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## FISCAL IMPACT REPORT

**SPONSOR** Whitaker                      **DATE TYPED** 3/14/2005                      **HB** 432/aHTRC

**SHORT TITLE** Small Counties Assistance Act Eligibility                      **SB** \_\_\_\_\_

**ANALYST** Taylor

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(\$802.2)	Similar	Recurring	General Fund
	\$802.2	Similar	Recurring	Small Counties

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files  
Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of HTRD Amendment

The HTRC amendment corrects a misspelling: “three-eighths” is inserted for “three-eights”.

#### Synopsis of Original Bill

House Bill 432 amends the small counties assistance act in the following ways:

- The definition of a “qualifying county” is amended by striking all reference to class of county, thereby making any county that meets other criteria eligible.
- The eligibility requirement that a county must have imposed all county gross receipts tax increments is struck and replaced with a requirement that the county impose gross receipts tax increments totaling at least three-eighths percent. This requirement does not apply if the county’s property tax valuation does not exceed \$230 million multiplied by the adjustment factor. (The adjustment factor represents growth in statewide property tax valuations.)
- It increases small county assistance distributions: for counties with a population less than 4 thousand and property valuation less than \$100 million, the distribution increases from \$250 thousand to \$325 thousand.; for counties with a population of at least 4 thousand and property valuation less than \$100 million, the distribution is increased from \$225 thousand to \$250 thousand; for counties with a population under 12 thousand and property valuation of at least \$100 million but less than \$230 thousand the distribution is increased from \$150 thousand to \$175 thousand; for counties with a population of at least

12 thousand and property valuation of at least \$100 million but less than \$230 million, the distribution is increased from \$100 thousand to \$125 thousand; and for counties with a population under 48 thousand and property valuation greater than \$230 million but less than \$1.4 billion, the distribution is increased from \$50 thousand to \$75 thousand.

- It adjusts future year distributions for inflation. The inflation factor used to calculate the increase is the annual implicit price deflator index for state and local government purchases of goods and services.
- It provides for additional distributions if small county assistance fund balances are greater than what is necessary to make the regular distributions described above. The additional distribution is \$35 thousand for any county that has imposed and has in effect a county correctional gross receipts tax rate of at least one-eighth percent; \$15 thousand if the county has imposed and has in effect a county gross receipts tax increment of one-eighth percent; and fifty thousand if the county has imposed and has in effect both of these gross receipts tax increments. The provision proportionately reduces the size of this new distribution if the fund balance is insufficient to meet the regular distribution plus the newly provided distributions.

## FISCAL IMPLICATIONS

The changes proposed in this bill would increase small county distributions by \$802 thousand and reduce general fund revenues by the same amount. This represents the small counties assistance fund balances as of August 31, 2004. The reduction in state general fund revenues reflects current law provisions that require balances at the end of the year to revert. Fiscal impacts in future years would increase with the inflation factor.

DFA calculates that the increase provided by changing existing contributions would increase small county revenues by \$675 thousand. DFA estimates that to cover fully the additional, newly provided distributions would require \$290 thousand. However, the amount available from balances after paying for the increased existing distributions is only \$127 thousand (\$802 thousand less \$675 thousand) Therefore, these distributions would have to be reduced proportionately (by 56 percent).

The DFA estimated fiscal impacts to affected counties are summarized in the following table. The FY05 column reports current distributions. The increased distribution column shows the additional distribution amounts due to change from the current regular distribution. The "cash balance distribution" shows how much additional funding would be provided out of cash balances for those counties meeting that criteria. The total distributions shows the total amounts counties would receive if the bill passed, and the net fiscal impact is the difference between total proposed distributions and current distributions.

Small County Assistance Distributions (\$'s in thousands)								
County	FY 05 Distribution	Increased Distribution	Cash			Total Distributions	Net Fiscal Impact	
			Balance Distribution					
Catron	\$ 250	\$ 75	\$ -	\$ -	\$ 325	\$ 75		
Cibola	\$ 100	\$ 25	\$ -	\$ -	\$ 125	\$ 25		
De Baca	\$ 250	\$ 75	\$ -	\$ -	\$ 325	\$ 75		
Grant	\$ 50	\$ 25	\$ -	\$ -	\$ 75	\$ 25		
Guadalupe	\$ 225	\$ 25	\$ 22	\$ -	\$ 272	\$ 47		
Harding	\$ 250	\$ 75	\$ -	\$ -	\$ 325	\$ 75		
Hidalgo	\$ 225	\$ (50)	\$ -	\$ -	\$ 175	\$ (50)		
Luna	\$ 50	\$ 75	\$ -	\$ -	\$ 125	\$ 75		
Mora	\$ 225	\$ 25	\$ -	\$ -	\$ 250	\$ 25		
Quay	\$ 150	\$ 25	\$ 22	\$ -	\$ 197	\$ 47		
Rio Arriba	\$ -	\$ 75	\$ -	\$ -	\$ 75	\$ 75		
Roosevelt	\$ 100	\$ 25	\$ 15	\$ -	\$ 140	\$ 40		
San Miguel	\$ 50	\$ 25	\$ 22	\$ -	\$ 97	\$ 47		
Sierra	\$ 100	\$ 25	\$ -	\$ -	\$ 125	\$ 25		
Socorro	\$ 100	\$ 25	\$ 15	\$ -	\$ 140	\$ 40		
Taos	\$ 50	\$ 25	\$ -	\$ -	\$ 75	\$ 25		
Torrance	\$ 50	\$ 75	\$ 15	\$ -	\$ 140	\$ 90		
Union	\$ 225	\$ 25	\$ 15	\$ -	\$ 265	\$ 40		
Totals	\$ 2,450	\$ 675	\$ 127	\$ -	\$ 3,252	\$ 802		

**ADMINISTRATIVE IMPLICATIONS**

DFA is responsible for distributing small county assistance revenues. They report that these changes would not have an administrative impact.

**OTHER SUBSTANTIVE ISSUES**

DFA’s Local Government Division issued these comments:

The Small Counties Assistance Act continues to offer additional resources to qualifying counties. Many counties continue to experience increasing operating costs resulting in the depletion of General Fund revenues and cash in order to maintain basic services for the community.

According to the Association of Counties, the Fund continues to receive 10% of the compensation tax resulting in an estimated \$4.2 million of available revenues. In the past, reversions to the State's General Fund have been high and many qualifying counties were getting capped by the current statutory criteria.

The 2003 Legislature amended the Act and changed the essence of the distribution formula; property valuation amounts would be utilized to calculate distribution amounts instead of property tax revenues. The 2004 legislature also amended the formula; however, the net effect of the new language qualified only one additional county. The distribution in FY 2004-2005 was \$2,250,000 and in FY 2003-2004 the distribution was \$1,500,000.

The Association of Counties supports HB 432 and states this legislation is a priority.