

PRESENTATION

REVENUE STABILIZATION AND TAX POLICY COMMITTEE

- NEW MEXICO ASSOCIATION of COUNTIES—

TITO D. CHAVEZ

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I am Tito Chavez, lobbyist for the New Mexico Association of Counties. Our Executive Director Paul Gutierrez and my lobbying partner, Tasia Young, are presently traveling out of state. I am honored to appear before this committee. Anyone who has watched this committee during the legislature knows the hard work that is done by this committee to keep the State's budget balanced. It has certainly become more difficult at the State and local levels to keep budgets balanced.

The Hold Harmless distributions were critical to our counties' health and welfare when the food and drug gross receipts taxes were repealed and have continued to be so since then. I do want to let you know that the New Mexico Association of Counties and its members have taken the comments of legislators these past legislative sessions very serious regarding the possible elimination of the Hold Harmless money. As you know, it is not always easy to chart a course for revenue elimination.

Looking at Exhibit A of the handout, you can see the amount of revenue lost by each county with the elimination of the hold harmless distribution. Note that the distributions for May and June were not available so estimates of three year averages were used for those months. As this committee is well aware, the effect of the elimination depends on the counties' overall health so that a small amount may be much more devastating in one county than a large amount in another county. Harding County is \$ 1207.75 and Bernalillo is \$ 10, 223, 853.96. You can note your individual county or counties on the list.

On Exhibit C we have listed the County Gross Receipts Tax Local Option Increments by County. It shows what counties have enacted which increments. The counties have 17 increments and the cities, I believe, have 4 increments. Of these 17 county increments, 4 are general purpose increments, with some earmarking for indigent health care. The other 13 apply to as few as one county only. In 2004 Senator Carlos Cisneros responded to a Blue Ribbon Study to simplify the counties' GRT structure and make it more usable. He carried a bill to add a 1/16 general purpose GRT and broadened the purpose of the detention facility increment. 21 counties adopted the 1/16 general purpose increase while 25 counties adopted the detention facility increment.

Recently the Santa Fe County Commission voted to resubmit their quarter cent GRT increase to voters in November after the voters refused in 2009 to continue the 24 year-long increment after its sunset. GRT is much more important to counties than it used to be. GRT is 10 % of the revenue of Sandoval County and 15 % of the revenue of Guadalupe County. A couple of years ago GRT was more than ½ the revenue of San Juan County as they get a lot of out-of-city shoppers, Colorado and Utah included. Bernalillo County informed us a couple of years ago that GRT was 1/2 of their revenue. Smaller counties use GRT to back their infrastructure project loans through the NMFA.

While the counties work on the Hold Harmless issue, they also have to keep an eye on the PILT (Payment in Lieu of Taxes) money which was extended for one year but not authorized for four years like it had been in the past; they have to start adjusting for H.B. 184 which has a larger monetary impact than reported during the session. Bills like H.B. 184 may help economic development but it may help in a completely different area and still leave specific counties with deficient budgets; they have to watch the Secure Rural Schools funding (half for roads) that has been decreasing over a period of time; and, I found out last week that the New Mexico Supreme Court granted cert in the Zhao and Fallick cases which means they have accepted the appeal from the Court of Appeals on the “tax lightning” cases. The court may or may not address it but it will take time to find out.

I think we are all aware of the increasing bankruptcy cases for cities and counties. I read the largest monetary loss was Jefferson County while the most populated county to file bankruptcy was the City of Stockton, California. We want to work together with you to keep both the State and local governments budgets balanced and their operation functional and responsive.