

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

ORIGINAL DATE 02/16/11

SPONSOR Rehm LAST UPDATED \_\_\_\_\_ HB 335

SHORT TITLE Reduce Mill Levy to Pay for County Hospitals SB \_\_\_\_\_

ANALYST Golebiewski

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
		(\$84,500.0)	Recurring	Bernalillo County Medical Center

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to HB 25

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

UNM Hospital

### SUMMARY

#### Synopsis of Bill

House Bill 335 would suspend imposition of the property tax mill levy for county hospital and Medicaid funding imposed in Bernalillo County effective January 1, 2012. Under present law, the affected levies can be imposed – subject to approval by voters – up to a maximum of 6.5 mills in a class A county and 4.25 mills elsewhere. In lieu of the present law levy authorization, the proposal would substitute, for Bernalillo County only, a maximum levy of 0.65 mills.

### FISCAL IMPLICATIONS

TRD:

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2011	FY2012	FY2013	FY2014	FY2015		
--	--	(84,500)	(88,700)	(93,100)	R	Bernalillo County Medical Center

\* In thousands of dollars. Parentheses ( ) indicate a revenue loss. \*\* Recurring (R) or Non-Recurring (NR).

The Bernalillo County Finance Department reported that voters authorized 6.4 mills on June 10, 2008, to fund the Bernalillo County Medical Center. The rate was approved

until 2016. Fiscal impacts reflect the reduction from the current 6.4 mill levy to the proposed 0.65 mill levy times the projected net taxable value for Bernalillo County.

## **SIGNIFICANT ISSUES**

The mill levy is used by UNM Hospitals to fund the general operating costs and maintenance for the Hospital, and the UNM Hospitals note that there is no other funding source to replace mill levy funds.

UNMH:

The mill levy represents approximately 13% of the total funding for UNMH for fiscal year 2010. The remaining sources of funding are Medicare, Medicaid and other third party payers. The patient payer mix at UNMH is 29% Medicaid, 28% Commercial / HMO, 18% Medicare, and 25% uncompensated care or other funding sources.

UNMH treats nearly 76,000 patients with \$147 million of associated uncompensated care costs each year. Uncompensated care is the combination of charity (indigent) patient care and uninsured patient care. Uncompensated care can be stated as billed charges or cost. UNMH states uncompensated care *at cost*, not billed charges.

TRD:

If the current levy for the Bernalillo County Medical Center is being used to pay debt service, the proposal might pose a risk to the repayment of the debt if the County is not able to find other revenue sources to make the debt service payments.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Other bills related to property tax include: HB 25, HB 327, HB 437, HB 511, SB 108, SB 189, and SB 310.

## **TECHNICAL ISSUES**

TRD:

To clarify the administration, the provisions of section 2 could be made applicable to property tax year 2012 and subsequent.

UNMH:

In 1952 Bernalillo County made a commitment to the federal government to construct a hospital (now known as UNMH) and to collect annually taxes sufficient to support the operation of the hospital. In 2008 Bernalillo County followed statutory process and put to the voters the question of authorizing the UNMH mill levy. The voters of Bernalillo County approved the UNMH mill levy question. If HB 335 were passed and sign into law, Bernalillo County and the State of New Mexico would be in breach of the 1952 federal contract. In addition, Bernalillo County would be in breach of the 1999 lease.