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FISCAL IMPACT REPORT

ORIGINAL DATE 2/27/15
 SPONSOR Stewart LAST UPDATED _____ HB _____

SHORT TITLE Statewide Millage For School Funding, CA SJR 14

ANALYST Graeser

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17	FY18	FY19		
	*	*	*	*	Recurring	General Fund

(Parenthesis () indicate revenue decreases

[*] This Constitutional Amendment has no direct fiscal impact. See “Fiscal Implications” below for impacts if this CA is passed and enacted.

See statement below regarding cost of implementing an election.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration, Local Government Division (DFA/LGD)

SUMMARY

Synopsis of Bill

Senate Joint Resolution 14 proposes to amend the State Constitution and increase the statewide maximum amount of property tax used for operating purposes from 20 mills to 22 mills (\$22 per \$1,000 of taxable value.) The two mills increase would be imposed statewide and distributed to all school districts and charter schools through the State Equalization Guarantee, also known as the “Funding Formula.”

The effective date of the act is not stated – assume 90 days after adjournment or June 19, 2015. The amendment would be submitted to the people for their approval or rejection at the next general election or at a special election called for the purpose.

FISCAL IMPLICATIONS

The joint resolution has no direct fiscal implications. However, if passed by the voters and implemented through subsequent legislation, the bill will generate in excess of \$110 million annually.

2 Mill Statewide Property Tax for Education (\$ millions)

	FY 2018	TY2019	TY 2020	TY 2021	TY 2022
2 mill obligations	\$122,000	\$124,000	\$126,000	\$129,000	\$132,000
94%	\$114,700	\$116,600	\$118,400	\$121,300	\$124,100
96%		\$2,440	\$2,480	\$2,520	\$2,580
98%			\$2,440	\$2,480	\$2,520
100%				\$2,440	\$2,480
Total Collections	\$114,700	\$119,040	\$123,320	\$128,740	\$131,680

The election would be held as late as November of 2016; the implementing legislation passed during the 2017 session, in time to implement for the 2017 property tax year. Funds would begin to flow in November 2017 (FY 2018)

The current amount of the State Equalization Guarantee is about \$2.5 billion. Thus, the property tax would increase public school funding by about 4.5%. This is roughly 1/3rd of the amount of addition funding by the 2006 Funding Formula Task Force.

Somewhat more than half of the property tax obligations would be paid on behalf of residential property, with the share for other classes of property as follows (Tax Year 2014 values based on CY 2013 OGAS production and other values as of January 1, 2014):

Residential Property	54.6%
Non-Residential Property	29.5%
Oil and Gas Ad Valorem Production	12.7%
Oil and Gas Ad Valorem Production Equipment	2.9%
Copper	0.3%

Any rates imposed pursuant to this 2-mill operating levy would be subject to the yield control statute (Section 7-37-7.1 NMSA 1978).

The Secretary of State indicates the following:

“Under Section 1-16-13 NMSA 1978 and the NM Constitution, the SOS is required to print samples of the text of each constitutional amendment, in both Spanish and English, in an amount equal to ten percent of the registered voters in the state. The SOS is also required to publish them once a week for four weeks preceding the election in newspapers in every county in the state. In 2014, the SOS estimated the cost per constitutional amendment to be \$15,217. However, if the ballot size is greater than one page, front and back, it would increase the cost of conducting the general election. In addition to the cost of the ballot, there will be added time for processing voters to vote and would mean additional ballot printing systems would be required to avoid having lines at voting convenience centers.”

CA’s are placed on the general election ballot. The next general election will be held in November, 2016, so the fiscal impact should be reflected in FY17.

SIGNIFICANT ISSUES

The group “Save Our Schools, Los Alamos” has published a number of articles concerning adequacy (or the lack thereof) of public education in New Mexico. A recent story discussed the law-

suit filed by some parents to increase funding for education in the state.¹

“In 2006, the New Mexico State Legislature and Governor sponsored a Funding Formula Study Task Force which hired the American Institute for Research to conduct a study assessing overall education funding levels and the efficacy of the SEG as a method for distributing resources.”

“The study’s final report found that the State of New Mexico needed to increase state funding for K-12 education by 14.5% in order to provide a “sufficient” education. It also recommended modifications to the SEG to channel more K-12 education funds to children from low income households and students identified as English Language Learners (ELLs). The report is available at: <http://www.air.org/project/new-mexico-public-funding-formula>.”

“In 2008 and 2009, the New Mexico House of Representatives passed legislation to implement the findings of Funding Formula Study Task Force, but the measure was never brought to a vote by the New Mexico Senate, and died.”

“According to the lawsuit filed this week, in the 1986-1987 school year K-12 education funding received 51.6% of New Mexico’s recurring state revenues. In the 2014-2015 budget, endorsed by the Legislature and signed by the Governor just this month, K-12 education accounts for 44.3% of the state budget. When adjusted for inflation, the 2014-2015 budget restored New Mexico K-12 education funding to its 2008 level; so the plaintiffs have a good argument that funding has been reduced.”

“The plaintiffs argue that student performance in standardized tests and other metrics are key indicators of the “sufficiency” of education. Students in Los Alamos finished taking the New Mexico Standards Based Assessments (SBA) just this week. Another key standardized test is the National Achievement Educational Performance Test (NAEP), a nationally recognized benchmark of education achievement.”

“Compared to other states, the children of New Mexico are scoring at the very bottom in many of these measures. As examples, New Mexico is tied with Mississippi for the lowest rank nationally for 4th grade reading achievement scores. In 2013, only 21% of New Mexico 4th graders could read at or above grade level. NAEP results in 2013 for New Mexico 4th grade students in math showed only 31% at grade level, ahead of only Alabama, Louisiana, and Mississippi. Scores for New Mexico’s 8th grade students were similar, and longitudinally NAEP results from prior years are similar to the 2013 results.”

“The lawsuit argues that the State of New Mexico has decreased its support of K-12 funding over the past several decades, points out the clear empirical evidence that the educational system in New Mexico is failing statewide, and argues that those two factors together amount to a failure by the state to meet the constitutional requirement for sufficiency.”

LG/bb

¹ <http://soslosalamos.com/about-2/sosla-articles/new-lawsuit-questions-sufficiency-of-new-mexico-education-funding/>