

County tax hike decision Tuesday

Dan McKay / Journal Staff
Writer

Copyright © 2015 Albuquerque Journal

It isn't a done deal just yet.



Bernalillo County commissioners narrowly agreed last month to move forward with a tax increase that would raise about \$42 million a year.

As a result, the tax shoppers pay on most goods and services in Albuquerque would climb from 7 percent to 7.25 percent, or a quarter of 1 percent, starting July 1.

But a final decision on the tax is due Tuesday, and Commissioner Art De La Cruz is emerging as the swing vote.

County credit ratings remain high

Wall Street still has confidence that Bernalillo County can repay the money it borrows.

The three major rating agencies – Fitch, Moody's, and Standard & Poor's – issued the county a "AAA" grade, the highest available. The rating comes ahead of the county's plans to sell general-obligation bonds, which finance major street repairs and other capital projects.

"The county's financial position is under spending pressure, particularly in public safety, but remains solid," Fitch said in a news release. "Financial reserves remain large despite three consecutive years of sizable draw downs (including projected fiscal 2015 results)."

De La Cruz, a Democrat from the South Valley, said he isn't inclined to support the full amount.

That's because half of the tax is intended to compensate the county for some state funding it's scheduled to lose, a revenue stream known as "hold harmless" distributions.

The county receives about \$11 million in "hold harmless" funding each year. But the portion of the new tax dedicated to offsetting that cut would actually raise about \$21 million a year.

"If they want my support," De La Cruz said, "they're going to have to adjust that. (I want to) only recover what we're going to lose. They have to do the math on that."

His support is critical because introduction of the tax ordinance won approval last month on a 3-2 vote along party lines, with Democrats in the majority.

De La Cruz has no problem with the other half of the tax – a one-eighth of a percent dedicated to new behavioral health programs – as long as the county comes up with a responsible plan for how it will be spent. Voters expressed overwhelming support for that tax in response to an advisory question on the ballot in November.

Big shortfall

The debate over taxes comes as Bernalillo County faces broader financial trouble. The county administration is trying to close a projected gap between revenue and expenses in next year's budget.

Estimates on the shortfall range from \$40 million to \$70 million, depending on what assumptions are built into the projection.

Spending in the county's basic operating budget has far outpaced inflation in recent years. The county's general-fund spending climbed about 28 percent over a recent five-year period, according to county figures.

The Consumer Price Index grew about 8 percent over that period. Spending by the city of Albuquerque grew about half the rate of inflation.

Commission Chairwoman Maggie Hart Stebbins, a Democrat from the university area, said the county has cut costs in some areas but that spending on public safety has grown largely "beyond our control."

That includes the money needed to operate the jail – where new efforts are succeeding finally to relieve crowded conditions and address safety – and the addition of new firefighters to staff a fire station once run by the city.

"This (tax) is obviously not something any of us does with relish," she told the **Journal**, "but we feel we're at a point where we can do nothing else."

Half of the new tax revenue, of course, wouldn't help bridge the budget gap because it would be dedicated to new mental-health programs, such as operating a triage center for people in crisis.

How much the other half of the revenue would help isn't clear. That's because it depends on how much state funding is cut.

As things stand now, the county is in line to lose about \$800,000 in "hold harmless" funding next year, as part of a slow phasing out of the money altogether, officials said. That would leave the county with about \$20 million in new tax revenue left over to apply to its basic operating budget.

But county officials also fear that the state Legislature will move to take all of the revenue away more quickly, if the county imposes the tax. That would leave the county with only about \$9 million in new revenue for the budget.

'Regressive' tax

Two commissioners – Wayne Johnson and Lonnie Talbert, both Republicans – simply aren't convinced a tax increase is necessary.

Talbert said imposing a tax on shoppers, as proposed, is "regressive," meaning it hits the poor harder than the rich. The county might find enough ways to cut costs to avoid increasing taxes, he said.

"I want to make sure we're exhausting all of our options before we decide to put a tax increase through," Talbert said.

Johnson said the county has to get its spending under control or even a tax increase won't be enough.

He also opposes the half of the tax dedicated to mental-health programs. The county hasn't developed enough specifics for what it would do with the money, Johnson said.

"We're just grabbing the money because we can, and we have no real plan," he said.

Hart Stebbins said the county is preparing to solicit proposals for a plan.

The County Commission meets to consider the tax ordinance and other matters at 5 p.m. Tuesday in the city-county Government Center at Fifth and Marquette NW.