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FISCAL IMPACT REPORT

SPONSOR Campos **DATE TYPED** 3/3/05 **HB** _____

SHORT TITLE Annual School Project Short-Term Stb's **SB** 572

ANALYST Padilla-Jackson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
\$52,800.0	Indeterminate			Recurring	Public School Capital Outlay Fund
\$13,200.0	Indeterminate			Recurring	Higher Education Capital Project Fund
(\$66,000.0)	Indeterminate			Recurring	Severance Tax Bonding Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	Negative (see text below)			General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to Senate Bill 14 and Senate Bill 455

SOURCES OF INFORMATION

LFC Files

Responses Received From

Board of Finance (BOF)

Public School Finance Authority (PSFA)

SUMMARY

Synopsis of Bill

Senate Bill 572 would allow the State Board of Finance (BOF) to issue severance tax bonds in the form of short-term notes in a fiscal year (maturing on or before June 30 of that year). The bonds can be issued from any available cash in the severance tax bonding fund as long as no short-term notes are issued:

(1) until all other severance tax bonds and supplemental severance tax bonds to be issued in that fiscal year have been issued; and

(2) unless the balance in the severance tax bonding fund as of the date that the bonds are issued is greater than the sum of:

- (a) the debt service on the severance tax bonds to be issued pursuant to this subsection;
- (b) the debt service scheduled to be paid during the remainder of the fiscal year on all outstanding severance tax bonds and supplemental severance tax bonds; and
- (c) the amount necessary to meet all principal and interest payments on outstanding bonds payable from the severance tax bonding fund on the next two ensuing semiannual payment dates.

The bill appropriates 80 percent of the funds to the Public School Capital Outlay Fund and 20 percent to the Higher Education Capital Project Fund, a fund created by the bill. The Higher Education Capital Project Fund would be administered by the Commission on Higher Education.

Significant Issues

The Board of Finance notes that Senate Bill 572 effectively sweeps excess cash in the severance tax bonding fund at the end of FY05 that would otherwise be transferred to the severance tax permanent fund. They note that the strong revenue in the severance tax bonding fund for the current fiscal year is a result of high oil and gas revenues. The excess cash balances in the fund, after the statutory tests used to finance senior and supplemental severance tax bonds are met, would be appropriated rather than transferred to the severance tax permanent fund.

PERFORMANCE IMPLICATIONS

PSFA commented that the Public School Capital Outlay Task Force (PSCOTF) 2004 recommendations includes that, because of the volatility and uncertainty of severance tax revenues upon which supplemental severance tax bonding capacity is based, the state should consider, on a year-by-year basis, using severance tax revenues that would otherwise flow to the Severance Tax Permanent Fund for supplemental severance tax bonds for public school capital outlay purposes.

They also note that the most updated assessment of New Mexico K-12 school facilities performed by 3D International shows a total estimated current cost for building renewal and repair needs of \$2.28 billion.

FISCAL IMPLICATIONS

Using the latest information provided by the Board of Finance, the total fiscal impact of this bill is \$66 million, which will be appropriated to the Public School Capital Outlay Fund and the Higher Education Capital Outlay Fund. The bill's provisions could also result in a lower distribution from the Severance Tax Permanent Fund to the General Fund in future years, though this amount is indeterminate, as it is based on the amount that would be transferred and the rate of return on the fund for that year. The amount used to estimate the fiscal impact is only an estimate. The Board of Finance notes that the amount of available funds in the severance tax bonding fund for those projects will be determined during the last week of the fiscal year 2005.

OPJ/lg