out the State Fair District Act.
- **State Board of Finance Review and Approval, Costs:** SB481cs requires the State Board of Finance to approve any proposed issuance and the district development plan. While the State Board of Finance has an established process for reviewing and approving the issuance of bonds by other public entities, reviewing the district's development plan in conjunction with proposed bond sales would likely require measurable resources.
  - The State Board of Finance would likely need to procure external expertise and economic analysis. The costs of such a contract are unknown, but the Board of Finance staff anticipate \$40,000 to \$60,000 for the review of the development plan (one time) and a smaller amount for the review of bond issuances (multiple times).
  - To account for these costs, the Board of Finance recommends SB481cs include a provision allowing the Board to require an application fee when the district requests approval of bond issuances and the development plan.
- **District Treasurer:** SB481cs establishes the director of the Local Government Division of the Department of Finance and Administration or designee as the District's clerk and treasurer.
  - Given that the Department of Finance and Administration's statutory mandates to review and approve budgets and budget adjustments of political subdivisions of the state, the director of the Local Government Division serving as the District's clerk and treasurer would create a conflict of interest.
    - SB481cs would require the director or designee to prepare the District's budgets and budget adjustments, and then the director's subordinates would approve such budgets or budget adjustments.

### **Original Bill**

Overall, Senate Bill 481 does not impose significant additional administrative duties on the State Board of Finance or the New Mexico Finance Authority.

- **District Clerk:** SB481 establishes the secretary of the Department of Finance and Administration or designee as the District's clerk and treasurer.
  - Given that the Department of Finance and Administration's statutory mandates to review and approve budgets and budget adjustments of political subdivisions of the state, the Secretary of the Department of Finance and Administration serving as the District's clerk and treasurer would create a potential conflict of interest.



- SB481 would require the secretary to prepare the District's budgets and budget adjustments, and then subordinates of the secretary approve such budget or budget adjustments.
- **State Board of Finance Requirements:** The State Board of Finance has promulgated § 2.61.5 NMAC to govern the requirements for any financing which, by law, requires State Board of Finance approval and agreements to exchange interest rate cash flows or to limit exposure which, by law, require State Board of Finance approval.
  - The State Board of Finance currently utilizes this rule when considering issuances of revenue bonds by higher education institutions and state agencies. This rule could be utilized, albeit with some modifications, to review and approve the issuance of bonds and refunding bonds by the District, as contemplated in SB481.

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

- Senate Bill 481 conflicts with Senate Bill 482, which authorizes the issuance of up to \$1.0 billion in gross receipts tax increment revenue bonds by a yet-to-be-formed tax increment development district (TIDD) for the development of the state fairgrounds area in Albuquerque, subject to a gross receipt tax increment revenue dedication approval by the State Board of Finance.

## **TECHNICAL ISSUES**

### **Senate Tax, Business, and Transportation Committee Substitute for Senate Bill 481**

- **Administrative/Operational Funding:** SB481cs provides broad authority to the District to hire staff, contract with vendors, pay for the provision of services, pay for the District's costs, and engage in other agreements for various needed operations, maintenance, and development.
  - While SB481cs authorizes the levy of property taxes to raise revenues, it is unknown when such revenues would be realized and to what amount. Currently, the District's property is held by public entities and, therefore, exempt from assessment and levy of property taxes. Thus, the District's ability to use property tax revenues levied on property in the District to pay administrative costs is uncertain. SB481cs requires both gross receipts tax and gaming tax revenues from the District to be pledged to bonds.
  - SB481cs may benefit from the District's authority to charge fees and/or the ability to seek state/local appropriations to raise revenues for administrative or operational requirements.

### **Original Bill**

- **Page 4, Line 16:** Should be amended to include "or county" at the end of the text.
  - The provision currently states reimbursement to a municipality or county for staff and consultant services and support facilities supplied by the municipality but excludes reference to services and support facilities supplied by the county.

## **OTHER SUBSTANTIVE ISSUES**

N/A.

## **ALTERNATIVES**

N/A.

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

N/A.

## **AMENDMENTS**

N/A.