F I S C A L I M P A C T R E P O R T

		ORIGINAL DATE	02/01/14		
SPONSOR	Rehm	**LAST UPDATED**	02/03/14	**HB**	188
SHORT TITLE	County Hospital Funding Property Tax			**SB**	
				ANALYST	Graeser

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY14	**FY15**	**FY16**	**FY17**	**FY18**		
	$0,000.0	$0,000.0	$0,000.0	***	Recurring	UNMH Funding
	$0,000.0	$0,000.0	$0,000.0	***	Recurring	County-Supported Medicaid

(Parenthesis ( ) Indicate Revenue Decreases)

*** See “Fiscal Issues” below for discussion of the action of this bill on UNMH revenues.

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD) for last year’s HB-357

SUMMARY

Synopsis of Bill

House Bill 188 amends Section 4-48B-12 NMSA 1978 to decrease the county hospital funding property tax mill levy for class A counties from a currently allowed rate of $6.50 per $1,000 of taxable value to $1.00 per $1,000 of taxable value. This is an 85 percent reduction. The bill also reduces the amount of the hospital funding devoted to the county-supported Medicaid (CSM) fund by 85 percent from $1.50 to $.23 per $1,000 of net taxable value. The $.23 per $1,000 of net taxable value for CSM is a part of the $6.50 of net taxable value for the allowed property tax levy and the limit applies if the class A county chooses to use a portion of the county hospital funding property tax mill levy to discharge the requirement to support the CSM fund.

The provisions of this act apply to the 2015 and subsequent property tax years. Thus, the current $6.40 per $1,000 of taxable value mill levy in effect in Bernalillo County, which runs through 2016, would not be affected. However, any attempt by the County to reimpose the mill levy would be restricted by the provisions of this bill.

FISCAL IMPLICATIONS:

In last year's HB 357 bill review, the Bernalillo County Finance Department reported that voters authorized 6.4 mills on June 10, 2008 to fund the Bernalillo County Medical Center (BCMC). The rate was approved until 2016. Thus, the 2011 tax levy imposed and collected in Bernalillo County is 6.4 mills not subject to yield- control. Analysis in previous years indicates that the State cannot cancel a property tax levy that was enacted by vote of the electorate. TY2014 values have been determined as of January 1, 2014. The earliest tax year this bill could affect would be TY2015. This is consistent with the applicability date of the bill. Therefore, the current 6.4 mill levy would be allowed to run undiminished per the action of this bill through FY 2016 property tax collections. A reimposition of a property tax levy for support of the University of New Mexico Health Center (UNMH)/BCMC would have to be approved by the voters and the maximum mill levy that could be enacted in that hypothetical 2016 election would be $1.00 per $1,000 of net taxable value. The 85 percent reduction would have the approximate effect as follows:

Approximate Impact of HB-188				
	TY2016	TY2017	TY2018	TY2019
Net taxable value (millions)	$16,000	$16,500	$17,000	$17,500
Rate (per $1,000 of net taxable value)	$6.40	$0.00	$0.00	$0.00
	FY2017	FY2018	FY2019	FY2020
Approximate obligations ($1,000)	$102,400	$0	$0	$0
Provisions of the bill -- timely reimposition		$1.00	$1.00	$1.00
Approximate obligations ($1,000)		$16,500	$17,000	$17,500

This illustration assumes that Bernalillo County net taxable value increases by 3 percent per year, which is a judicious average between the 1.3 percent experience of annual growth in TY 2012 and the 4.4 percent experience of average annual growth from 2004 to 2012.

Assuming that the voters of Bernalillo County would approve the reimposition of this bill, the fiscal effect of the bill would be to decrease the revenues received by UNMH/BCMC and the CSM in total by about $86 million a year from FY2018 forward.

SIGNIFICANT ISSUES:

In previous sessions, variants of this bill were introduced: HB 25 in 2011; HB 26 and HB 29 in 2012; HB 257 in 2013. All of these bills, including this year's version seek to reduce or eliminate the amount of property tax levies used to support hospital operations in class A counties. Apparently, only UNMH/BCMC in Albuquerque has such a mill levy.

From last year's LFC analysis of HB 357, the mill levy represents approximately 12 percent of the total funding for UNMH/BCMC. The remaining sources of funding are Medicare, Medicaid and other third party payers. During FY 2012, the patient payer mix at UNMH (based on billed chares, not actual payments) was: 26 percent Medicaid, 28 percent Commercial (3rd party insurance), 19 percent Medicare, 21 percent uncompensated care, and 6 percent from other sources. The funding from the mill levy is, presumably, used to reimburse UNMH/BCMC for a portion the 21 percent uncompensated care.

In last year's review of HB 357, TRD indicated that the policy purpose of the bill is to conform the UNMH/BCMC funding to the provisions of the federal Affordable Care Act (ACA or "Obamacare"). As is well known by now, the ACA mandates that by 2014, all residents of the State and nation must have health insurance. If all goes as planned, there would be no further need for an Indigent Care Fund. However, there is substantial debate among analysts as to whether the ACA will obviate the need for indigent funds in the short- or long-term. For example, the current census shows that 20 percent of the uninsured are undocumented residents and therefore ineligible for Medicaid. This class of residents of the state will still be treated at UNMH/BCMC and the treatment costs will be reimbursed by whatever funds remain in the Indigent Care Fund.

There is also an issue of funding fairness. UNMH/BCMC draws patients from across the state. UNMH/BCMC has the only level 1 trauma center and accident and trauma patients are transported from remote locations to Albuquerque – frequently by helicopter – for treatment. An unknown portion of uncompensated care at UNMH/BCMC is delivered to residents of other Counties. Thus taxpayers in Bernalillo County are bearing a financial burden of providing health care services for the entire state.

PERFORMANCE IMPLICATIONS:

The LFC tax policy of accountability is not applicable to the provisions of this bill. The net effect of this bill will be a tax reduction whether voters approve the reimposition of the health care mill levy for Bernalillo County or not.

LG/ds/jl

27-10-4. Alternative revenue source to imposition of county health care gross receipts tax; transfer to county-supported Medicaid fund. (1993)
Statute text

A. In the event a county does not enact an ordinance imposing a county health care gross receipts tax pursuant to Section 7-20D-3 [7-20E-18] NMSA 1978, the county shall, by ordinance to be effective July 1, 1993, dedicate to the county-supported Medicaid fund an amount equal to a gross receipts tax rate of one-sixteenth of one percent applied to the taxable gross receipts reported during the prior fiscal year by persons engaging in business in the county. For purposes of this subsection, a county may use funds from any existing authorized revenue source of the county.

B. For each county that has in effect an ordinance enacted pursuant to Subsection A of this section on July 1 of each year, the taxation and revenue department shall certify to the county by September 15, 1993 and by September 15 of each subsequent fiscal year the amount of gross receipts reported for the county for purposes of the gross receipts tax during the prior fiscal year. Upon certification by the department, any county enacting an ordinance pursuant to Subsection A of this section shall transfer to the county-supported Medicaid fund by the last day of March, June, September and December of each year an amount equal to a rate of one-sixty-fourth of one percent applied to the certified amount.

C. The requirements of an ordinance enacted pursuant to this section may be terminated for a county only on the effective date of an ordinance enacted by the county imposing the county health care gross receipts tax; provided that if the effective date of the ordinance imposing the tax is January 1, the termination does not apply to the payments required for September and December of that year.

History

History: Laws 1991, ch. 212, § 4; 1992, ch. 31, § 3; 1993, ch. 321, § 21.