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FISCAL IMPACT REPORT

ORIGINAL DATE 1/24/22
 SPONSOR Jaramillo LAST UPDATED 1/25/22 HB _____

SHORT TITLE Regional Transit GRT Distributions SB 30

ANALYST Graeser

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY22	FY23	FY24	FY25	FY26		
	(\$15,850.0)	(\$32,900.0)	(\$34,100.0)	(\$35,300.0)	Recurring	Counties (pass-through)
	\$15,850.0	\$32,900.0	\$34,100.0	\$35,300.0	Recurring	County Regional Transit Districts

Parenthesis () indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	\$1,428.5	--	\$1,428.5	Non-Recurring	ITD – Contractual Services
	\$107.4	--	\$107.4	Non-Recurring	ITD – Staff Workload
	--	\$322.2	\$322.2	Recurring	ITD – FTE
	\$3.2	--	\$3.2	Non-Recurring	ASD – Staff Workload

Parenthesis () indicate expenditure decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 30 provides that revenue from a county regional transit gross receipts tax will be distributed directly to the regional transit district rather than transferred from the applicable county, and then transferred from the county to the district.

The bill extends the limited protections of 7-1-6.15 NMSA 1978 to the newly authorized county regional transit district gross receipts tax transfers and adjustments of these distributions pursuant to that section.

This bill also amends Section 7-1.6.41 NMSA 1978 relating to distribution of administrative fees to the general fund. This mainly repeals obsolete provisions that imposed an additional administrative fee to fund the 2000-2002 reconstruction of the department's information systems. The redraft uses the phrase, "may charge a 3 percent administrative fee" for distributions of local option taxes to counties, municipalities, and county regional transit districts. Current law directs TRD to impose a 3 percent administrative fee on amounts distributed to local public bodies. The redraft may allow the department some discretion in the imposition of this administrative fee, but the authorizing statutes are clear the department will impose these fees on distributions.

The effective date of the provisions of this bill is January 1, 2023.

FISCAL IMPLICATIONS

TRD analyzed the impacts of this bill and describe the methodology: "The estimate uses the county regional transit district revenue distributed by TRD to counties and applies the gross receipts tax (GRT) growth rates from the Consensus Estimating Group (CREG) December 2021 forecast. Counties would no longer receive these revenues and then distribute them to regional transit districts, so their revenues and appropriations would both decrease in an offsetting manner. Regional transit districts would receive the same amount of incoming revenue directly from TRD rather than from a county.

SIGNIFICANT ISSUES

TRD comments on three significant issues:

(1) "The legislation redirects TRD's distribution for county regional transit districts taxes from the county to the regional transit districts. This may provide more direct control over the funds by the district, however the use of these funds does not change, and the funds must be used in the same manner as under current statute, as the revenues derived from the tax are pledged to the regional transit district requesting the imposition of the tax in the ordinances adopting the tax."

(2) "This bill would be highly complex for TRD to implement, and the bill contains no appropriation to offset TRD's costs (see Administrative Implications below). If regional transit districts are having problems timely or accurately receiving transfers from counties, TRD suggests counties and regional transit districts work together to ensure smooth transfer of funds rather than impose implementation costs on a state agency."

(3) "The administrative fees TRD subtracts from amounts it distributes to local public bodies is currently set by the legislature in statute, not at the discretion of TRD. It is unclear why the authority to set that fee would be at the discretion of TRD rather than set in statute."

PERFORMANCE IMPLICATIONS

This bill does not propose a GRT tax expenditure. No performance implications are involved.

ADMINISTRATIVE IMPLICATIONS

TRD indicates legislation contains significant unfunded implementation costs and may be difficult to implement for a January 1, 2023 effective date.

“The legislation will have a high impact on the Information and Technology Division (ITD) of TRD, with approximately 6 months of effort [and a cost of \$1.5 million] (\$107.4 thousand of staff workload costs and \$1.4 million of contractual resources including gross receipts tax). The legislation requires system configuration updates for local option distributions, updates to reports, the accounting systems, and implementation of an administrative fee.”

“Due to the nature and complexity of the effort required to implement the proposed changes in this legislation, a contract with the GenTax vendor, FAST Enterprises, LLC is required. The estimate for FAST to implement the changes in this estimate is \$1.1 million including gross receipts (at the current gross receipts tax rate of 8.4375 percent) and approximately 6 months.”

“In addition to the contract with FAST, a contract project manager and contract business analyst will be required at approximately \$214.3 thousand including gross receipts. Due to the nature of such an implementation, Independent Verification and Validation (IV&V) services would also be required at a cost of approximately \$129.9 thousand including gross receipts.”

“Additionally, one state development resource and one state business analyst (2 FTE) would be needed for the duration of the project at an estimated \$107.4 thousand staff workload cost. After implementation is completed, one application developer, one business analyst and one database/system administrator FTE will be necessary for ongoing operations and support, with the explanation that the more the system is upgraded, the more it needs support.”

“The Administrative and Services Division (ASD) of TRD estimates that implementation of the legislation will take approximately 80 staff workload hours at a cost of \$3.2 thousand related to system changes.”

“Due to the effective date of January 1, 2023, changes to rates, deductions and distributions adds to the complexity and risk TRD faces January 1, 2023 to ensure complete readiness and testing of all processes. TRD implements twice a year GRT and compensating tax rate changes occurring every July 1 and January 1. If several bills with similar or earlier effective dates become law, there will be a greater impact to TRD and additional staff workload costs or contract resources may be needed to complete the changes specified by the effective date(s) of each bill.”

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill was introduced last year (2021 Regular Session) as SB372.

TECHNICAL ISSUES

TRD is somewhat concerned about the change in Section 7-1-6.41 NMSA 1978 from “shall” to “may” in the authority to impose a three percent administrative fee on distributions of local option gross receipts taxes.

OTHER SUBSTANTIVE ISSUES

The complexity of the administrative task is explained because, for example, the North Central Regional Transit Authority has GRT funding from Rio Arriba, Santa Fe, Taos, and Los Alamos Counties. The Rio Metro regional transit district has GRT funding from Bernalillo, Sandoval, and Valencia Counties. The multi-county funding with a single new distribution entity is a new concept that will have to be built into the system.

ALTERNATIVES

TRD suggests that multi-county cooperation might be preferable to adding complexity to the already significantly complicated GenTax GRT processing system.

“This bill would be highly complex for TRD to implement, and the bill contains no appropriation to offset TRD’s costs (see Administrative Implications below). If regional transit districts are having problems timely or accurately receiving transfers from counties, TRD suggests that counties and regional transit districts work together to ensure smooth transfer of funds rather than impose implementation costs on a state agency.”

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