

Council Meeting Staff Report

October 25, 2016

Agenda No.:	A.
Indexes (Council Goals):	2016 Council Goal – Quality Governance – Operational Excellence – Maintain Quality Essential Services and Supporting Infrastructure
Presenters:	County Council - Regular Session
Legislative File:	8716-16

Title

Consider 2017 State Legislative Agenda Item to Address the Taxable Status of a New Managing Entity at LANL

Recommended Action

I Move That Council Direct the Regional & State Legislative Committee to Include an Item That Addresses the Taxable Status of a New Managing Entity at LANL Within the 2017 State Legislative Agenda.

Body

At the February 2, 2016 Regular Session meeting, County Council unanimously approved the 2016 (FY17) Federal Agenda. The Agenda is used as a guide for our intergovernmental efforts at the federal level. The Agenda is developed by Council's Federal Legislative Committee that meets to produce the message and recommended priority topics. The Council-approved 2016 Federal Agenda, as amended, is attached.

The first priority listed on the 2016 Agenda states LANL Contract Rebid: Select For-Profit Company. The request being made within this priority states Maintain Tax Base: A for profit institution must be given priority for managing LANL. This priority and request was a main talking point for the contingent of County Councilors that traveled to Washington D.C. in February 2016 to meet with the New Mexico congressional delegation and staff in the Department of Energy - National Nuclear Security Administration (DOE/NNSA).

DOE/NNSA indicated that they have no preference with respect to the taxable status of any new institution selected to manage LANL. They also acknowledged that GRT is a qualified expense for the laboratory's operations. Congressional delegation staff have shared in subsequent conversations that the taxable status of the institution managing LANL is a State rather than Federal issue. The purpose of this agenda item is to provide direction to Council's Regional & State Committee on this priority as it relates to the development of the 2017 State Legislative Agenda.

The justification for this priority outlined within the 2016 Federal Agenda also applies to Council's State Agenda. The County's ability to continue current service levels in support of our core missions and partners requires stable ongoing revenues. As the federal government begins to draft a new LANL contract, the structure of LANL's new management in the next rebid will be critical in ensuring the economic security of the County and State and the provision of services to LANL.

LANL is an economic driver for the state of New Mexico with a history of almost over 70 years in the community as the largest employer in the County and the region. Currently, LANL under its for-profit management consortium pays upwards of \$34 million annually in taxes locally and \$70-80 million in State taxes. These revenues are necessary to support public services in the County and State, such as funding for public safety, including fire and police services, schools, transportation and

infrastructure.

In comparison to these figures, when the University of California, under a non-profit tax status, managed the lab prior to 2006, tax collections averaged \$14 million a year for the County and \$30-35 million for the State. A nonprofit tax structure for LANL would negatively impact county tax revenues by approximately \$17 million per year, representing 36% of the County's General Fund budget.

The Council has a wide array of priorities we hope to address in the near term - Manhattan Project National Historical Park implementation, recreation bond projects, new housing development, continued downtown revitalization efforts, economic development opportunities, etc. We cannot stand silent while the LANL contract is rebid and the potential taxable status of that managing entity changes if we want to have any chance of achieving these and other identified priorities.

It is imperative that the County is proactive in working with the State Legislature to address the future taxable status of any new contractor selected to manage LANL in order to mitigate the negative consequences created by the selection of a non-profit entity. The State Legislative Finance Committee has already held hearings to discuss the potential impact on the State's budget, and will continue to do so. Individual state legislators are voicing their concerns as well. The County must be part of these discussions given the profound impact this selection could have on our ability to deliver services and meet the needs of the community into the future. The Regional & State Committee must include a 2017 State Legislative Agenda priority that addresses the taxable status of a new managing entity at LANL.

Attachments

A - 2016 Los Alamos County (FY17) Federal Agenda

B - Los Alamos County FY16 State Legislative Agenda