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FISCAL IMPACT REPORT

SPONSOR Larranaga DATE TYPED 02/14/05 HB 252

SHORT TITLE Public School Project Gross Receipts SB _____

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(\$7,330.0)	Similar	Recurring	General Fund
	(\$4,900.0)	Similar	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Public Education Department (PED)

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 252 proposes a gross receipts tax exemption for small (less than \$250,000) public school projects, to which the state or any political subdivision of the state is a party. Qualifying projects would include construction, alteration, demolition, or repair, including painting and decorating.

The effective date of the provisions of this bill is July 1, 2005.

PERFORMANCE IMPLICATIONS

PED notes that the gross receipts exemption for certain public school projects will increase the availability of allocated funds for school districts to complete their projects. They also note that the bill would also increase the ability for the Legislature and the Public School Capital Outlay Council (PSCOC) to fund the construction of more facilities to benefit all New Mexicans.

In 2004, the PSCOC allocated approximately \$198,500,00 for school construction projects from the PSCOC fund and an additional \$35,000,000 for the deficiency correction program. The Legislature approved an additional \$20,000,000 through the Capital Projects Act and an additional \$5,000.0 was allocated for the construction for full-day kindergarten classrooms totaling approximately \$238,500,000. PED notes that while all elements for these appropriations may not be subject to gross receipts tax, 6 percent of the total is nearly \$15 million.

FISCAL IMPLICATIONS

The analysis provided by TRD showed a total fiscal impact of -\$12,230.0 in FY06, -\$7,330.0 of which will impact the general fund and -\$4,900.0 of which will impact local governments. According to TRD, the fiscal impact estimate was based on information provided by the Public School Capital Outlay Council, which reported that total state spending on public school construction projects will average approximately \$122 million per year over the next four years. This amount is matched by local spending, bringing the total spent on jointly-funded projects to about \$250 million. TRD notes that local school districts also pay for a substantial amount of construction separate from the projects jointly funded with the PSCOC using local financing only. TRD assumes that locally-funded projects are half as large as the PSCOC spending, at approximately \$375 million per year. Information from the PSCOC suggests that as much as 50 percent of this spending is on projects budgeted at less than \$250 thousand. Thus, TRD concludes that expenditures eligible for the new deduction are estimated to be approximately \$188 million per year. Utilizing an average 6.5 percent gross receipts tax rate, the estimated impact totals just over \$12 million.

OPJ/lg:yr