

LFC Requester:	Laird Graeser
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**AGENCY BILL ANALYSIS  
2015 REGULAR SESSION**

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

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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** 14 January 2015  
**Bill No:** SB 131

**Sponsor:** Sen. Mimi Stewart  
**Short Title:** Local Gov't IRB Notices & Impacts

**Agency Code:** Attorney General's Office  
**Person Writing:** Luis Carrasco, AAG.  
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17		

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
Duplicates/Relates to Appropriation in the General Appropriation Act:

**SECTION III: NARRATIVE**

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

**BILL SUMMARY**

Synopsis:

Senate Bill 131 (“SB131”) is an act that alters the notification that municipalities and counties must provide to other local property tax levying entities prior to issuing industrial revenue bonds. SB 131 also creates a mechanism by which school districts that would be impacted by issuance of such municipal or county bonds may receive a payment in lieu of taxes aimed at assisting the school district accommodate increased school district membership and capital costs associated with growth generated by the bond issuance.

SB131 would require municipalities to provide 30 days advance notice of any meeting at which final action on the bond ordinance is to be taken to all local public bodies with property taxing authority that would be affected by the issuance of the bonds and to allow those bodies, upon request, an opportunity to comment on the impact of the proposed bond issuance. Currently, municipalities need only provide such notice and opportunity to provide comment to the board of county commissioners and the county assessor. If enacted, SB131 would maintain a county’s similar reporting requirements to the county assessor and to all entities located within the county possessing authority to levy taxes on property.

**FISCAL IMPLICATIONS**

N/A

**SIGNIFICANT ISSUES**

SB131 appears to eliminate the requirement that municipalities provide notice to the county assessor prior to taking final action on an ordinance authorizing the issuance of municipal revenue bonds, but maintains that requirement for counties desiring to issue county revenue bonds. This may be an unintended consequence. Further, SB131, if enacted, would require counties to provide advance notice to the county assessor and local property tax levying entities via certified mail, return receipt requested, but is silent as to the method of delivery for municipalities. In addition, SB131 deletes existing provisions clarifying that: (1) the county assessor and other entities authorized to levy property taxes do not possess veto authority over a municipality or county; (2) that municipalities and counties must jointly develop criteria for issuance of industrial revenue bonds by either government, and; (3) that industrial revenue bonds may be authorized and issued before development of the criteria is developed.

With regard to the new mechanism for school districts to request a determination of the impact that issuance of revenue bonds would have on the school district, it appears that such a mechanism may have the effect of making revenue bonds a less attractive option to private entities, since the company requesting bonds would be burdened with the cost of conducting the study to determine the impact. Along those lines, where such impact is significant (an increase of more than 15% in the school district's membership over a 3 year period or an increase in the capital costs of meeting the projected growth payable from general obligation bonds that would result in the school district exceeding 75% of its general obligation bonding capacity), the school district would be entitled to a payment in lieu of taxes it deems acceptable, but it is unclear whether such payment is to be made by the municipality/county or the company requesting the bonds. Although it is strongly implied, SB131 does not explicitly state that the payment in lieu of taxes is payable to the school district. In addition, SB131 does not define what a "school district's membership" consists of.

#### **PERFORMANCE IMPLICATIONS**

N/A.

#### **ADMINISTRATIVE IMPLICATIONS**

N/A.

#### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

None noted.

#### **TECHNICAL ISSUES**

It may be helpful to expressly state that the payment in lieu of taxes is payable to the school district and specify whether the municipality/county or company requesting bonds is responsible for making the payment at Section 2(B) and Section 4(B). It may also be helpful to define what is meant by "school district's membership" at Section 2(C)(1) and Section 4(C)(1).

#### **OTHER SUBSTANTIVE ISSUES**

None noted.

#### **ALTERNATIVES**

N/A.

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

The status quo will remain. Municipalities will need only notify the county assessor and board of county commissioners prior to adopting an ordinance authorizing issuance of revenue bonds, rather than all local public bodies with property taxing authority. Municipalities and counties will continue to be required to jointly develop criteria for issuing industrial revenue bonds. Clarifications that other affected property tax levying entities lack veto authority and that bonds may be authorized and issued before development of criteria will remain in place. School

districts affected by the issuance of county or municipal revenue bonds will have no mechanism to compensate for growth generated by the issuance of such bonds.

## **AMENDMENTS**

See TECHNICAL ISSUES above.