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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/11
 LAST UPDATED 02/11/11 **HB** _____

SPONSOR Sapien

SHORT TITLE Optional Tax Contribution to School Fund **SB** 118/aSEC

ANALYST Hoffmann

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
NFI	NFI	n/a	None

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	<\$130.0	<\$130.0	Recurring	School Program Enhancement Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Public Education Department (PED)

SUMMARY

Synopsis Senate Education Committee Amendment

The Senate Education Committee amendment to Senate Bill 118 would specify the time for distribution of receipts as prior to the end of the second quarter of each fiscal year. The amendment also proposes to change the distribution allocation basis from “per program cost” to “the same proportion as the school district and charter school state equalization guarantee allocation for the school year program cost.” The name of the fund in the last paragraph of the bill is corrected.

Synopsis of Original Bill

Senate Bill 118 proposes to amend the Tax Administration Act (Chapter 7 NMSA 1978) to allow New Mexico income tax filers who are due a refund the option to contribute any portion of the expected refund to supplement the State Equalization Guarantee distribution. Contributions from refunds subject to the provisions of the Tax Refund Intercept Program act would not be allowed. Eligible contributions would be deposited in a new “School Program Enhancement Fund” from which distributions by the PED would be equitably made and in addition to amounts calculated under the funding formula.

FISCAL IMPLICATIONS

Senate Bill 118 would create the “School Program Enhancement Fund.” Any balance in the School Program Enhancement Fund, at the end of the fiscal year shall not revert to any other fund.

Senate Bill 118 makes no appropriation, but if passed would appropriate future contributions to the fund to the PED. The PED would be limited to making distributions only if there is a sufficient balance in the School Program Enhancement Fund to make “a significant and equitable distribution to each school district and charter school.”

The TRD comments it does not have the data necessary to estimate the amount of voluntary contributions that would be made to the School Fund. However, historically voluntary donations have been minimal with only approximately \$134,000 being contributed towards all existing voluntary contribution funds according to the 2008 Personal Income Tax data. This bill does not affect any other state revenues since the amount contributed to the School Fund comes from refunds that would otherwise go back to taxpayers.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

ADMINISTRATIVE IMPLICATIONS

The TRD states this bill would have a moderate impact on the Department.

TECHNICAL ISSUES

The PED notes that Page 4, line 8 reads “school program cost support fund.” It appears from language in the bill that this line should read “school program enhancement fund.”

JCH/bym:mew