

# POSITION

## **ISSUE: INCREASE FUNDING TO LOCAL GOVERNMENT, TO MAINTAIN AND EXPAND UPON SERVICES**

### **WHY DOES THIS MATTER?**

Infrastructure and services provided by local government in Los Alamos are essential to community life and economic activity. There are two local government entities that provide essential infrastructure and services: Los Alamos County government (LAC) and the Los Alamos Public Schools System (LAPS). LAC responsibilities include the local road and circulation system, parks & recreational facilities, civic use facilities, police & fire protection, and a host of governmental services providing for common needs. In Los Alamos, the community also owns and operates the utilities systems. Los Alamos Public School's main responsibility is K-12 education although they also provide significant civic use and recreational facilities. The sum of these services add to the quality of life that can be experienced in the community. Many of the services are essential expectations for the lifeblood of our community – the people who come here and live here to work at the laboratory and other primary economic activities. Failure to meet these expectations would result in increased difficulty, if not impossibility of staffing primary economic activity with local residents. In addition, items such as transportation, fire and police protection, and utility infrastructure are required for commercial activity to exist and grow.

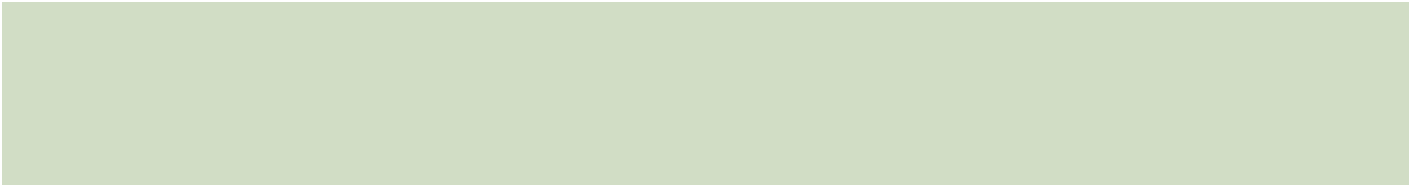
### **WHAT ARE THE CHALLENGES?**

County government and the public schools are funded in different ways -- understanding how they are funded is important to understanding the challenges they face in being adequately funded. The sources and potential sources of funds dictate the opportunities for increasing revenues and demonstrate the risks for the stability of funding.

#### ***LACDC's Objective...***

■ LACDC's mission is *enabling viable community through a sustainable economy*. The objective of LACDC's efforts is to achieve a sustainable Los Alamos economy, without compromising the area's quality of life. Sustainability implies the means to weather the expansions and contractions of Los Alamos National Laboratory (LANL) operations, and in particular its core national security mission. For the foreseeable future, Los Alamos will, nonetheless, depend on LANL as the foundation for the local economy. The objective is therefore comprised of two goals: 1) Support LANL's ability to maintain its vitality: its general health, global competitiveness, and internal diversification; and 2) Promote economic diversification apart from LANL. If achieved, these goals will yield increased job opportunities and security; an enhanced tax base; and provide for needed County services. The net result will be a better quality of life and a more vital community.

■ LACDC's "Our Town: Local Economics 101" comprises a series of **Issue Snapshots** which survey a range of viewpoints on economic sustainability issues for the Los Alamos/White Rock communities and **Position Papers** which present the viewpoint of the LACDC/Chamber relating to the issues. A complete overview of the series is available on the web at [www.losalamos.org/lacdc](http://www.losalamos.org/lacdc)



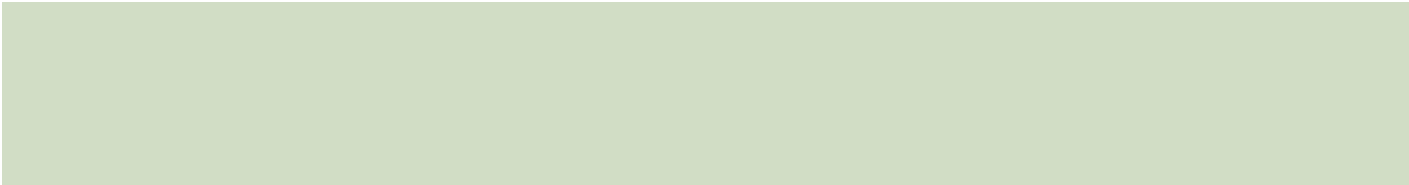
Los Alamos County receives most of its operating funding each year (58% projected in FY06; \$76 million) in the form of “user charges”. These are, in essence, fees for services such as when customers pay utility bills, etc. The fees are structured to cover the costs of the services and to provide an appropriate level of replacement reserves. Taxes are the next most significant source of funding. Gross receipts taxes (GRT) are paid to State government by taxable businesses and organizations in the County at the rate of about seven cents per dollar of taxable revenue. These taxes are shared between County and State government at about a 43% (County)/57% (State) ratio. GRT proceeds are expected to be about 10% of County revenues in FY06 (\$19.6 million). Property taxes are another 3.8% (\$5 million) of County revenues. The other sources of County revenues (28%) are categorized as “interdepartmental” charges, “intergovernmental” charges, “investment income” , and “other”.

Los Alamos Public Schools operating funding comes from three primary sources. State government funds NM school districts equally using a formula that is based on enrollment. The amount of operating funding received from the State by LAPS is the same on a per student basis as is received by other school districts in the State. In recognition of the importance of the quality of K-12 education in Los Alamos to the ability to staff LANL, LAPS also has received an annual payment from the Federal government of \$8 million. Retaining the annual Federal payment has not been easy and there are no guarantees for the future. It has not been viable to adjust the Federal assistance payment upward to account for inflation. Finally, net income generated from the leasing of surplus school properties generate about \$1.2 million per year to support operations. Property taxes do not support school operations, although they provide the means to repay bonds used by the schools for capital improvements.

The challenges for funding the local government and schools primarily relate to uncertainties of future funding. Gross receipts tax revenues have been higher than normal in the past few years due to a boom in construction at LANL and a bubble created by reconstruction in the community after the Cerro Grande fire. The rebuilding activity is largely completed and it is unclear what the future holds in terms of LANL construction. Policy decisions by LANL, State, and Federal government have major implications for future GRT revenues. LANL’s decision in 2005 to “insource” contingent workers eliminated significant taxable revenue, the State made food non-taxable in 2005, and the upcoming determination of the taxable status of Los Alamos National Security, LLC (and how tax proceeds will be distributed), and decisions about continuation of the assistance payment to the schools are examples of how policy decisions can create uncertainty. School age population has been declining in Los Alamos meaning that under State formulas, funding declines. There are a limited range of options available for addressing these uncertainties.

### **HOW CAN THE COMMUNITY HELP?**

It is critical to put this issue into perspective with the other key economic issues we have discussed in the “Our Town ...” series. Finding funding for the local government and schools is not an end of in itself. It,



along with the other issues related to economic diversification, increasing retail, increasing housing, and supporting LANL as our economic engine are inextricably related in addressing the long-term sustainability of our local economy. Success in addressing each of the issues will, in of itself, expand both the gross receipts tax and property tax bases.

By supporting measures to achieve a modest increase in population in the coming ten to fifteen years, we can create growth in the local tax base. In addition, the increased population can be a factor in reversing the decline in school age population and help to retain critical mass and funding for school operations. Preliminary analysis suggests that population growth from 18,000 to 23,000 over that timeframe can be supported without the need for new major infrastructure.

County efforts to consider the leveraging effects of decisions they make about capital expenditures and public participation in projects is critical and must be understood and supported by the community. The County is fortunate to have substantial cash reserves as well as land that it has received to use for self-sufficiency and is actively evaluating use of these resources to meet community needs. By using these funds and lands wisely and tying their use to cases where their use will motivate private investment, the County can achieve both the direct goal of using the resource as well as increase the tax base that produces ongoing revenues.

Supporting the schools in efforts to utilize their lands to create additional operating revenues could provide additional support. To the extent that the schools can generate positive cash flows from putting their real estate assets to effective use, they can generate new revenues. Opposition to this in effect results in the schools subsidizing the interests of the opponents.

A new initiative in 2006 is the formation of the Los Alamos Schools Foundation. This foundation has a goal of raising sufficient funding to provide an annual contribution of \$x to support schools operations. Community support of this initiative in the form of participation and contributions will help to build a new stream of revenue.

Certainly, there are also opportunities for improving operational efficiencies within government as a means of delivering expected services at less cost. A solid approach would be to identify “best in class” comparable communities for the various functions and services performed by County government. These model communities would provide the ability to compare staffing levels, expenditures, and results at a department or functional level in order to identify opportunities for efficiencies.

---

*LACDC's Our Town: Local Economics 101 comprises a series of Issue Snapshots which survey multiple viewpoints on key issues relating to the economic sustainability of the Los Alamos/White Rock communities and Position Papers presenting the viewpoint of the LACDC/Chamber relating to the issues. Sign up for the Our Town: Local Economics 101 email list and contribute to the discussion through our online forum at [www.losalamos.org/lacdc](http://www.losalamos.org/lacdc).*