

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 be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 2/7/06

SPONSOR Altamirano LAST UPDATED _____ HB _____

SHORT TITLE Short-Term Tax Bonds for Colleges SB 717

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|------|-------------------------|------------------|
| FY06 | FY07 | | |
| NFI | NFI | NFI | NFI |
| | | | |

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Non-Rec | Fund Affected |
|-------------------|------|------|-------------------------|---------------------------------|
| FY06 | FY07 | FY08 | | |
| (\$30,000.0) | | | Non-Recurring | Severance Tax Permanent Fund |
| | | | | |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
 Higher Education Department (HED)
 New Mexico Finance Authority (NMFA)

SUMMARY

Senate Bill 717 authorizes the Board of Finance to issue and sell short-term severance tax bonds and authorizes the proceeds to be expended for heating and utility systems for the New Mexico Institute of Mining and Technology and for New Mexico Highlands University.

FISCAL IMPLICATIONS

Senate Bill 717 authorizes the Board of Finance to issue and sell severance tax bonds in fiscal

year 2006 with a term that does not extend beyond the fiscal year in which they are issued in an amount not to exceed \$15 million each for the New Mexico Institute of Mining and Technology and New Mexico Highlands University when the Board of Regents of each institution certifies the need.

Short-term severance tax bonds are commonly referred to as the “sweep.” The revenues to repay the bonds authorized in this bill, estimated between \$111 million to \$120 million in 2006, would normally flow to the severance tax permanent fund. In the last two years, the “sweep” has been used to address deficiencies at public schools.

It should be noted that the expenditure of short-term severance tax bonds proposed in this bill will not impact public school construction funding. Supplemental severance tax bonds are statutorily dedicated for public school construction and improvements.

SIGNIFICANT ISSUES

In recent months, NMHU and NMIMT have experienced an inordinate number of utility disruptions and major infrastructure failures that interrupted essential services to their campus facilities impacting both the student population and the faculty. The campus structures and infrastructure at both institutions are 50 to more than 100 years old and require extensive infrastructure replacements or improvements for heating and cooling, water and sewer improvements, metering and energy management systems, electrical distribution systems, fiber optic cabling and other communications systems, and other improvements to eliminate fire and safety code deficiencies.

It should be noted that the buildings and infrastructure at all higher education campuses require a substantial investment to address the slow deterioration of facilities along with a backlog of necessary repairs and maintenance. Most campuses, in particular four-year institutions, require extensive infrastructure replacements or improvements. The backlog of repairs and renovations along with the lack of adequate funding has resulted in the minimum performance of repairs and maintenance necessary to keep buildings at a “safe and healthy” level for students and staff. More and more campuses are suffering from frequent utility outages, unusable classrooms, a loss of students, and discouraged faculty members.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The 2006 General Appropriation Act, as passed by the House of Representatives, contains a special appropriation of \$60 million for “deferred maintenance” at all higher education institutions.

LMK/yr