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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
53rd Legislature, 2nd Session, 2018

Bill Number	<u>SJR6</u>	Sponsor	<u>Stewart</u>
Tracking Number	<u>.209316.1</u>	Committee Referrals	<u>SRC/SEC/SFC</u>
Short Title	<u>Statewide Millage for Public Schools, CA</u>		
Analyst	<u>Simon</u>	Original Date	<u>2/2/18</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

Senate Joint Resolution 6 (SJR6) proposes an amendment to the New Mexico constitution that would authorize an additional 2 mill (\$2 per \$1,000 in net taxable value) property tax for public schools. The proposed amendment raises the aggregate property tax limit from 20 mills to 22 mills. The proposed amendment imposes the property tax statewide and requires the funds be distributed through the state equalization guarantee distribution (SEG).

SJR6 would propose the amendment to voters at the next general election or at any special election called prior to that date.

FISCAL IMPACT

The Public Education Department (PED) estimates SJR6 would generate \$114.3 million in property tax revenue if voters approve the amendment, based on 2017 initial assessed valuations. From June 2016 to May 2017, school districts received \$20 million in revenue from the half mill levy currently authorized by statute. The funding formula takes credit for 75 percent of revenue received by school districts through the half mill levy.

Section 1-16-13 NMSA 1978 requires the Secretary of State (SOS) to print the full text of each proposed constitutional amendment, in 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. SOS staff estimate each constitutional amendment may cost up to \$19 thousand in printing costs based on 2016 actual expenditures. In addition, the SOS is required to publish the full text of proposed constitutional amendments in newspapers in every county. SOS staff estimate each constitutional amendment may cost up to \$47.60 per word. According to the Legislative Finance Committee, the cost of printing one 332 word constitutional amendment was \$15,803.

SUBSTANTIVE ISSUES

Currently, state law provides for an operational mill levy for school district of 50 cents per \$1,000 (half mill) of taxable value; however, this amount of revenue raised by this tax is limited by “yield control,” which limits property owners’ tax burden by limiting the growth in tax revenue based on increases in the value of a property. The Department of Finance and Administration explains that yield control limits increased property tax revenue to new construction or improvements and inflation. As a result, although state law authorizes an operational mill levy of 0.5 mills, PED reported average initial 2016 levy rates of 0.321 mills for residential property, and 0.467 mills for nonresidential property. If SJR6 is approved by voters, an additional 2 mills would be collected.

Most other states generate significant property tax revenue to fund school districts. Nationally, the U.S. Census Bureau reports 38.6 percent of total public school revenue came from local-level taxes and contributions, most of which were funded by property taxes. In New Mexico, 13.9 percent of total public school revenue (including debt service and capital outlay) is from property taxes, the fourth lowest state, because almost all operational funding for public schools is funded by taxes collected at the state level. Heavy reliance on locally levied property taxes means that, in many other states, those school districts with the most local property wealth have the most resources for public education.

To ensure New Mexico maintains an equalized system of public school finance, the public school funding formula takes credit for the current half mill levy, as well as other federal revenues received by school districts and charter schools. The additional tax proposed by SJR6 would align with this system and distribute the property tax raised to public school students statewide and avoid concentrating additional resources only in school districts with higher property valuations.

TECHNICAL ISSUES

PED notes that SJR6 includes a requirement to distribute fund “through the state equalization guarantee distribution.” Including this phrase could enshrine the SEG, currently authorized only in statute, in the constitution. PED suggests the sponsor replace this phrase with “as provided by law.” If the sponsor wishes to direct the additional revenue to a specific fund, the sponsor could direct the revenue to the current school fund, a constitutionally created fund. State law transfers funds from the current school fund to the public school fund. Money in the public school fund is distributed to school districts and charter schools through the SEG, transportation distribution, and supplemental distributions for out-of-state tuition, emergencies, and program enrichment. Any balance in the public school fund reverts to the general fund at the end of the fiscal year.

OTHER SUBSTANTIVE ISSUES

The state remains involved in two lawsuits challenging the equity and sufficiency of the public school funding formula. Generally, the lawsuits allege the amount of revenue appropriated for public education is insufficient to meet the constitutional mandate to establish and maintain a “uniform system of free public schools sufficient for the education of, and open to, all children of school age in the state.” The cases were argued this summer and a ruling is expected in the spring of 2018. One key argument raised by the plaintiffs is that the share of funding received by public education has fallen since the 1980s. The plaintiffs have argued the state should increase education funding by \$600 million, based on a study of the funding formula from the American Institutes for Research, which called for an additional \$300 million in formula funding in 2008.

SOURCES OF INFORMATION

- LESC Files
- Public Education Department
- Secretary of State

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