

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Silva DATE TYPED 2/12/04 HB 535

SHORT TITLE UNM Engineering School Building Financing SB

ANALYST Gilbert

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
	(\$1,100.0)	(See Narrative)	Recurring	Road Fund
	(\$200.0)	(See Narrative)	Recurring	Local School Districts

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Public Education Department (PED)

New Mexico Transportation Department (DOT)

SUMMARY

Synopsis of Bill

House Bill 535 creates the Engineering School Bonding Fund (ESBF), administered by the New Mexico Finance Authority (NMFA). The bill authorizes the NMFA to issue Engineering School Revenue Bonds (ESRB) in an amount not to exceed \$30.2 million, upon certification by the University of New Mexico (UNM) Board of Regents that a need exists for such bonds. The proceeds of ESRBs are for the purpose of designing and constructing the Centennial Engineering at UNM.

HB 535 requires state agencies, political subdivisions or institutions, entering into public works projects authorized for over \$100 thousand, to set aside and transfer an amount equal to .002 of the total project appropriation to the ESBF.

The ESRBs do not create an obligation or indebtedness for the state and the bonds are not general obligations for which the state's full faith and credit is pledged. Additionally, ESRBs are exempt from state or political subdivision taxation.

FISCAL IMPLICATIONS

As currently written HB535, would place a significant financial drain on the DOT revenues. The New Mexico Transportation Department (DOT) estimates that approximately \$1.1million annually would be set aside and transferred to the ESBF. The primary breakdowns for “public works” project as defined in the HB535 are as follows:

GRIP appropriations estimated at \$350 million /year = \$700 thousand total transfers to the ESBF.

Other DOT public works appropriations over \$100 thousand are estimated at \$200 million/year = \$400 thousand total transfers to the ESBF.

According to the PED, recent PSCOC projects meeting the criteria set in this bill have exceeded \$100 million per year for the last three years. This would result in a reduction of approximately \$200 thousand in capital outlay funding to local school districts.

ADMINISTRATIVE IMPLICATIONS

The PED’s Capital Outlay Unit and the school districts will be required to monitor the effected projects to ensure that these funds are not utilized by the districts, but are instead transferred to the NMFA for deposit in the ESBF.

By assuming an average NMDOT public works project size of \$3 million, this legislation would translate to over 180 new transfers and transactions per year. Administrative costs to the DOT could be significant.

TECHNICAL ISSUES

According to the DOT, the following factors should be considered:

HB535 directly contradicts the GRIP legislation (HB15) from the 2003 Special Session as follows:

Section 67-3-59.2. (of the GRIP legislation) HIGHWAY INFRASTRUCTURE CREATED PURPOSE states in paragraph B. the following:

“Money in the fund shall be used solely for the acquisition of rights of way or planning, design, engineering, construction or improvement of state highway projects authorized pursuant to the provisions of law 1998, chapter 84, subsections C through H of Section 1 of Chapter 85 of Laws 1998 and Section 27 and 28 of this 2003 act and is appropriate to the department for expenditure for those purposes.”,

And Section 67-3-65.1. (of the GRIP legislation) STATE ROAD FUND DISTRIBUTION states:

“The amounts distributed to the state road fund pursuant to Section 7-1-6.10, 66-6-23 and 66-6-23.1 NMSA 1978 shall be used for maintenance, construction and improvement of state transportation projects and to meet the federal allotments under the federal-aid road laws, ...”

The Bill provides for a \$30 million cap on the buildings design and construction, but does not provide language to sunset the transfers.

OTHER SUBSTANTIVE ISSUES

The PED stated that this bill will impact numerous school projects. Schools are usually allocated funds through direct legislative appropriations and from Public School Capital Outlay funds for construction projects, renovations, and repairs. The majority of the Public School Capital Outlay Council (PSCOC) allocations are well above the \$100 thousand threshold set in this bill and all such projects will be negatively impacted by the enactment of this bill.

State road needs already fall short of available revenue sources. HB535 would place a additional drain on revenues for 100% state funded services, operations and projects (i.e. personal services, payroll, maintenance, field supplies, local government road funds and assistance, etc.)

RLG/lg