F I S C A L   I M P A C T   R E P O R T

SPONSOR Eichenberg **ORIGINAL DATE** 3/09/09 **LAST UPDATED** **HB**

SHORT TITLE State-Assessed Property Tax Revenue Fund **SB** 673

ANALYST Lucero

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	($1,000.0)	Recurring	County Property Valuation fund
	$1,000.0	Recurring	State Assessed Property Valuation Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	($1,000.0)	($1,000.0)	Recurring	County Property Valuation Fund
	$1,000.0	$1,000.0	Recurring	State Assessed Property Valuation Fund

(Parenthesis ( ) Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	-0-	($670.0)	($670.0)	($1,340.0)	Recurring	PTD General Fund Appropriation

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

Senate Bill 673 proposes to amend Section 7-38-38.1 NMSA 1978 to require county treasurers to calculate 1 percent of the revenue received from properties located in their county for which the Taxation and Revenue Department (TRD) is responsible for valuation pursuant to Section 7-36-2 NMSA 1978 and to distribute that amount of the administrative charge to the state assessed property valuation fund. All other administrative charges shall be distributed to the county property valuation fund.

The bill authorizes the creation of a "state assessed property valuation fund" which shall:

1) consist of the revenue distributed to it by each county equal to 1% of the revenue received by that county attributable to the properties assessed by TRD pursuant to Section 7-36-2 NMSA 1978 located within that county;
2) be administered by TRD;
3) retain the earnings from the fund in the fund;
4) retain unexpended and unencumbered balances in the fund at the end of any fiscal year; and
5) not revert to the general fund or another fund.

Money in the state assessed property valuation fund is appropriated to TRD for expenditure in any fiscal year to provide:

1) for education programming and training for county assessors and employees of the Property Tax Division (PTD) of TRD;
2) for technical assistance to county assessors;
3) for the operation of the Property Tax Division of TRD;
4) for specialized appraisers, expert witnesses, consultants and auditors;
5) for specialized services to county assessors, including mapping, information technology, auditing and educational programming; and
6) the revenue necessary for the property tax division of TRD to be self-sustaining.

FISCAL IMPLICATIONS

The bill provides for a continuing appropriation to the Property Tax Division (PTD) of TRD.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

The Department of Finance and Administration estimates that approximately $1 million in revenues from the 1% administrative charge that is collected by counties is from properties assessed by the State. Currently the PTD receives approximately $670,000 in revenues from the general fund and approximately $2.5 million from delinquent property administration. It is unclear at this time whether the money in the state assessed property valuation fund that would be appropriated to PTD would be in lieu of the current revenue from general fund that the division receives.

Based on 2008 valuations, if 1% of the state assessed valuations were deposited in the 'state assessed valuation fund" PTD could derive $ 990,000 in revenues that could be used to assist PTD in their county certification of valuation process and/or partially offset the revenue from the general fund that the division receives. A portion of the revenue received by PTD could be used to develop a software program that assessors could use to report their valuations to PTD uniformly.

SIGNIFICANT ISSUES

According to the Department of Finance and Administration (DFA), the current law requires county treasurers to distribute 1% of revenues collected to the "county property valuation fund. Revenues derived from the county valuation fund remain with the county and are used by county assessors to meet their appraisal needs. This bill revises this section of the statute by requiring county treasurers to collect 1% of state assessed valuations and distribute revenues to the "state assessed valuation fund." The fund will be administered by TRD and shall not revert to the general fund. Potential uses of the fund would be for the operation of the property tax division, and or to provide technical assistance to county assessors, or for specialized services to the county assessors, including mapping, information technology, auditing and educational programming.

State assessments include properties such as pipelines, railroads, airlines, and communication systems. PTD performs assessments on these properties annually. The valuation attributable to each county is included as part of the non-residential valuation and the non-residential rate is imposed. The revenues derived from state assessed properties remain in the county, and the 1% attributable to state assessed properties is included as revenue in the "county valuation fund".

ADMINISTRATIVE IMPLICATIONS

County treasurers would have to revise their revenue distribution programs to create an additional revenue disbursement for the 'state assess valuation fund' and would have to develop a mechanism to transfer said revenues to the state treasury.

RELATIONSHIP

The bill relates to the General Appropriations Act appropriations for PTD.

TECHNICAL ISSUES

County assessors may already have the revenues derived from the 'county valuation fund' dedicated for payment on loans with the PTD.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

AMENDMENTS/ALTERNATIVES

The bill could be amended to provide a phased-in distribution to help Counties adjust to the decreased revenue.
The bill could be amended to reduce the county distribution to .05 percent and provide a .05 percent to TRD.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The counties will continue to benefit from the work performed by the Property Tax Division in assessing the properties listed in Significant Issues above.

DL/mc