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FISCAL IMPACT REPORT

SPONSOR:	Miera	DATE TYPED:	02-08-00	HB	485
SHORT TITLE:	Tax Anticipation Certificates			SB	
				ANALYST:	Baca

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
	NFI				

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

LFC files, State Department of Education (SDE)

SUMMARY

Synopsis of Bill

House Bill 485 amends Section 22-8-35 to allow school districts to issue "Tax Anticipation Certificates" for the purchase of long-term insurance contracts. The bill also amends the Public School Buildings Act (22-26-3 NMSA 1978) to allow school districts to issues tax anticipation certificates for the purchase of long-term insurance contracts. The bill caps interest rates that may be paid on these certificates at 8 percent.

As originally enacted, the statute allowed the use of anticipated revenues only for capital outlay purposes.

Significant Issues

The Public School Buildings Act authorizes local school districts to impose a tax not to exceed ten mills for capital outlay purposes. HB 485 authorizes the issuance of tax indebtedness for long-term insurance contracts. The bill does not define long-term insurance contracts, and, consequently, the following questions may be raised:

What types of transactions are intended as "long-term" contracts?

- Risk insurance, e.g., school district buildings, liability?
- Group insurance, e.g., health, life insurance?

- Other type of insurance, e.g., guarantees from contractors that their structures will be maintained or "last" for a specified period of time?

Risk and group insurance costs are recurring expenses funded through the New Mexico Public School Funding Formula. If "long-term contracts" refer to these transactions, what happens to the funds formerly used to pay for them?

The analysis prepared by SDE raises some of the same questions concerning the efficacy of purchasing long-

term insurance contracts for recurring expenses funded through the formula.

FISCAL IMPLICATIONS

None apparent.

ADMINISTRATIVE IMPLICATIONS

None. School district personnel implement the provisions of the bill without additional staff.

LB/gm