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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/24/08

SPONSOR Moore LAST UPDATED \_\_\_\_\_ HB 229

SHORT TITLE End Yield Control on School Mill Levy SB \_\_\_\_\_

ANALYST Francis

### REVENUE (dollars in thousands)

| Estimated Revenue |       |       | Recurring<br>or Non-Rec | Fund<br>Affected                          |
|-------------------|-------|-------|-------------------------|---|
| FY08              | FY09  | FY10  |                         |   |
|                   | 1,900 | 2,000 | Recurring               | Local<br>Government –<br>School districts |
|                   | 5,600 | 5,900 | Recurring               | Public School<br>Fund                     |

(Parenthesis ( ) Indicate Revenue Decreases)

Companion to HB398, HB51, HB311, HB241, HJR8

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Finance and Administration (DFA)  
Public Education Department (PED)

### SUMMARY

#### Synopsis of Bill

House Bill 229 removes a 0.5 mill levy used for school district operating purposes from the yield control limitations.<sup>1</sup> Current property tax law includes the school district operating levy in a section that controls the amount taxable value of property can increase in a given year.

The effective date is July 1, 2008, and so would be used in DFA's rate setting process in fall 2008.

### FISCAL IMPLICATIONS

The fiscal impact of this change is a total of \$7.5 million in increased revenue. The funding formula includes a credit of 75 percent for property tax collected from this mill levy which is

<sup>1</sup> 0.5 mill equals 50 cents per \$1000 taxable property value.

distributed to the state Public School Fund and then redistributed per the formula. So the net impact on school districts is \$1.9 million and the net impact on the public school fund is \$5.6 million.

TRD:

School district operating levies currently generate approximately \$15 million in obligations annually – roughly 1.6 percent of the statewide approximate \$1.28 billion total. This figure would rise by about \$8.5 million if all school districts imposed all of their remaining authority and the yield control statute did not apply. Figures shown in the first three columns above were calculated by DFA and generate results similar to calculations done by TRD. They do not reflect actual collection experience, but including distribution to school districts of taxes generated via sales of delinquent properties would most likely make the figures shown above very accurate. The FY 2010 through 2012 figures shown above are simply the FY09 figures increased by approximately 5 percent in each successive year.

The yield control mechanism encourages reassessment – and property tax equity -- by decreasing property tax rates in response to increases in assessed value resulting from reassessment, thus limiting property tax yields. The proposed measure's rationale for exempting school district operating levies and not levies of other entities – primarily counties and municipalities – is unclear. The cost to the average taxpayer would, however, in most cases, be relatively small, because the \$7.5 million in increased obligations it would generate represents only about .6 percent of total tax obligations statewide.

## **SIGNIFICANT ISSUES**

The 2007 funding formula study task force sponsored HB229 as a way of providing additional funding for a new public school funding formula. HB 241 is the legislation that would change the formula.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HB 241 establishes a new public school funding formula.

HB51 mandates combined reporting for unitary corporations and distributes a portion of the corporate income tax revenues to the Public School Fund.

HJR8 amends the constitution to divert some of the land grant permanent fund to the Public School Fund.

HB398 appropriates funds to supplement public school funding.

HB311 raises the state gross receipts tax rate for public school funding.

NF/mt

## DFA Estimate of Impact by School District

| DISTRICT      | County/Tax Area   | Current Obligations | Proposed Obligations | Increase  | 25% to School District | 75% to Public School Fund |
|---------------|-------------------|---------------------|----------------------|-----------|------------------------|---------------------------|
| ALBUQUERQUE   | Bernalillo #12/2A | 4,015,830           | 6,432,097            | 2,416,267 | 604,067                | 1,812,200                 |
| ALBUQUERQUE   | Bernalillo #R1-A  | 4,159               | 4,159                | 0         | 0                      | 0                         |
| MORIARTY      | Bernalillo #24    | 27,554              | 37,847               | 10,293    | 2,573                  | 7,720                     |
| MORIARTY      | Bernalillo #8-T   | 50                  | 50                   | 0         | 0                      | 0                         |
| RESERVE       | Catron #1         | 18,043              | 18,043               | 0         | 0                      | 0                         |
| QUEMADO       | Catron #2         | 20,959              | 27,917               | 6,958     | 1,740                  | 5,218                     |
| QUEMADO       | Catron #2A        | 2,310               | 3,048                | 738       | 185                    | 554                       |
| ROSWELL       | Chaves #1         | 298,476             | 386,042              | 87,565    | 21,891                 | 65,674                    |
| ARTESIA       | Chaves #14        | 3,433               | 3,534                | 101       | 25                     | 76                        |
| TATUM         | Chaves #1L        | 19                  | 25                   | 6         | 2                      | 5                         |
| LAKE ARTHUR   | Chaves #20        | 10,167              | 10,417               | 250       | 63                     | 187                       |
| ELIDA         | Chaves #27/28     | 1,965               | 2,063                | 99        | 25                     | 74                        |
| HAGERMAN      | Chaves #6         | 11,712              | 12,908               | 1,197     | 299                    | 897                       |
| DEXTER        | Chaves #8         | 26,041              | 30,377               | 4,337     | 1,084                  | 3,253                     |
| GRANTS/CIBOLA | Cibola #3         | 103,661             | 117,909              | 14,247    | 3,562                  | 10,686                    |
| QUEMADO       | Cibola Q-M-02     | 1,250               | 1,563                | 313       | 78                     | 234                       |
| CIMARRON      | Colfax #3         | 81,419              | 137,815              | 56,396    | 14,099                 | 42,297                    |
| MAXWELL       | Colfax #26        | 3,758               | 4,827                | 1,069     | 267                    | 802                       |
| SPRINGER      | Colfax #24        | 8,804               | 13,436               | 4,632     | 1,158                  | 3,474                     |
| RATON         | Colfax #11        | 44,510              | 62,628               | 18,118    | 4,530                  | 13,588                    |
| DES MOINES    | Colfax #35        | 385                 | 443                  | 57        | 14                     | 43                        |
| CLOVIS        | Curry #1          | 236,565             | 240,929              | 4,364     | 1,091                  | 3,273                     |
| MELROSE       | Curry #12         | 8,262               | 8,299                | 37        | 9                      | 28                        |
| TEXICO        | Curry #2          | 17,969              | 19,698               | 1,729     | 432                    | 1,297                     |
| GRADY         | Curry #61         | 3,877               | 3,891                | 13        | 3                      | 10                        |
| FORT SUMNER   | De Baca #20       | 21,769              | 23,266               | 1,497     | 374                    | 1,123                     |
| HATCH         | Dona Ana #11      | 23,966              | 28,817               | 4,851     | 1,213                  | 3,638                     |
| GADSDEN       | Dona Ana #16      | 224,933             | 299,991              | 75,058    | 18,765                 | 56,293                    |
| LAS CRUCES    | Dona Ana #2       | 880,200             | 1,234,661            | 354,462   | 88,616                 | 265,846                   |
| LOVING        | Eddy #10          | 61,148              | 67,608               | 6,461     | 1,615                  | 4,846                     |
| ARTESIA       | Eddy #16          | 542,558             | 550,739              | 8,181     | 2,045                  | 6,136                     |
| CARLSBAD      | Eddy #C           | 646,107             | 664,013              | 17,906    | 4,477                  | 13,429                    |
| SILVER CONS.  | Grant #1          | 126,901             | 220,124              | 93,223    | 23,306                 | 69,917                    |
| COBRE         | Grant #2          | 50,731              | 88,573               | 37,842    | 9,461                  | 28,381                    |
| VAUGHN        | Guadalupe #33     | 10,477              | 10,568               | 92        | 23                     | 69                        |
| SANTA ROSA    | Guadalupe #8      | 32,935              | 37,514               | 4,579     | 1,145                  | 3,434                     |
| LOGAN         | Harding #24/25    | 1,053               | 1,144                | 91        | 23                     | 68                        |
| ROY           | Harding #3        | 2,879               | 3,222                | 342       | 86                     | 257                       |
| MOSQUERO      | Harding #5        | 14,163              | 14,348               | 184       | 46                     | 138                       |
| LORDSBURG     | Hidalgo #1        | 52,241              | 52,520               | 279       | 70                     | 209                       |
| ANIMAS        | Hidalgo #6        | 13,717              | 14,637               | 919       | 230                    | 689                       |
| EUNICE        | Lea #8            | 322,602             | 324,176              | 1,574     | 394                    | 1,181                     |
| JAL           | Lea #19           | 113,462             | 113,696              | 233       | 58                     | 175                       |
| LOVINGTON     | Lea #1            | 315,692             | 326,687              | 10,995    | 2,749                  | 8,246                     |
| HOBBS         | Lea #16           | 460,956             | 501,091              | 40,136    | 10,034                 | 30,102                    |
| TATUM         | Lea #28           | 81,271              | 82,598               | 1,327     | 332                    | 995                       |
| CAPITAN       | Lincoln #28       | 69,711              | 134,289              | 64,577    | 16,144                 | 48,433                    |

## DFA Estimate of Impact by School District

| DISTRICT      | County/Tax Area  | Current Obligations | Proposed Obligations | Increase | 25% to School District | 75% to Public School Fund |
|---------------|------------------|---------------------|----------------------|----------|------------------------|---------------------------|
| HONDO         | Lincoln #20      | 12,209              | 12,321               | 112      | 28                     | 84                        |
| RUIDOSO       | Lincoln #3       | 120,228             | 185,377              | 65,149   | 16,287                 | 48,862                    |
| CORONA        | Lincoln #13      | 12,130              | 12,193               | 63       | 16                     | 47                        |
| CARRIZOZO     | Lincoln #7       | 14,850              | 16,917               | 2,067    | 517                    | 1,550                     |
| LOS ALAMOS    | Los Alamos #1    | 201,219             | 362,064              | 160,846  | 40,212                 | 120,634                   |
| DEMING        | Luna #1          | 197,219             | 213,653              | 16,433   | 4,108                  | 12,325                    |
| ZUNI          | McKinley         | 1,355               | 1,355                | 0        | 0                      | 0                         |
| GALLUP-       |                  |                     |                      |          |                        |                           |
| MCKINLEY      | McKinley #1      | 276,805             | 338,387              | 61,582   | 15,396                 | 46,187                    |
| MORA          | Mora #1          | 16,595              | 29,412               | 12,818   | 3,205                  | 9,613                     |
| WAGON MOUND   | Mora #12         | 6,173               | 7,119                | 946      | 237                    | 710                       |
| WAGON MOUND   | Mora #10-A       | 1,438               | 1,891                | 453      | 113                    | 340                       |
| LAS VEGAS     |                  |                     |                      |          |                        |                           |
| CITY          | Mora #12C        | 1,198               | 1,788                | 589      | 147                    | 442                       |
| ALAMOGORDO    | Otero #1         | 211,696             | 279,506              | 67,810   | 16,953                 | 50,857                    |
| CLOUDCROFT    | Otero #11        | 36,016              | 66,288               | 30,272   | 7,568                  | 22,704                    |
| GADSDEN       | Otero #16        | 8,774               | 13,201               | 4,427    | 1,107                  | 3,321                     |
| TULAROSA      | Otero #4         | 23,230              | 30,297               | 7,067    | 1,767                  | 5,300                     |
| TUCUMCARI     | Quay #1          | 29,033              | 35,130               | 6,097    | 1,524                  | 4,573                     |
| HOUSE         | Quay #19         | 2,407               | 2,673                | 266      | 67                     | 199                       |
| GRADY         | Quay #23/47      | 321                 | 322                  | 1        | 0                      | 1                         |
| LOGAN         | Quay #32         | 13,681              | 18,973               | 5,292    | 1,323                  | 3,969                     |
| LOGAN         | Quay #33         | 3,245               | 3,421                | 176      | 44                     | 132                       |
| SAN JON       | Quay #34         | 6,251               | 6,660                | 409      | 102                    | 307                       |
| MELROSE       | Quay #53         | 1,370               | 1,375                | 5        | 1                      | 4                         |
| CHAMA VALLEY  | Rio Arriba #19   | 33,321              | 56,365               | 23,044   | 5,761                  | 17,283                    |
| DULCE         | Rio Arriba #21   | 476,200             | 477,549              | 1,350    | 338                    | 1,012                     |
| PENASCO       | Rio Arriba #32   | 787                 | 1,357                | 570      | 143                    | 427                       |
| ESPANOLA      | Rio Arriba #45   | 58,639              | 92,618               | 33,979   | 8,495                  | 25,484                    |
| JEMEZ         |                  |                     |                      |          |                        |                           |
| MOUNTAIN      | Rio Arriba #53   | 179,414             | 183,297              | 3,883    | 971                    | 2,912                     |
| MESA VISTA    | Rio Arriba #6T   | 4,890               | 6,976                | 2,086    | 522                    | 1,564                     |
| ELIDA         | Roosevelt #2     | 9,700               | 10,003               | 303      | 76                     | 227                       |
| FLOYD         | Roosevelt #5     | 6,875               | 7,122                | 247      | 62                     | 185                       |
| PORTALES      | Roosevelt #1     | 81,829              | 90,542               | 8,714    | 2,179                  | 6,535                     |
| DORA          | Roosevelt #39    | 13,957              | 14,210               | 253      | 63                     | 190                       |
| TEXICO        | Roosevelt #3     | 8,554               | 9,322                | 768      | 192                    | 576                       |
| MELROSE       | Roosevelt #9/53  | 2,386               | 2,389                | 3        | 1                      | 2                         |
| HOUSE         | Roosevelt #9A/74 | 1,729               | 1,830                | 101      | 25                     | 76                        |
| AZTEC         | San Juan #2      | 624,198             | 660,972              | 36,774   | 9,194                  | 27,581                    |
| AZTEC         | San Juan #6120   | 427                 | 457                  | 30       | 8                      | 23                        |
| CENTRAL CONS. | San Juan #22     | 323,305             | 332,769              | 9,465    | 2,366                  | 7,098                     |
| FARMINGTON    | San Juan #5      | 406,929             | 525,376              | 118,447  | 29,612                 | 88,835                    |
| BLOOMFIELD    | San Juan #6      | 381,350             | 496,228              | 114,878  | 28,720                 | 86,158                    |
| LAS VEGAS     |                  |                     |                      |          |                        |                           |
| WEST          | San Miguel #1    | 44,376              | 69,323               | 24,948   | 6,237                  | 18,711                    |
| LAS VEGAS     |                  |                     |                      |          |                        |                           |
| CITY          | San Miguel #2    | 62,589              | 101,922              | 39,333   | 9,833                  | 29,500                    |
| PECOS         | San Miguel #21   | 11,587              | 18,276               | 6,690    | 1,673                  | 5,017                     |

## DFA Estimate of Impact by School District

| DISTRICT         | County/Tax Area  | Current Obligations | Proposed Obligations | Increase         | 25% to School District | 75% to Public School Fund |
|------------------|------------------|---------------------|----------------------|------------------|------------------------|---------------------------|
| SANTA ROSA       | San Miguel #50   | 334                 | 477                  | 144              | 36                     | 108                       |
| BERNALILLO       | Sandoval #1      | 109,854             | 255,334              | 145,480          | 36,370                 | 109,110                   |
| CUBA             | Sandoval #20     | 20,782              | 23,674               | 2,892            | 723                    | 2,169                     |
| ALBUQUERQUE      | Sandoval #2A     | 72,497              | 134,922              | 62,425           | 15,606                 | 46,819                    |
| ALBUQUERQUE      | Sandoval #2AC    | 10,655              | 20,088               | 9,432            | 2,358                  | 7,074                     |
| JEMEZ VALLEY     | Sandoval #31     | 21,389              | 34,809               | 13,420           | 3,355                  | 10,065                    |
| JEMEZ VALLEY     | Sandoval #31RR   | 0                   | 0                    | 0                | 0                      | 0                         |
| RIO RANCHO       | Sandoval #94     | 363,081             | 966,033              | 602,952          | 150,738                | 452,214                   |
| POJOAQUE         | Santa Fe #1      | 32,234              | 82,009               | 49,774           | 12,444                 | 37,331                    |
| ESPANOLA         | Santa Fe #18     | 17,092              | 53,970               | 36,878           | 9,220                  | 27,659                    |
| MORIARTY         | Santa Fe #8T     | 75,308              | 98,205               | 22,897           | 5,724                  | 17,172                    |
| SANTA FE         | Santa Fe #C      | 933,116             | 2,803,262            | 1,870,146        | 467,537                | 1,402,610                 |
| TRUTH OR CONSEQ. | Sierra #6        | 110,822             | 110,822              | 0                | 0                      | 0                         |
| SOCORRO          | Socorro #1       | 43,363              | 71,703               | 28,340           | 7,085                  | 21,255                    |
| MAGDALENA        | Socorro #12      | 6,172               | 10,738               | 4,567            | 1,142                  | 3,425                     |
| CORONA           | Socorro #13L     | 1,167               | 1,173                | 5                | 1                      | 4                         |
| MOUNTAINAIR      | Socorro #13T     | 1,375               | 1,538                | 164              | 41                     | 123                       |
| BELEN            | Socorro #5       | 14,614              | 18,650               | 4,036            | 1,009                  | 3,027                     |
| CARRIZOZO        | Socorro #7L      | 208                 | 243                  | 35               | 9                      | 27                        |
| TAOS             | Taos #1/#8-18    | 208,829             | 357,418              | 148,589          | 37,147                 | 111,442                   |
| PENASCO          | Taos #4          | 6,355               | 14,786               | 8,430            | 2,108                  | 6,323                     |
| MESA VISTA       | Taos #6          | 8,129               | 9,555                | 1,426            | 357                    | 1,070                     |
| QUESTA           | Taos #9          | 61,726              | 76,680               | 14,955           | 3,739                  | 11,216                    |
| MOUNTAINAIR      | Torrance #13     | 19,527              | 21,938               | 2,411            | 603                    | 1,808                     |
| VAUGHN           | Torrance #16     | 9,265               | 9,309                | 45               | 11                     | 33                        |
| CORONA           | Torrance #20/35  | 2,179               | 2,192                | 13               | 3                      | 10                        |
| ESTANCIA         | Torrance #7      | 39,597              | 41,043               | 1,447            | 362                    | 1,085                     |
| MORIARTY         | Torrance #8      | 56,562              | 70,198               | 13,636           | 3,409                  | 10,227                    |
| CLAYTON          | Union #1         | 47,638              | 49,981               | 2,343            | 586                    | 1,757                     |
| DES MOINES       | Union #22        | 8,976               | 10,190               | 1,214            | 304                    | 911                       |
| SPRINGER         | Union #49        | 355                 | 427                  | 72               | 18                     | 54                        |
| LOS LUNAS        | Valencia #1      | 135,729             | 276,045              | 140,316          | 35,079                 | 105,237                   |
| LOS LUNAS        | Valencia #3-LL** | 2,034               | 5,523                | 3,489            | 872                    | 2,616                     |
| BELEN            | Valencia #2      | 115,587             | 187,732              | 72,145           | 18,036                 | 54,109                    |
| BELEN            | Valencia #3-BN*  | 291                 | 651                  | 360              | 90                     | 270                       |
| PERALTA          |                  | 0                   | 0                    | 0                |                        | 0                         |
| <b>TOTAL</b>     |                  | <b>15,507,977</b>   | <b>22,994,791</b>    | <b>7,486,819</b> | <b>1,871,705</b>       | <b>5,615,112</b>          |