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

ORIGINAL DATE 3/1/2007
SPONSOR Taylor **LAST UPDATED** **HB**

SHORT TITLE Constitutional Purposes for County Debt, CA **SB** SJR 20

ANALYST Schuss

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Attorney General's Office (AGO)
Department of Finance and Administration (DFA)
Office of State Auditor (OSA)

SUMMARY

Synopsis of Bill

Senate Joint Resolution 20 if approved by the voters, would amend Article IX Section 10 of the New Mexico Constitution to delete provisions describing specific purposes for which counties may incur debt, and would allow them to borrow money for purposes "authorized by law". The resolution would also delete language prohibiting the use of general obligation bond money for maintaining existing buildings.

FISCAL IMPLICATIONS

DFA notes that SJR 20 directly affects the current debt structure policy that is in effect for local public bodies and could be detrimental to sound financial management; unrestrained debt may exceed politically acceptable or financially sustainable levels of debt. In particular, using long-term general obligation bond money for maintenance means that there is no enduring value behind the general obligation bond.

SIGNIFICANT ISSUES

AGO states that Article IX Section 10 of the New Mexico Constitution prohibits counties from borrowing money except for erecting, remodeling and making additions to necessary public buildings; constructing or repairing public roads and bridges and purchasing capital equipment for such projects; constructing or acquiring a system for supplying water, including the acquisition of water and water rights, necessary real estate or rights-of-way and easements; constructing or acquiring a sewer system, including the necessary real estate or rights-of-way and easements; constructing an airport or sanitary landfill, including the necessary real estate; acquiring necessary real estate for open space, open space trails and related areas and facilities; or the purchase of books and other library resources for libraries in the county. This resolution would delete those specific provisions and would allow the legislature to designate purposes for which counties may incur debt in state law.

DFA reports that the rationale behind the restrictions outlined in Article 9, Section 10 of the Constitution is directed towards General Obligation (property tax) debt. The uses of general obligation bond proceeds have previously been limited to enduring, long term purchase and building.

ADMINISTRATIVE IMPLICATIONS

DFA lists the following implications:

SJR 20 contains potential administrative implications to DFA. Due to the language restricting the type of allowable expenditures, many counties that possess the ability to incur debt will create an increase in the number of requests for bond certification.

The general obligation bond certification process consists of the comparison of net bond capacity to all current outstanding debt generating the entity's allowable bond capacity. Net capacity is limited to 4% of the total property valuation of the entity. Currently this process is managed by the Financial Management Bureau in the Local Government Division.

BS/nt