

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](http://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 01/23/17

SPONSOR Baldonado LAST UPDATED \_\_\_\_\_ HB 96

SHORT TITLE Hospital Tax Levy Petitions for Action SB \_\_\_\_\_

ANALYST Clark

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY17	FY18	FY19	FY20	FY21		
No Fiscal Impact	No Fiscal Impact	No Fiscal Impact	No Fiscal Impact	No Fiscal Impact		

Parenthesis ( ) indicate revenue decreases

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of Bill

House Bill 96 amends the New Mexico Hospital Funding Act to provide for timelines to use county mill levies for hospitals for their intended purpose. The provision of the relevant services shall begin no later than seven years after the effective date of the mill levy, but a ballot measure can specify a shorter timeframe. Any qualified elector of the county or owner of property assessed the mill levy may petition the county commissioners for action if the time limit is not met. Within one year after such a petition, the county commission shall begin the services, submit a proposal to electors to use the mill levy for an alternative purpose, or refund the revenues received from the mill levy.

The effective date of this bill is July 1, 2017.

### FISCAL IMPLICATIONS

There is no fiscal impact, but see “Administrative Implications” for potential significant administrative burdens for county treasurers.

## SIGNIFICANT ISSUES

The bill encourages hospital mill levy revenues be used for their intended purpose in shorter timeframes and ensures these mill levies do not continue indefinitely without action by the county to use the revenues for that purpose or an alternative purpose approved by voters.

The University of New Mexico Hospital (UNMH) is the largest beneficiary of the county mill levies authorized under the Hospital Funding Act, receiving approximately \$90 million annually from Bernalillo County property taxes that are subject to voter renewal of a mill levy every eight years.

The Department of Finance and Administration (DFA) reports the provisions of the bill appear to particularly impact Valencia County. As of September 30, 2016, Valencia County had a balance of approximately \$25.5 million in its county hospital fund from property tax revenue collections. A hospital mill levy of \$2.75 per \$1,000 of net taxable value was authorized by Valencia County voters on November 6, 2006. This mill levy was effective for a period of eight years, from tax years 2007 through 2014, and the county has not asked voters to reauthorize the mill levy beyond that period. However, because of ongoing litigation, Valencia County has been unable to begin construction of a county hospital/24 hour emergency healthcare facility as authorized by voters.

## ADMINISTRATIVE IMPLICATIONS

DFA notes refunding hospital mill levy revenue would create a substantial administrative impact to county treasurers. Property tax payments collected over a period of several years, along with any penalty and interest paid on delinquent taxes, would need to be refunded to all property owners within the county that have paid the hospital mill levy. Any property that has changed ownership would further complicate the refund process and could potentially create legal issues for counties.

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