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

SPONSOR:	Fidel	DATE TYPED:	03/16/01	HB	
SHORT TITLE:	Public Improvements Financing			SB	715/aSJC/aHTRC
				ANALYST:	Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	**FY02**			
		No Fiscal Impact		State Government
		See Text		Local Government

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to SB 755

SOURCES OF INFORMATION

LFC Files
New Mexico Finance Authority
Department of Finance and Administration, received last week of session

SUMMARY

Synopsis of HTRC Amendments

The House Taxation and Revenue Committee amendments strike the SJC amendment. HTRC then inserts a new section to similar to that of the SJC amendment which corrects the technical error.

Synopsis of SJC Amendment

The Senate Judiciary Committee amendment adds that contracts for service relating to design, engineering, financing, construction and acquisition of public “involvements” in improvement districts are exempt from the procurement code.

Synopsis of Original Bill

This bill amend and expands current statutes concerning improvement districts. The bill expands the listing of development inadequacies in subdivisions by including the language: “such as, but not limited to”. The improvement district authorities are expanded to include the ability to construct, acquire, repair or maintain land served by any project. Projects are expanded to include railroad spurs and other rail property as well as on-site or off-site improvements.

The bill authorizes an improvement district to impose a property tax to generate revenue to pay off general obligation bonds. These bonds are to be backed by the full faith and credit of the district. Issuance of these bonds is subject to an election within the improvement district. The process for bond issuance is outlined. These 30-year bonds must be sold at a price that does not result in a net effective interest rate exceeding the maximum permitted by the Public Securities Act and may be sold at public or private sale. The principal amount of these bonds must not exceed 25 percent of the final estimated value of properties in the district after completion of the projects to be financed and after development of properties in the district according to planned use. The improvement district may also issue refunding bonds. A process for refunding bonds is also outlined in the bill.

Imposition and collection of the improvement district property tax is to be similar to that of existing property taxes. The bill authorizes property owners to enter into contracts for the projects funded by bond proceeds, and these contracts are not subject to the procurement code or other laws.

Significant Issues

DFA raises concerns that a developer retaining majority ownership of property within the district could influence the vote. DFA also notes the lack of consultation with and oversight of local governments. Per DFA, if a private individual uses and benefits from public funds that will be paid back over the next 30 years by future property owners that purchase parcels within the district boundaries, there would be a possible violation of the anti-donation clause. Finally, DFA raises concerns about impacts on local government finances.

FISCAL IMPLICATIONS

This bill would not have a direct impact on state government revenues.

The provisions would potentially increase property taxes imposed by improvement districts; however, these increases would be subject to voter approval for those owning property in the improvement district. Bonding capacity would address specific types of projects, and the revenue from the property tax would pay off the bonds. The impact to counties is undetermined at this time because it is unknown how many counties would opt to utilize the new provisions.

AW/njw:ar