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FISCAL IMPACT REPORT

ORIGINAL DATE 04/08/13

SPONSOR Rehm LAST UPDATED _____ HB 357

SHORT TITLE Reduce Tax Levy for County Hospital Funding SB _____

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
		(\$14,422.0)	(\$49,516.0)	(\$91,802.0)	Nonrecurring	UNM Hospital

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

UNM Hospital

SUMMARY

Synopsis of Bill

House Bill 357 bill amends Section 4-48B-12 NMSA 1978, to decrease the county hospital funding property tax mill levy for class A counties with a population of more than five hundred thousand. It would be reduced to eighty-five percent by January 1, 2014; fifty percent by January 1, 2015; and ten percent by January 1, 2016.

Effective Date: July 1, 2013

FISCAL IMPLICATIONS

The Bernalillo County Finance Department reported that voters authorized 6.4 mills on June 10, 2008, to fund the Bernalillo County Medical Center. The rate was approved until 2016. Thus the 2011 tax levy imposed and collected in Bernalillo County is 6.4 mills not subject to yield-control. The 2012 Net Taxable Value for Bernalillo County was just above \$14 billion. TRD's estimate assumes that the reduction to 85 percent of the 2011 levy would affect FY 2015 collections. An annual 3 percent growth in net taxable value is assumed. This is between the 1.3 percent experience of annual growth in TY 2012 and the 4.4 percent experience of average annual growth from 2004 to 2012.

SIGNIFICANT ISSUES

For fiscal year (FY) 2012 the mill levy represented approximately 12 percent of the total funding for UNMH. The remaining sources of funding are Medicare, Medicaid and other third party payers. During FY 2012 the patient payer mix at UNMH (based on billed charges) was: 26 percent Medicaid, 28 percent Commercial, 19 percent Medicare, 21 percent uncompensated care, and 6 percent from other sources.

The following table documents the importance of the mil levy funding at UNMH as compared to costs.

UNM Hospitals
University of New Mexico Health Sciences Center
Income Statement
Fiscal Year 2011 through Projected 2016
 (\$ in millions)

	FY 2011 Actual	FY 2012 Actual	FY 2013 Projected	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
1 Revenues:						
2 Medicaid & Medicaid Salud Revenue	\$ 276	\$ 270	\$ 271	\$ 263	\$ 257	\$ 267
3 All Other Patient Revenue	367	374	380	409	444	482
Total Net Patient Revenue	643	644	651	672	701	749
4 Mil Levy	89	90	92	83	61	20
5 Other Revenue	36	38	33	33	33	33
6 Total All Other Revenue	126	128	125	117	94	54
7 Total Net Revenue	\$ 768	\$ 773	\$ 776	\$ 789	\$ 796	\$ 803
8 Expenses:						
9 Salaries, Wages & Benefits	\$ 372	\$ 385	\$ 393	\$ 397	\$ 418	\$ 458
10 Other Expenses	387	386	382	401	410	418
11 Total Expenses	759	771	775	797	828	876
12 Net Income	\$ 9	\$ 2	\$ 0	\$ (8)	\$ (32)	\$ (73)

TRD States that “The policy purpose of this bill is to adapt the University of New Mexico Hospital (UNMH) funding to the provisions of the (federal) Affordable Care Act, which mandates by 2014, all persons, must have health insurance. If all goes as planned, there would be no further need for an Indigent Care Fund.”

However, there is substantial debate among analysts as to whether the Affordable Care Act will obviate the need for indigent funds in the short or long run. For example, the current census shows that 20 percent of the uninsured are undocumented residents and therefore ineligible for Medicaid.

TRD also raises the question whether the legislature can override a validly imposed mill levy approved by the voters.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is not met since TRD is not required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from

taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose.

The LFC tax policy of accountability is met with the bill's requirement to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose.

TECHNICAL ISSUES

This bill does not contain a sunset date. The LFC recommends adding a sunset date.

Does the bill meet the Legislative Finance Committee tax policy principles?

- 1. Adequacy:** Revenue should be adequate to fund needed government services.
- 2. Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- 3. Equity:** Different taxpayers should be treated fairly.
- 4. Simplicity:** Collection should be simple and easily understood.
- 5. Accountability:** Preferences should be easy to monitor and evaluate

SS/blm