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## FISCAL IMPACT REPORT

SPONSOR Stewart DATE TYPED 02/14/05 HB 855

SHORT TITLE LOCAL OPERATIONAL SCHOOL LEVY ACT SB \_\_\_\_\_

ANALYST Padilla-Jackson

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	Indeterminate*				Local Operational School Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	Indeterminate*			Local Operational School Fund

(Parenthesis ( ) Indicate Revenue Decreases)

\*See discussion under Fiscal Implication section.

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Bill 855 proposes to create the Local Operational School Levy, which would allow a local school board to adopt a resolution authorizing the imposition of a property tax for school district operational purposes. The tax would be imposed upon the taxable value of property in the school district, not to exceed \$4.00 on each \$1,000 (or four mill) of taxable value of property in the school district and the tax must be submitted and approved by a majority of voters in the dis-

tract. The tax cannot exceed two mills or be for a period of more than ten years at each election.

The bill's provision would have the Department of Finance certify the tax, and be imposed, administered, collected in accordance with the provisions of the Oil and Gas Ad Valorem Production Tax Act, the Oil and Gas Equipment Ad Valorem Tax Act, the Copper Production Ad Valorem Tax Act, and the Property Tax Code.

The bill would also create the "local operational school fund" in the state Treasury. The amounts in the fund and the interest earned from investing the fund are to be appropriated for the purposes of the Local Operational School levy Act. The state would provide a guarantee for a school district that has imposed a tax pursuant to the Local Operational School Tax Levy equal to 2.5 percent of the tax rate, multiplied by the forty-day program cost. If the balance in the local operational school fund in any fiscal year is insufficient to pay the sum of the distribution amounts determined to be due to all the school districts entitled to a distribution, the amount necessary to pay all distribution amounts in full shall be transferred from the state-support reserve fund.

The bill defines the forty-day program cost as the program costs for any school district as calculated using membership on the fortieth day of the applicable school year in that school district.

### **FISCAL IMPLICATIONS**

The total fiscal impact of this bill is indeterminate as the property tax raised would be contingent upon voter approval in each school district. TRD notes that in tax year 2004, statewide net property taxable value was approximately \$35 billion and, therefore, a two mill property tax rate would generate approximately \$70 million. A four mill property tax rate would generate approximately \$140 million. They also note that the property tax system currently provides schools with approximately \$287 million annually.

### **ADMINISTRATIVE IMPLICATIONS**

A minimal impact is anticipated from TRD.

### **OTHER SUBSTANTIVE ISSUES**

TRD comments suggest that this bill should be subject to yield control, similar to a number of other school levies. They note that the yield control statutes limit increases in property tax revenue that result from reassessment and encourages assessors to maintain assessed values at "current and correct" levels. County assessors may be reluctant to reassess properties not subject to yield control, which could lead to inequitable assessments and property tax bills.

OPJ/yr