

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill No: HB 229

48th Legislature, 2nd Session, 2008

Short Title: End Yield Control on School Mill Levy

Sponsor(s): Representatives Brian K. Moore and Mimi Stewart

Analyst: Peter van Moorsel

Date: January 22, 2008

Bill Summary:

HB 229 amends section 7-37-7.1 NMSA 1978 by removing the half-mill levy for school district operations from yield control limitations.

Fiscal Impact:

HB 229 would subject residential and non-residential property owners to potential increases in property tax liabilities based on any increases in the assessed valuations of their property. The increased revenue would be for the specific purpose of public school operations. The Department of Finance and Administration (DFA) analysis of HB 229 states that the tax increase on property taxpayers will fall primarily on residential property owners and to a lesser extent on non-residential property owners and copper interests in Grant County.

In calculating the State Equalization Guarantee (SEG) distribution for public school districts, the state takes credit for local and federal revenue sources. Current statute allows the state to take credit for 75 percent of receipts from the required half-mill local school levy addressed in HB 229, from the operational portion of federal Impact Aid, and from federal Forest Reserve funds. For 2006-2007, the half-mill local school levy generated approximately \$14.3 million; and the state took credit for approximately \$10.7 million of these revenues.

DFA estimates that the elimination of the half-mill levy yield control will generate an additional \$7.5 million in property tax revenue for FY 09, of which the state will take credit for 75 percent, or \$5.6 million, and \$1.9 million will flow to local school districts.

For FY 10, DFA estimates that the elimination of the yield control will generate an additional \$7.9 million in property tax revenue, of which the state will take credit for 75 percent, or \$5.9 million, and \$2.0 million will flow to local school districts.

The Taxation and Revenue Department's analysis of HB 229 states:

"The cost to the average taxpayer would, however, in most cases, be relatively small, because the \$7.5 million in increased obligations it would generate [in FY 09] represents only about 0.6 percent of total tax obligations statewide."

Issues:

According to the Legislative Council Service's *Index to Revenue Sources of New Mexico* (2007), a yield control generally limits the annual amount of additional revenues that can be generated from property tax levies for purposes other than debt to an increase of the lesser of inflation or 5.0 percent. Yield control is currently applied to all school district property tax rates, except debt service rates and any new tax rates that were levied by an election held during that property tax year.

HB 229 is endorsed by the Funding Formula Study Task Force. The purpose of HB 229 and other bills endorsed by the task force is to fund the implementation the new public school funding formula.

HB 241, *Public School Funding Formula Changes*, would amend existing sections of law and add new sections to the *Public School Code* to provide a new funding formula for public schools that incorporates four measures of student need — poverty, English language learners, special education, and mobility. The new formula recognizes costs associated with school district size and school size; and is based on the concept of educational sufficiency in that it enables schools and districts to provide a comprehensive instructional program designed to meet the needs of all students.

Related Bills:

HB 51 *Corporate Income Tax to Public School Fund*
HB 241 *Public School Funding Formula Changes*
HB 311 *Increase Gross Receipts & Send to School Fund*
HB 398 *Supplemental Public School Funding*
HJR 8 *Land Grant Fund Education Distribution, CA*
SB 146 *Public School Capital Outlay Omnibus Bill*