

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (www.nmlegis.gov). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 02/05/14

SPONSOR Martinez LAST UPDATED _____ HB _____

SHORT TITLE County Education Gross Receipts for Bonds SB 82

ANALYST van Moorsel

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16	FY17	FY18		
	\$1,630.0	\$3,420.0	\$3,600.0	\$3,750.0	Recurring	Rio Arriba County

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 82 creates a new section of the County Local Option Gross Receipts Taxes Act to authorize the governing body of a class B county with a population of less than 45 thousand and a net taxable value for property tax purposes for the 2012 property tax year of more than \$1.5 billion to impose a 3/4 percent “special county education gross receipts tax.”

The revenue raised by the tax is dedicated for the payment of special county education gross receipts tax revenue bonds for public school capital improvements for participating public schools, and charter schools in the county.

The tax is imposed for the period necessary to service the debt on the bonds, not to exceed 20 years from the effective date of the ordinance imposing the tax.

A county may reimpose a special county education gross receipts tax to be effective upon termination of a previously imposed special county education gross receipts tax.

The bill permits boards of each participating school district or charter school in the county to enter into a joint agreement to submit a resolution to the county requiring the county to impose a special county education gross receipts tax and to issue special county education gross receipts tax revenue bonds for funding public school capital improvements. The bill provides that revenues be distributed proportionately to each of the participating school districts and charter schools for based on their 40-day enrollment.

An ordinance imposing the special county education gross receipts tax must be approved by voters in the county at a general election or at a special election called for that purpose by the governing body.

SB 82 requires the county to administer proceeds from special county education gross receipts tax revenue bonds.

The effective date of this bill is July 1, 2014.

FISCAL IMPLICATIONS

The Taxation and Revenue Department reports there would be no direct General Fund revenue impact from this bill. Under the definition of eligible counties, only Rio Arriba County currently qualifies. If Rio Arriba County were to enact a three-fourths percent local option gross receipts tax, it would generate about \$3.26 million based on FY 13 levels of taxable gross receipts in the county.

The potential FY15 impact is halved, assuming the tax wouldn't be imposed until January 1, 2015.

SIGNIFICANT ISSUES

The Public Education Department (PED) notes the bill creates a new tax outside of a comprehensive statewide tax structure.

The Legislature has committed the annual revenues generated from Supplemental Severance Tax Bonds to be used to support a statewide standards based awards process. This process was put in place in response to the Zuni lawsuit that claimed that districts with low property valuations were at a disadvantage in providing adequate facilities for their students. These locally generated capital funds could put the agreements in place because of the Zuni case at risk because certain counties have a higher capacity to generate funds resulting in substantial difference in the quality of facilities among districts. Consideration should be given to including these revenues as local sources when determining the state/district share of construction projects.

The school districts residing within Rio Arriba County are: Chama Independent Schools, Dulce Independent Schools, Espanola Public Schools (one local charter school, two state-chartered charters), and Jemez Mountain (one local charter school).

PED adds this revenue stream would not affect the calculation of the district's share for Public School Capital Outlay projects because this type of revenue is not incorporated in the formula that calculates the state and local share percentages. Changes to the standards based formula should be considered to include these funds as local capacity to pay for facilities.

ADMINISTRATIVE IMPLICATIONS

TRD reports the bill would have a minimal impact. A new CRS tax program revenue accounting key would need to be created in GenTax. Reports would need to be reprogrammed and tested. Tax rate tables would be updated as part of the normal semi-annual update process.

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

PvM/jl