



New Mexico Military Institute

2014 Legislative Session Recommendation



ISSUE: To provide for FY 2015 an additional \$750,000 in General Fund appropriations for New Mexico Military Institute (NMMI) to restore to NMMI the loss of said amount resulting from the decline from 5.8% to 5.5% in Land Grant Permanent Fund (LGPF) distribution.

FACTS BEARING ON THE ISSUE:

1. By previous “sunset” provision of the New Mexico State Constitution, the distribution percentage to beneficiaries of the Land Grant Permanent Fund declined to 5.5% beginning in FY 2012-2013 from the previous 10-year rate of 5.8% of the Fund’s five-year fair market value. Beginning in FY 2016-2017, the distribution percentage will further decline from 5.5% to 5.0%, returning the distribution percentage for all beneficiaries to pre-2005 levels.
2. The New Mexico Legislature appropriated \$250,000 to NMMI to offset the loss of distribution funds incurred for FY 2012-2013. That appropriation, however, offsets only 1/4 of the total loss to NMMI resulting from the percentage decline. The following table shows the effect on NMMI resulting from the decline in LGPF distribution for FY 2012-2013.

NMMI LGPF Decline FY 2012-2013					
	FY 12 5.8%	FY 13 5.5%	Total Loss Due to % Decline	FY 13 Appropriation	Loss Remainder
NMMI LGPF Distribution	\$18,638,576	\$17,599,474	(\$1,039,102)	\$250,000	(\$798,102)

3. At present, given the statutory decline in distribution percentage, NMMI’s only recourse to replace the lost revenue is to request that the Legislature offset the losses through General Fund appropriations for the coming year.
4. Additionally, given continuing State budget concerns, the most effective solution for NMMI and other beneficiaries of the LGPF would be to make permanent the current distribution percentage, 5.5% of the five-year market value of the Fund.

RECOMMENDATION:

1. That, to restore the NMMI operating budget, the New Mexico Legislature appropriate for NMMI recurring General Fund revenues equal to the loss the school incurs due to the automatic decline in the LGPF distribution as required by current law.
2. That the New Mexico State Constitution be amended to:
 - a. Remove Section G, Article XII; and
 - b. Amend the content of Section F, Article XII, to read:

“The annual distribution from the fund shall be five and five-tenths percent (5.5%) of the average of the year-end market values of the fund for the immediately preceding five calendar years.”