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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
53rd Legislature, 1st Session, 2017

Bill Number	<u>SJR6</u>	Sponsor	<u>Stewart</u>
Tracking Number	<u>.205558.1</u>	Committee Referrals	<u>SRC/SJC/SFC</u>
Short Title	<u>Statewide Millage for School Funding, CA</u>		
Analyst	<u>Terrazas</u>	Original Date	<u>2/10/17</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

Senate Joint Resolution 6 (SJR6) amends the state constitution to increase the statewide property tax rate from a maximum of 20 mills to 22 mills (\$22 for every \$1,000 of property value). Two mills would be used solely for public school funding and distributed through the state equalization guarantee (SEG). SJR6 expands the eligibility of qualified electors to include those who did not pay a property tax in their taxing district during the preceding year.

If approved, the constitutional amendment proposed by SJR6 would be submitted to the people for approval or rejection at the next general election or at any special election prior to that date that may be called for that purpose.

FISCAL IMPACT

SJR6 does not contain an appropriation.

The Department of Finance and Administration stated the final property tax valuations for Tax Year 2016 was \$56,922,567,412. Assuming a 100 percent collection rate, a statewide levy of two mills (\$2 for every \$1,000 of net taxable value) would generate about \$113,845,135. If approved, SJR6 could significantly increase the revenue distributed to public schools statewide. Further, the increase to individual school districts and charter schools depends on specific cost differentials that are considered in the SEG distribution and reflect the costs associated with providing educational services to students with differing needs. Factors such as, but not limited to, student membership by grade level and need determine the cost differentials of each school district and charter school.

Section 1-16-13 NMSA 1978 requires the Secretary of State (SOS) to print the full text of each proposed constitutional amendment, in both Spanish and English, in an amount equal to 10 percent of the registered voters in the state. The SOS is also constitutionally required to publish the full text of each proposed constitutional amendment once a week for four weeks preceding the election in newspapers in every county in the state. LFC staff estimate each constitutional

amendment may cost up to fifty thousand dollars (\$50,000) in printing and advertising costs based on 2016 actual expenditures.

SUBSTANTIVE ISSUES

In 2006, the Funding Formula Study Task Force (FFSTF) contracted the American Institute for Research (AIR) to conduct a joint two-year study on the current funding formula. A goal of the study included determining the cost of a sufficient education for all students in New Mexico. Results concluded state support for public schools should increase by 14.5 percent (or \$334.7 million in 2007-2008 dollars) to achieve sufficiency.

An education adequacy lawsuit against the State of New Mexico, the Public Education Department (PED), and the Secretary-Designate of PED, asserting the state has failed to fulfill the state's constitutional requirement to provide "a uniform system of free public schools sufficient for the education" of all school age children, is scheduled for trial May 2017. Further, the suit urges the defendants to develop and implement a public school budget that will provide a "constitutionally sufficient education" and that is distributed equitably among all school age children, including economically disadvantaged and English learner students. The plaintiffs cite a couple of national studies, Quality Counts 2016 and the 2016 Kids Count Data Book, ranking New Mexico's children as being the least likely to succeed due, in large part, to the lack of opportunities to succeed in school, particularly high-poverty schools. High-poverty schools require greater resources to support students, especially at-risk students, and to recruit and retain high-quality teachers.

Due to a lack of funding, a number of bills have passed in the last eight years to give schools more financial flexibility, given the decreased levels of financial support. During the 2009 special session, a temporary provision was added to the Public School Code for FY10 and FY12 permitting the secretary to waive several requirements, including length of school day, staffing patterns, and purchases of instructional materials. A similar temporary provision was enacted in the 2012 legislative session to waive class size and teaching load requirements through FY13. Then, Section 22-10A-20.1 NMSA 1978, a provision that reinstated mandatory individual class loads and teaching loads over a three-year period, was repealed in the 2016 legislative session to provide school districts flexibility in meeting statutory requirements due to budgetary constraints from FY17 through FY19. It is unclear how many school districts or charter schools have applied for and received such waivers and what the impacts have been on students and teachers.

ADMINISTRATIVE IMPLICATIONS

According to PED, the proposed tax proceeds under SJR6 would be deposited into the common school current fund. Currently the contents of that fund are periodically placed into the current school fund to be placed into the Public School Fund prior to disbursement through the SEG. Property taxes are payable twice a year: November 10 of the year in which a tax bill is received and April 10 of the following year. The Department of Finance and Administration, in concert with local county treasurers, would be responsible for ensuring that amounts related to the statewide property tax increase are properly distributed in the fund so as to ensure SEG funding does not fluctuate and that no amounts collected are used for any other purpose.

PED would be required to make an estimate of property taxes that would fund the SEG under the proposed additional two-mill provision. Typically PED sets the final unit value on or before

January 31 of each fiscal year. Because only half of the property taxes would be received at the time of the final unit value is set, PED would likely be required to develop an estimate of total revenues based on historical collection data and including assumptions for delinquent tax payments, influencing the amount of the two-mill levy that flows through the SEG.

TECHNICAL ISSUES

On page 2 lines 11 and 12, the sponsor may want to consider replacing “through the state equalization guarantee distribution” with “as provided by law.” Otherwise, the bill may be inadvertently enshrining the SEG section of the state law in the Constitution, which currently occurs nowhere else in the constitution and could be removed and replaced in law subject to the will of lawmakers.

RELATED BILLS

Relates to SB35, Public School Funding Sufficiency, a bill that appropriates \$368.5 million from the general fund to PED for distribution through the SEG for expenditure in FY18

SOURCES OF INFORMATION

- LESC Files

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