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FISCAL IMPACT REPORT

SPONSOR Stefanics/Campos/Castellano LAST UPDATED 03/13/23
ORIGINAL DATE 01/30/23
SHORT TITLE San Miguel Library Services BILL NUMBER Senate Bill 258
ANALYST Hitzman

APPROPRIATION* (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
	\$42.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to an appropriation in the General Appropriation Act.

Sources of Information

LFC Files
NM Rural Library Initiative

Responses Received From
Department of Cultural Affairs

No Response Received
Department of Finance and Administration

SUMMARY

Synopsis of Senate Bill 258

Senate Bill 258 (SB258) appropriates \$42 thousand to the Local Government Division of the Department of Finance and Administration (DFA) for San Miguel County to provide library and community services in rural areas of the county.

This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

FISCAL IMPLICATIONS

The appropriation of \$42 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY24 shall revert to the general fund. Although Senate Bill 258 does not specify future appropriations, establishing a

library and community services program in the county could create an expectation the program will continue in future fiscal years; therefore, this cost is assumed to be recurring.

SIGNIFICANT ISSUES

Senate Bill 258 does not specify whether the county will fund existing programs or if it will need to set up new programs to provide the intended library and community services. Therefore, it is unclear if there will be additional administrative or other costs for setting up the programs. It is also unclear if the \$42 thousand appropriated in the bill is adequate to support the level of need demonstrated in the county. There are a total of 51 rural libraries in New Mexico, according to the New Mexico Rural Library Initiative. Further, according to data presented by the Legislative Health and Human Services Committee on New Mexico's Rural Health Plan, San Miguel County is considered a large rural town, compared to a metro area or small rural town, so it is likely rural library and community services could be provided in a majority of the county's areas as written.

ADMINISTRATIVE IMPLICATIONS

As the entity receiving the funds, DFA will need to establish a memorandum of understanding or other similar agreement to distribute the funds to the county. However, it is unclear whether this will result in additional FTE needs at the agency or other administrative costs. The amount is less than \$50 thousand, however, so it is likely DFA will not incur much additional administrative expenses.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The bill relates to an appropriation in the General Appropriations Act of 2023, which includes \$15 million to the rural library endowment fund. The rural libraries endowment fund, created to distribute grants to libraries in communities with populations of or less than 3,000, is managed by the State Investment Council (SIC) and then distributed to the Department of Cultural Affairs (DCA) to award grants to individual libraries. The distribution is set by formula until FY28: the lesser of either 5 percent of the endowment fund value for the preceding year or the income earned by the fund. Currently, the rural libraries endowment fund has a balance of just over \$13 million. Of that balance, \$10 million was appropriated from federal American Rescue Plan Act (ARPA) funds during the 2022 regular legislative session. The Department of Finance and Administration determined the \$10 million appropriated from ARPA funds could not be used for the endowment fund and is working with the Legislature to "swap" those funds with general fund revenue. Anticipating a correction of the appropriation, this analysis assumes \$13 million as the current balance for the fund. The Department of Cultural Affairs did not distribute any funds from the endowment in FY23, because the fund allocations would only equal approximately \$1,300 per library. The agency will instead make the first fund distributions in FY24, when the fund balance, and therefore distributions to eligible libraries, is higher. For FY24, the Department of Cultural Affairs requested a one-time appropriation of \$15 million for the rural libraries endowment fund, which is currently included in the House Appropriations and Finance Committee substitute for House Bill 2.