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FISCAL IMPACT REPORT

SPONSOR: Taylor DATE TYPED: 02/22/01 HB 473
 SHORT TITLE: County Administrative Charges SB _____
 ANALYST: Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
		No Fiscal Impact		

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
 Department of Finance and Administration
 Taxation and Revenue Department

SUMMARY

Synopsis of Bill

The bill would authorize the one percent county administrative fee to be deducted by Class A and B county treasurers from revenue received by the county treasurer, instead of requiring the county treasurer to bill for the administrative fee after disbursement to the “revenue recipient”. Additionally, the measure would allow for Class A counties to collect one percent rather than 3/4 percent. Finally, the cap of 40 percent of the budget for the county assessor for the fiscal year is removed.

Significant Issues

Currently, Bernalillo and Dona Ana are Class A counties. According to the “Financial and Property Tax Data” report of the Department of Finance and Administration (DFA), Local Government division for FY99, Class B counties include Chaves, Cibola, Colfax, Curry, Eddy, Grant, Hidalgo, Lea, Lincoln, Luna, McKinley, Otero, Quay, Rio Arriba, Roosevelt, Sandoval, San Juan, San Miguel, Santa Fe, Sierra, Socorro, Taos, Torrance and Valencia. Counties were to be reclassified April 2000. The FY00 annual report is not available from DFA.

The increase from 3/4 to 1 percent would allow additional revenue into the county valuation fund, instead of capping out at 40 percent of the assessor’s budget.

FISCAL IMPLICATIONS

The would is not expected to have a significant impact on state revenues. Property tax revenues received by revenue recipients in Class A counties would be reduced by 1/4th percent, with property tax revenues to Class A counties increasing by a corresponding amount. Budgeted administrative fees for FY00 were \$1.8 million for Bernalillo County and \$240 thousand in Dona Ana County. The proposed changed would increase administrative fees available to Bernalillo and Dona Ana Counties by roughly \$450 thousand and \$60 thousand, respectively. Recipients of property tax revenues would see a corresponding decrease, unless taxes are increased.

ADMINISTRATIVE IMPLICATIONS

TRD notes its role in supervising local property tax assessment effort. Because this bill would provide Class A counties with additional revenue for property tax assessment, then TRD expects its supervisory tasks to be “easier”.

OTHER SUBSTANTIVE ISSUES

DFA notes the ability to allow the county treasurer to deduct the one percent administrative charge may create difficulty in applying the correct administrative charge. Because state debt service is calculated using data based on collected taxes, the actual percentage of the administrative charge collected by the county treasurer may be less than one percent. If county treasurer’s calculate the administrative charge, there is the possibility that state debt service would not be taken into consideration. As a result, a full one percent administrative charge would be collected and could result in “over collections”.

DFA also indicates the calculations would be done by 33 county treasurers, and there is the potential for different interpretations as to what methodology is to be followed. TRD notes deducting the charge rather than billing diminishes the audit trail for recipients of property tax revenue, including the state.

According to DFA, the current methodology used allows the state debt service to be calculated uniformly, allows a more concise method of accountability as well as a tracking procedure.

AW/njw