

LFC Requester: _____

AGENCY BILL ANALYSIS
2017 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

LFC@NMLEGIS.GOV

and

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{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:
Original Amendment _____
Correction _____ Substitute _____

Date January 30,2017
Bill No: SJR6

Sponsor: Senator Mimi Stewart
Short Title: STATEWIDE MILLAGE FOR SCHOOL FUNDING, CA

Agency Code: 924
Person Writing: Aguilar/Craig
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SECTION II: FISCAL IMPACT

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY17	FY18	FY19		
		\$113,845.1	Recurring	Common School Current Fund, Current School Fund, Public School Fund

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

SJR6 would submit to the public at the next general election, or any special election prior to that date, a proposed amendment to Article 8, Section 2 of the New Mexico Constitution to authorize an additional statewide millage rate that will be dedicated to public school funding. The amendment, if approved, would increase the current limit of twenty mills to twenty-two mills.

The additional two mills would be imposed statewide and used to generate additional dollars for the public school funding formula.

FISCAL IMPLICATIONS

If this were passed by the voters, the additional two mills would generate approximately \$113.8 million dollars for the public school funding formula. This calculation is based on the final assessed valuations of 2016 for the State of New Mexico.

There is also likely to be additional administrative costs to the Secretary of State's Office associated with publishing the Constitutional amendment.

SIGNIFICANT ISSUES

The provisions of this Joint Resolution again focus on the idea that more money is needed for public education rather than ensuring it is used better. Since about 2004, more than \$1 billion has been introduced into public education and all of that money has not resulted on more instructional day or improved student achievement. It is not always about the money but rather how you spend it. Rio Rancho and Hobbs are continuously at the lower end of per pupil distributions from the SEG yet are among the highest performing districts in the state. Again, it not always about how much money a district has, but rather how well it is used.

The funds raised through these additional two mills are not to be used to supplant the state's general fund effort to fund public education. Although voter approval would be required to implement the increased levy, this will result in higher tax rates on every citizen of New Mexico. Additionally, if the provisions of SJR6 were to amend the Constitution, residential and non-residential property owners would experience potential increases in their tax bills based on any increases in the assessed valuations of their property.

ADMINISTRATIVE IMPLICATIONS

The provisions of SJR 6 deposit the proposed tax proceeds into the common school current fund. Currently the contents of that fund are periodically placed into the current school fund to be placed into the Public School Fund prior to disbursement through the state equalization guarantee (SEG). Property taxes are payable twice a year November 10 of the year in which a tax bill is received and April 10 of the following year. The Department of Finance and Administration, in concert with local county Treasurers, will be responsible for ensuring that amounts related to the statewide property tax increase are properly distributed in the fund so as to enable available SEG funding that does not fluctuate and for ensuring that no amounts collected are used for any other purpose.

Additionally, the PED will be required to make an estimate of property taxes that will fund the SEG under the proposed additional two mill provision. Typically, the PED sets the final unit value on or before January 31 of each fiscal year. Because only half of the property taxes will be received at the time of the final unit value is set, PED will likely be required to develop an estimate of total revenues based on historical collection data and including assumptions for delinquent tax payments, influencing the amount of the two mill levy that flows through the SEG.

There is also likely to be additional administrative costs to the Secretary of State's Office associated with publishing the Constitutional amendment in newspapers statewide, publishing the voter guide, and recording and broadcasting the constitutional amendments on other media.

TECHNICAL ISSUES

The sponsor may wish to amend the resolution on page 2, line 12, to strike the phrase “through the state equalization guarantee distribution” and add the phrase “as provided by law” so as to not inadvertently enshrine the SEG section of state law in the Constitution, as it currently occurs nowhere else in the Constitution and could be removed and replaced in law subject to the will of lawmakers. In the hypothetical situation that the SEG were removed from state law while being referenced in the Constitution, we would then likely be required to amend the Constitution to remove references to the SEG.

OTHER SUBSTANTIVE ISSUES

The Constitutional limit on property taxes to twenty mills has been in place since 1933. After passage of the *Public School Finance Act* in 1975, public schools received state funding through a formalized funding formula, but at that time, local school districts still levied as much as 8.975 mills from local property taxes for operations. With passage of the “Big Mac” tax package in 1981, the 8.975 mills allowed to be levied by school districts were transferred to counties and municipalities. The tax package instead allowed school districts to levy 0.5 mills on all property and oil and gas severances for operations, which has remained in place to this day.