

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). 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 02/11/21

SPONSOR Rehm LAST UPDATED _____ HB 186

SHORT TITLE Reduce County Hospital Property Taxes SB _____

ANALYST Graeser

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY21	FY22	FY23	FY24	FY25		
				(75,000.0)	Recurring	UNMH Operation Fund
				(12,500.0)	Recurring	UNMH Behavioral Health Fund

Parenthesis () indicate revenue decreases

SOURCES OF INFORMATION

LFC Files

FIR for HB122 (2016) which is similar but reduces the maximum rate to 2.00 mills, where this bill reduces the maximum rate to 1.70 mills.

SUMMARY

Synopsis of Bill

House Bill 186 would amend the Hospital Funding Act to reduce the hospital mill levy that may be imposed by a class A county from a maximum rate of 6.50 to 1.70 mills (dollars per \$1,000 of net taxable value.) The maximum portion of the imposed hospital mill levy that may be used for meeting county-supported Medicaid fund requirements pursuant to Section 27-10-4 NMSA 1978 is reduced from 1.50 to .39.

There is no effective date of the provisions of the bill. Assume 90 days after the legislature adjourns (June 18, 2021). Section 1B of the act provides an applicability date of January 1, 2022. However, see Fiscal Impact for a discussion of the practical timeline for the proposal to affect UNMH revenues.

FISCAL IMPLICATIONS

	2025	2024
UNMH Yield		
Net Taxable	\$18,977,806,980	\$18,612,878,140
Imposed Rate	\$6.50	\$6.50
CSM non yield-controlled rate imposed	\$1.50	\$1.50
Current yield-controlled rate -- residential	\$6.40	\$6.40

House Bill 186 – Page 2

Current yield-controlled rate -- non-residential	\$6.40	\$6.40
1.70 reduced rate	\$1.70	\$1.70
.39 reduced CSM rate	\$0.39	\$0.39
6.50 full rate obligations	\$123,355,745	\$120,983,708
Current CSM, not yield-controlled	\$28,466,710	\$27,919,317
Current yield-controlled obligations	\$121,457,965	\$119,122,420
Proposed full-rate obligations	\$32,262,272	\$31,641,893
Proposed CSM obligations	\$7,401,345	\$7,259,022
UNMH Revenue Loss	\$89,195,693	\$87,480,527

Bernalillo and Sandoval Counties are the only class A counties that impose a property tax for the operation of a hospital. Sandoval County imposed 4.25 mills through the 2016 property tax year. There was no hospital rate imposed for the 2017 and 2018 property tax years. Sandoval County re-imposed the levy effective for the 2019 property tax year at 1.9 mills, which would exceed the 1.7 mills allowed with the limit of this bill. However, it is assumed that the voters approved the levy for eight years, the maximum allowed in statute. The new limit imposed in this bill would only be effective for Sandoval County with the 2026 property tax year, when the voters would again be asked to approve a hospital levy.

Bernalillo County voters reauthorized the 6.40 mills hospital levy effective with the 2016 property tax year. Again, it is assumed that the levy was approved for TY 2016 through TY2023. The first property tax year the 1.7 mill limit of this bill could be effective for Bernalillo County would be 2024. Payments for the 2024 year would be received by the county treasurer in November 2024 and April 2025, both in the 2025 fiscal year.

It is unknown if the revenue from the current levy is split between UNM operations, capital outlay or the UNM Behavioral Health Fund.

It is also unknown if any revenue from the mill levy is used to pay the County Supported Medicaid fund obligation of Section 27-10-4 NMSA 1978, but the amounts shown in the table assume that Bernalillo County does not use this hospital levy for that purpose.

Allow the yield-control provisions of Section 7-37-7.1 NMSA 1978 apply to this voter-approved levy, in practice, the 6.4 mills hospital levy has been reduced only for the 2014, 2015, and 2016 property tax years. The Sandoval County levy, which would not currently be subject to the limits imposed in this bill, were reduced for the 2020 property tax year from 1.90 mills applicable to both residential and non-residential property to 1.886 mills for residential property and 1.75 mills for non-residential property.

SIGNIFICANT ISSUES

With the federal Affordable Care Act in 2009, the uninsured population was significantly reduced. UNMH had to care for fewer medically indigent patients.

UNM Hospital is the largest public hospital in New Mexico and the only Level One trauma center in the State. UNM Hospital serves people throughout the state, not just Bernalillo County residents. It has the only 24/7 fully staffed heart catheterization lab in the state and has 13 pediatric subspecialties and offers the highest level of intensive care for children and premature infants.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is not met since TRD is not required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers paying the reduced rates. This general criticism is true for all property tax issues, where valuations may be shared with the public, but this sharing is done on a county-by-county basis.

ADMINISTRATIVE IMPLICATIONS

Department of Finance and Administration, Local Government Division (DFA/LGD) calculates yield control each year for each of the 33 counties 105 municipalities and a number of PIDs and TIDDs. Yield Control for the 89 school districts is calculated by Public Education Department staff.

TECHNICAL ISSUES

For HB122 in 2016, DFA/LGD had concerns based on a January 1 applicability date. Although property is assessed based on a January 1 date, the property tax year effectively runs from September 1, through the following August 31, with payments due in November and April. By making the applicability date September 1, 2022, it might avoid some confusion. This would align the provisions of the bill with the property tax year.

LG/rl