

must be signed by a number of voters residing within a school district equal to ten percent or more of votes cast for governor in each school district in the last general election. Upon approval of a petition, a subsequent election on the question would be held according to the rules of the School Election law and administered by the Secretary of Education.

If the measure is approved by the voters, the PED would notify the institute board and declare an extension of the boundaries of the institute district to include the entire school district effective July 1. All property within the district would then be subject to any special levies. If the measure fails, then the school district would withdraw from the institute district.

In the event that a school district is withdrawn from the institute district, then Section H of the bill provides for a continuation of special levy on taxable property for “maintenance of facilities and services and for support of bond issues” approved when the school district portion was part of the institute district.

The bill also includes technical cleanup language.

Significant Issues

Albuquerque Technical Vocational Institute (TVI) is the only public, post-secondary institute organized under 21-16-14 NMSA 1978. As well, TVI is the only two-year post-secondary institute which currently contains a portion of a school district.

In effect, this bill would authorize voters in the Rio Rancho school district to petition and subsequently vote for the proposed change.

FISCAL IMPLICATIONS

The bill does not include an appropriation; however, the two possible outcomes of the potential election would have significantly different fiscal impacts.

Albuquerque TVI currently receives monies from application of special mill levies on property in Sandoval County: 1) On the operating side, 3 mills on nonresidential property and 2.461 mills on residential property and 2) From the capital outlay perspective, 0.55 mills on all property.

If the ballot measure passes, then these mill levies would be expanded to all school district property in Sandoval County. As such, the fiscal impacts would be similar to House Bill 693 and Senate Bill 308. Specifically, successful passage would result in an increase of local property tax levies of about \$770.0 thousand, with an associated reduction in general fund support for Albuquerque TVI of approximately \$500.0 thousand because of the mill levy revenue credit in the higher education funding formula.

| <i>Ballot Measure Passes – Fiscal Impacts</i> | <i>Estimated Additional Impact</i> | <i>Recurring or Non-Rec</i> | <i>Fund Affected</i> |
|--|---|------------------------------------|---|
| Appropriation Impact | (\$500.0) | Recurring | General Fund in FY07 |
| Revenue Impact | \$770.0 | Recurring | Other State Funds – Property Tax Revenues |

If the ballot measure fails, then the property tax base supporting Albuquerque TVI is effectively reduced.

In the event that a school district is withdrawn from the institute district, Section H of the bill provides for a continuation of special levy on taxable property for “maintenance of facilities and services and for support of bond issues” approved when the school district portion was part of the institute district. Thus, Section H of the bill appears to hold both operating and capital levies harmless.

Albuquerque TVI interprets the bill as a reduction in revenues from the operating component of the mill levy, which would trigger an increase in general fund appropriation under the higher education funding formula.

| <i>Ballot Measure Fails – Fiscal Impacts</i> | <i>Estimated Additional Impact</i> | <i>Recurring or Non-Rec</i> | <i>Fund Affected</i> |
|--|------------------------------------|-----------------------------|---|
| <i>Scenario with no impact on operating portion of property tax mill levy:</i> | | | |
| Appropriation Impact | 0 | Recurring | General Fund in FY07 |
| Revenue Impact | 0 | Recurring | Other State Funds |
| | | | |
| <i>Scenario with elimination of operating portion of property tax mill levy:</i> | | | |
| Appropriation Impact | \$1,300.0 | Recurring | General Fund in FY07 |
| Revenue Impact | (\$2,000.0) | Recurring | Other State Funds – Property Tax Revenues |

ADMINISTRATIVE IMPLICATIONS

The PED notes “the County Clerk’s office for Bernalillo County indicated that Chapter 1, Article 22 of the School Election Law (Sections 1-22-1 through 1-22-19) specifies that the cost of conducting such election to expand an educational institution’s boundary would be paid by the school district. Furthermore, the Clerk’s office indicated that the vocational technical institute would bear the majority of costs associated with such an election, and the area proposed to be included in the boundary would bear a lesser amount. The Clerk’s office estimated that a total cost of \$185,000 to \$200,000 would be imposed to conduct such an election.”

TECHNICAL ISSUES

If the intent is to eliminate the special mill levy for operating purposes in the event of the school district withdrawing from the institute district, then the legislature may wish to remove the language in Section H of the bill which provides for a continuation of special levy on taxable property for “maintenance of facilities and services and”.

OTHER SUBSTANTIVE ISSUES

Currently, Albuquerque TVI's northern boundary bisects the City of Rio Rancho—the result of TVI's boundaries being designated in 1963 by the State Legislature and approved by voters in 1964 to mirror those of the then-existing Albuquerque Public Schools District. In 1993, Rio Rancho established its own school district, which changed the APS boundaries but not those of TVI. Rio Rancho property owners who live inside the TVI District pay TVI taxes while Rio Rancho property owners living outside the TVI District do not.

Albuquerque TVI notes its commitment to establish a permanent campus in the City of Rio Rancho if voters approve inclusion of the entire Rio Rancho Public Schools District in the TVI District.

PED notes “Intricate involvement in elections is not a typical duty of the PED or the Secretary of Education and it raises serious questions whether there is sufficient expertise or any expertise within the PED to manage such elections.” Further on page 4, line 12 and page 4, line 24, notification by PED of the election results and declaration of next steps reflects new duties for PED.

The legislature may establish a precedent of removing the property tax base of a post-secondary institution based upon action by a school district. As such, post-secondary institutions would be faced with greater unpredictability of their revenue stream. Further, to the extent that institutional revenues from property taxes are reduced, the general fund will bear an increased funding responsibility due to the role of the mill levy revenue credit in the higher education funding formula.

QUESTIONS

1. In the event a school district withdraws property from the tax base of a two-year post-secondary institution, is the intent of the legislature to reduce property tax levies of the two-year institution which are utilized for operating purposes?

AW/yr