FISCAL IMPACT REPORT

SPONSOR: Fidel DATE TYPED: 03/16/01 HB

SHORT TITLE: Public Improvement District Act SB 755/aSJC/aSFC/aHTRC

ANALYST: Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	**FY02**			
		No Fiscal Impact		State Government
		See Text		Local Government

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to SB 715

SOURCES OF INFORMATION

LFC Files
New Mexico Finance Authority
Department of Finance and Administration (DFA) received last week of session

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment *removes* the limitation of restriction on voting, when property title is held in more than one name, only to qualified electors of the state.

Synopsis of SFC Amendments

The Senate Finance Committee amendments indicate that the governing body must base the decision of forming the district on interests, convenience or necessity of the people in the district. In addition, imposition of the property tax or special levy would constitute a lien on the property for payment. The formation of the district would require 3/4 majority of voter approval, rather than a simple majority.

Synopsis of SJC Amendments

The Senate Judiciary Committee amendments add that contracts for service relating to design, engineering, financing, construction and acquisition of public improvements in improvement districts are exempt from the procurement code.

Synopsis of Original Bill

The bill authorizes the formation of public improvement districts. Owners of at least 25 percent of the real property by assessed valuation within the proposed boundaries of the district must submit a petition to form the district. Unless all the owners of property within the proposed district sign a formation petition, an election would be held after a public hearing on the formation of the district. The district would be considered a political subdivision of the state and would be governed by a board, some of whom may be members of the municipal governing body within which the district is formed.

Districts are authorized to issue general obligation bonds secured by a property tax assessment on property within the district, and these bonds may be sold at public or negotiated sale. Total aggregate outstanding bonds and other indebtedness would be limited to 60 percent of the market value of real property and improvements in the district after the public infrastructure improvements of the district are completed plus the value of the public infrastructure owned or to be acquired by the district with the proceeds of the bonds. The bonds could be sold publicly or through negotiated sales. Issuance of these bonds must be approved by qualified voters within the district. These bonds would not be considered general obligation bonds of the state, county or municipality and would not affect the general obligation bonding capacity of these entities.

The district would also have the authority to issue special levy and revenue bonds, either in public offering or a negotiated sale. For revenue bonds, if sold in a public sale, then the bonds must have one of the four highest investment grate ratings. The district may impose fees and charges to generate revenue to pledge to these bonds. The district may also issue refunding bonds to refund these bonds. Other bond terms are specified in the bill.

Finally, districts would have powers similar to a municipality and would have the authority to enter into contracts, develop agreements and sell property. Property taxes could be levied for the operation and maintenance of the district and are capped at $3.00/$1,000 of net taxable value of property in the district or a higher rate approved by voters in the district.

Significant Issues

The New Mexico Finance Authority indicates the by creating the Public improvement districts as political subdivisions, the bill indirectly makes them qualified entities for purposes of the New Mexico Finance Authority financing programs.

DFA notes, with respect to the general plan, it is not clear who would prepare the plan and how it might relate to the comprehensive plan that the city or county has adopted. The local government may have no recourse to require that the goals be consistent with each other.

DFA also notes the limitation of the right to object at any public hearings to property owners appears to violate public participation requirements established by most local governments. DFA further expresses concerns that large property owners can influence creation of the new district.

FISCAL IMPLICATIONS

This bill would not have a direct impact on state government revenues. The provisions would potentially increase property taxes. These taxes would be used for two purposes, both debt service and operating expenses.

POSSIBLE QUESTIONS

1. Would these property taxes be subject to yield control?

AW/njw:ar