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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/26/08  
 LAST UPDATED 2/1/08 HJR 10

SPONSOR Varela

SHORT TITLE Statewide Millage Rate for School Funds SB \_\_\_\_\_

ANALYST Aguilar

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
		\$251,000.0	Recurring	Public School Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to HB 241

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Education Department (PED)

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Joint Resolution 10 proposes an amendment to the New Mexico Constitution increasing the current twenty mill limit to twenty five mills and dedicating the additional five mills to fund public schools in the state.

### FISCAL IMPLICATIONS

The revenue stream projected to be generated by the increased millage is a recurring revenue source dedicated to the Public School Fund to be used to fund public k-12 education in New Mexico. The latest property valuation statewide was \$46.9 billion and grown at a rate of approximately 3.5 percent (which is lower than the past few years which have seen tremendous growth) yields a property value of \$50 billion for tax year 2010. Because the amendment has to go to the voters in November, 2010 is the earliest tax year that the change will be effective.

This amount would generate approximately 70 percent of the total revenue needed to implement the formula.

**SIGNIFICANT ISSUES**

Currently, the state constitution limits the total millage excluding debt service to twenty mills annually on each dollar of the assessed valuation for real or personal property.

This bill increases this limit to twenty-five mills with the additional five mills being imposed statewide and distributed to public schools through the state’s public school fund.

As a constitutional amendment, it must be approved by the voters of New Mexico before becoming effective.

This bill is one of the recommendations adopted by the Public School Funding Formula Task Force and provides additional funding for the public school funding formula in order to provide a sufficient education pursuant to the state constitution.

Revenue available as a result of the millage increase is estimated as follows:

dollars in thousands

FY10	\$251,000.0
FY11	\$259,500.0
FY12	\$268,300.0
FY13	\$277,500.0
FY14	\$286,900.0
FY15	\$296,600.0
FY16	\$306,700.0

Source: LFC Files

TRD raises important issues about the yield control formula: It appears that the proposed new rate would not be subject to the yield control mechanism, hence the rate would not be adjusted downward as assessed value of properties increase. If the rate is indeed not subject to yield control, voters should probably be informed that it is not prior to considering the issue.

**TECHNICAL ISSUES**

TRD is concerned that using the term “shall” rather than “may” will force the legislature to adopt the 5 mills if the voters approve it.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

There are many property tax bills and resolutions pending before the legislature. Many of them exempt property owned by different groups of taxpayers (for seniors, veterans’ organizations, and members of the National Guard). One bill, SJR 14, would limit property tax overall to no more than 1 percent of property value which would conflict with this bill for many communities.

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