F I S C A L   I M P A C T   R E P O R T

SPONSOR Sharer **ORIGINAL DATE** 1/23/06 **LAST UPDATED** **HB**

SHORT TITLE TRANSFER OF LAND GRANT PERMANENT FUNDS **SB** 66

ANALYST Schardin

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
1,000,000.0		Non-Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
		$9,605.0	Recurring	General Fund
		$1,995.0	Recurring	LGPF Other Beneficiaries
1,000,000.0			Non-Recurring	Land Grant Permanent Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB 41 and HB47.

SOURCES OF INFORMATION
LFC Files

Responses Received From
Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill
Senate Bill 66 would transfer $1 billion of nonrecurring general fund revenue in the general fund

at the end of FY06 to the land grant permanent funds (LGPF). The distribution of this $1 billion will be proportional to the percentage of LGPF ownership each beneficiary owns.

FISCAL IMPLICATIONS

Transferring $1 billion from the general fund to the LGPF would increase the LGPF corpus by $1 billion. The market value of the LGPF at the end of the last five calendar year's is the base for 5.8 percent distributions to the general fund (about 82.8 percent) and the LGPF's other beneficiaries (about 17.2 percent).

Increasing the market value by $1 billion during CY2006 would increase total LGPF distributions by $11.6 million in FY08, $24.0 million in FY09, $37.4 million in FY10, $51.4 million in FY11, and $66.1 million in FY12. About 82.8 percent of this increase, or $9.6 million in FY07, would accrue to the general fund, and 17.2 percent, or $2.0 million in FY07, would accrue to the other beneficiaries.

SIGNIFICANT ISSUES

The LFC currently projects general fund reserves to total $1.039 billion at the end of FY06, including $358.6 in FY06 "excess revenue" that will be transferred to the general fund operating reserve. Both the LFC and the governor have adopted a target of keeping general reserves at 10 percent of recurring appropriations, which equals $471 million in FY06. Transferring $1 billion to the LGPF would reduce general fund reserves to a level of $43.8 million, or slightly less than 1 percent of recurring appropriations.

The LGPF is owned by several entities, which are listed in the table below. Each entity receives a distribution from the LGPF in proportion to their percent ownership.

LGPF Beneficiaries	**Percent Ownership**
General Fund/Public Schools	82.86%
N.M. Military Institute	3.55%
N.M. School for the Deaf	2.14%
N.M. School for the Visually Hdcp.	2.13%
Penitentiary of N.M.	2.07%
University of N.M.	1.69%
Public Buildings at Capital	1.21%
Miners Hospital of N.M.	1.12%
Water Reservoirs	1.03%
Charitable Penal and Reform	0.81%
N.M. State University	0.45%
Improvement of the Rio Grande	0.33%
N.M. State Hospital	0.24%
N.M. Institute of Mining and Tech.	0.20%
Eastern N.M. University	0.10%
Western N.M. University	0.03%
N.M. Highlands University	0.03%
Northern N.M. State School	0.02%
UNM Saline Lands	0.01%
N.M. Boys School	0.01%
TOTAL	**100%**

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to House Bill 41 and House Bill 47. These bills would transfer $200 million and $125 million in excess FY06 revenues to the STPF, respectively.

TECHNICAL ISSUES

According to the December 2005 consensus revenue estimate, nonrecurring revenue in FY06 is scheduled to total -$105.5 million, meaning that non-recurring revenue is insufficient to make the transfer. Amend the bill to read "$1 billion of the general fund remaining at the end of fiscal year 2006 shall be transferred to the land grant permanent funds…"

Senate Bill 66 violates Sections 6-4-2.1, 6-4-2.2, and 6-4-2.3 NMSA 1978, which prohibit expenditure of reserves unless specific conditions are met.

SS/mt