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## FISCAL IMPACT REPORT

ORIGINAL DATE 3/7/17

SPONSOR Griggs LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Water & Sanitation District Tax Levy Limit SB 466

ANALYST Romero

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY17	FY18	FY19		
\$0.0	Indeterminate	Indeterminate	Recurring	Water and Sanitation Districts

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Finance and Administration

### SUMMARY

#### Synopsis of Bill

Senate Bill 466 amends Section 4-54-4 NMSA 1978 by adding language to stipulate that the tax levy limitation of \$10.00 per \$1,000 of net taxable value applicable to water and sanitation districts only applies to taxes levied for the issuance of negotiable securities (such as general obligation bonds). The bill, therefore, removes a limit on the amount that could be levied for a water and sanitation district's operational costs.

The effective date of this bill is June 16, 2017.

### FISCAL IMPLICATIONS

Indeterminate revenue impact on water and sanitation districts. Under the provisions of this bill, water and sanitation districts would only be subject to the \$10.00 per \$1,000 of net taxable value limitation for payment of indebtedness on negotiable securities, such as general obligation bonds. Due to ambiguity in current law (see "Significant Issues"), the Department of Finance and Administration (DFA) has applied the \$10.00 per \$1,000 limitation to the total property tax levy of a water and sanitation district which includes levies for both operational and indebtedness purposes.

Section 73-21-18 NMSA 1978 allows the board of a water and sanitation district to levy and collect taxes by making an annual determination of the amount of money needed to cover construction costs, to operate and maintain the services and equipment of the district, and to pay interest and principal of bonds and other obligations of the district. Furthermore, Section 73-21-19 NMSA 1978 allows a water and sanitation district board to impose an additional tax levy if district revenues are insufficient to pay annual payments on contracts or bonds “and notwithstanding any limitations, such taxes shall be made and continue to be levied until the indebtedness of the district shall be fully paid.” Although there is no tax levy limitation in these sections of statute, as part of the budget approval process, the DFA Local Government Division verifies the reasonableness of the proposed operational and debt service tax levies and ensure that the tax levies are sufficient to meet the annual budget needs of water and sanitation districts.

### **SIGNIFICANT ISSUES**

An appeal was filed with the Court of Appeals in New Mexico on March 22, 2005 [Eldorado Utils., Inc. V. Eldorado Area Water & Sanitation Dist., 2005-NMCA-036, 137 N.M. 217, 109 P.3d 305] in which the court determined that Section 73-21-19 NMSA 1978 makes it clear that the legislature intended to incorporate the \$10.00 limitation of Section 4-54-4 NMMSA 1978 into the Water and Sanitation District Act. However, there has still been some ambiguity as to how the limitation should be applied. This bill would clarify the ambiguity in existing statute so that only levies collected for indebtedness – not operations – would be restricted to 10 mills. The provisions of this bill would clarify that the mill levy limitation applies only to the issuance of negotiable securities such as general obligation bond indebtedness.

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