

<b>LFC Requester:</b>	<b>Rachel Gudgel</b>
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**AGENCY BILL ANALYSIS  
2014 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:**

**LFC@NMLEGIS.GOV**

*And*

**DFA@STATE.NM.US**

*{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**      X   **Amendment**            
**Correction**           **Substitute**          

**Date** February 7, 2014  
**Bill No:** HB345-305 Feb 7

**Sponsor:** Rep. Mimi Stewart  
**Short**        School Finance "Local  
**Title:**        Revenue"

**Reviewing**        Attorney General's Office  
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**SECTION II: FISCAL IMPACT \*\*\*\*FOR LFC OFFICIAL PURPOSES\*\*\*\***  
**AGO STAFF SHOULD LEAVE SHADED AREAS BLANK**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act:

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16		

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates, Relates to, Conflicts with, Companion to

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

**SECTION III: NARRATIVE**

This analysis is neither a formal Attorney General’s Opinion nor an Attorney General’s Advisory Opinion Letter. This is a staff analysis in response to the agency’s, committee’s or legislator’s request.

**BILL SUMMARY**

Summary Synopsis: HB 345 proposes revisions to the definition of “local revenue” for calculating a school district’s state equalization guarantee distribution under NMSA 1978, Section 22-8-25. The State Equalization Guarantee Distribution (“SEG”) generally accounts for more than 90 percent of school districts’ operational revenue. HB 345 offers one addition to the definition of “local revenue,” including revenue from: “seventy-five percent of any other receipts provided to the school district for noncapital purposes and derived from locally imposed gross receipts tax.”

**FISCAL IMPLICATIONS WITH ENACTING THIS BILL**

Unknown

**SIGNIFICANT LEGAL ISSUES**

**PERFORMANCE IMPLICATIONS WITH ENACTING THIS BILL**

**ADMINISTRATIVE IMPLICATIONS WITH ENACTING THIS BILL**

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP WITH BILLS INTRODUCED THIS SESSION**

House Bill 13, introduced by Representative Sheryl Williams Stapleton, also proposes changes to the definition of “local revenue” under the state equalization guarantee distribution (See AGO Analysis HB13-305). Both HB 13 and HB 345 additions apply only to local taxes imposed specifically for noncapital purposes. The addition proposed in HB 345 only includes local gross receipt taxes and partitions three-quarters of that amount to be applied to “local revenue.” HB 13 encompasses all local taxes.

HB 37 adds language to Section 22-8-25 to prohibit deductions from taking place in the mandated calculation in Section 22-8-25(D)(6) if the school district is entirely within Indian land and those deductions were made pursuant to Section 22-8-25(C)(2). HB 345 and HB 37 do not conflict with one another.

## **TECHNICAL ISSUES OR DRAFTING ERROR**

Subsection B (lines 3-15, page 2) includes, with the proposed amendment, four separate sources designated as “local revenue.” The change adds a semicolon at the end of the third source and before the start of the proposed additional fourth revenue source. If a semicolon is added here, semicolons should also be added between “district” and “and” on line eight as well as between “Act” and “and” on line ten.

## **OTHER SUBSTANTIVE LEGAL ISSUES**

The Public School Finance Act, NMSA 1978, Sections 22-8-1 to -48, does not currently offer local revenue sources for school districts’ operational costs. HB 345’s proposed amendment would clarify the calculation for the SEG by explicitly requiring only seventy-five percent (75%) of local taxes to be incorporated into the SEG distribution, leaving twenty-five percent (25%) of local gross receipt taxes provided for noncapital purposes to remain in the local district where the tax was imposed.

## **ALTERNATIVES TO ENACTING THIS BILL**

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

## **AMENDMENTS NEEDED TO IMPROVE THIS BILL**

Subsection B (lines 3-15, page 2) includes four separate sources designated as “local revenue”, see discussion above. For clarity, these sources may be separated into individual clauses, labeled i), ii), iii) and iv).