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FISCAL IMPACT REPORT

ORIGINAL DATE 02/04/12

SPONSOR Curtis/Rehm LAST UPDATED _____ HB _____

SHORT TITLE County Hospital Mill Levy SB 100

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16		
(80,400)	(82,800)	(85,300)	Recurring	Bernalillo County/UNM Hospital

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

TRD

SUMMARY

Synopsis of Bill

Senate Bill 100 would cancel the imposition of the property tax mill levy for county hospital and Medicaid funding imposed in Bernalillo County effective January 1, 2013. 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. At present, the County imposes and collects a 6.4 mill levy. In lieu of the present law levy authorization, the proposal would substitute, for Bernalillo County only, a maximum levy of 0.65 mills. This new levy would require a new ordinance and a separate vote by the Bernalillo County electorate.

Effective Date: July 1, 2012

FISCAL IMPLICATIONS

The current 6.4 mill levy imposed and collected in Bernalillo County is not yield-controlled, since it is a voter-approved levy. The 2011 Net Taxable Value for Bernalillo County was just under \$14 billion. The estimate above assumes that the voters would approve the substitute .65 mill levy and that the cancellation of the current levy and the imposition of a new levy would affect FY 2014 collections. Further, an annual 3% growth in net taxable value is assumed. This is

less than the 7.5% experience of annual growth from 2002 to 2011.

This bill would not affect the \$9.9 million transferred to UNMH from the County Health Care Gross Receipts Tax (.0625% rate, county-wide). This bill would also not affect a similar \$9.9 million transferred to the County-Supported Medicaid Fund.

The 6.5 mill levy generated \$46,532,547 in obligations for the 2002 property tax year. The current 6.4 mill levy generated \$89,498,534 in obligations for the 2011 property tax year. On average, this is a 7.5% annual growth in obligations over the period. The 2011 obligations were 1.2% below TY 2010 levels.

SIGNIFICANT ISSUES

According to TRD, the policy purpose of this bill is to adapt UNMH funding to the provisions of the (federal) Affordable Care Act, which mandates by 2014 all persons must have health insurance. If all goes as planned, there would be no further need for an indigent care fund.

TECHNICAL ISSUES

TRD reports that there is continuing debate concerning voter-approved mill levies. In the text of section 1 of the bill (Section 4-48B-12 NMSA), subsection A (1) anticipates that the maximum 6.5 mill voter-approved levy would be subject to yield control (Section 7-37-7.1 NMSA 1978). However, DFA/LGD does not reduce the authorized 6.4 mill levy to conform to yield control. The new section 2 of this bill, authorizing a .65 mill voter-approved levy contains the proviso allowing or requiring yield control adjustments of the authorized rates. This new levy would also not be subjected to the yield control calculation because of DFA/LGD's interpretation of statute. Testimony should be solicited from DFA/LGD on this point.

OTHER SUBSTANTIVE ISSUES

Does the bill meet the Legislative Finance Committee tax policy principles?

Adequacy: Revenue should be adequate to fund needed government services.

Efficiency: Tax base should be as broad as possible and avoid excess reliance on one tax.

Equity: Different taxpayers should be treated fairly.

Simplicity: Collection should be simple and easily understood.

Accountability: Preferences should be easy to monitor and evaluate

This bill may be counter to the LFC tax policy principle of adequacy. According to the LFC staff General Fund Recurring Appropriation Outlook for FY14 and FY15, December 2011 forecasted revenues will be insufficient to cover growing recurring appropriations

The sponsor might want to consider a "sunset clause" so that the efficacy of this amendment can be evaluated.

ANA/lj