

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill No: \*SB 621**

**49th Legislature, 1st Session, 2009**

**Short Title: General Fund School Use Transfer & Bonds**

**Sponsor(s): Senators Michael S. Sanchez, Cynthia Nava, and John Arthur Smith**

**Analyst: Peter B. van Moorsel**

**Date: February 24, 2009**

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**Bill Summary:**

SB 621 transfers money between certain funds to provide emergency support for school districts under certain circumstances and to pay for certain costs associated with new schools. Among its provisions, SB 621:

- transfers funds from the Local Government Transportation Fund to the General Fund;
- appropriates funds from the General Fund to the Public Education Department (PED) for expenditure in FY 09 and subsequent fiscal years to:
  - provide emergency support of school districts experiencing shortfalls in operating budgets in FY 09 and FY 10 that, without emergency assistance, would be required to reduce the number of employees and the quality of education; and
  - transfer, after PED has provided all the emergency support needed, or after the end of FY 11, whichever occurs first, the unexpended or unencumbered balance to the New School Development Fund (see “Background”) for expenditure in FY 10 and subsequent fiscal years for the purposes of that fund;
- authorizes the State Board of Finance to issue and sell up to \$10.0 million in severance tax bonds (STBs) when the Department of Transportation (DOT) certifies the need for the issuance of the bonds; and
- requires that the proceeds from the sale of the STBs be appropriated to the Local Government Transportation Fund for distribution as directed by the DOT.

\* The bill contains an emergency clause.

**Fiscal Impact:**

- \$10.0 million is transferred from the Local Government Transportation Fund to the General Fund:
- \$10.0 million is appropriated from the General Fund to PED for expenditure in FY 09 and subsequent fiscal years; and
- the State Board of Finance may issue and sell up to \$10.0 million in STBs in FY 09 and FY 10.

Unexpended and unencumbered funds do not revert.

## **Fiscal Issues:**

According to the analysis of SB 621 prepared by the New Mexico Finance Authority (NMFA), the bill will reduce the Local Government Transportation Fund by \$10.0 million, which would otherwise be expended for approved local government road projects. NMFA adds that all monies currently in the Local Government Transportation Fund have been encumbered.

The Local Government Transportation Fund was created during the 1<sup>st</sup> Special Session of 2007. The legislation that created the fund also:

- appropriated \$25.0 million from the General Fund to the Local Government Transportation Fund for distribution in FY 07 through FY 10 as directed by the DOT;
- authorized the issuance of up to \$150.0 million in STBs in FY 07 through FY 09, as follows:
  - for FY 07, up to \$50.0 million; and
  - for FY 08 and FY 09, the lesser of \$50.0 million or 12.5 percent of STB capacity; and
- authorized appropriations from the Local Government Transportation Fund to the DOT to fund 116 projects worth approximately \$182.5 million.

NMFA reports that if the maximum allowed STBs authorized for FY 09 (\$50.0 million) are issued and sold, \$141.1 million would be available to fund the \$182.5 million in authorized projects, as follows:

- \$25.0 million appropriated from the General Fund;
- \$50.0 million in STBs issued and sold in FY 07;
- \$16.1 million in STBs issued and sold in FY 08 (12.5 percent of STB capacity in FY 08); and
- \$50.0 million in STBs issued and sold in FY 09.

NMFA cautions that the up to \$141.1 million that could be available for expenditure for road projects is already insufficient to pay for the approximately \$182.5 million in authorized projects, and adds that transferring \$10.0 million from the Local Government Transportation Fund could further increase the shortfall for the authorized projects.

## **Background:**

### ***Emergency Supplemental***

According to PED, for FY 09, the Legislature appropriated a total of \$7.0 million to PED for emergency supplemental funds, which was budgeted by 20 school districts for school year 2008-2009. However, 24 school districts had initially requested more than \$14.5 million in emergency supplemental funding.

### ***New School Development Fund***

The New School Development Fund was created in 2006 to supplement district funds needed to pay for supplies, equipment, and operating costs unique to the first year of operation of a new school.

In 2008, the Legislature appropriated \$3.0 million from the Public School Capital Outlay Fund to the New School Development Fund for expenditure in FY 09 and subsequent fiscal years, which PED awarded to applicants who were opening a new school, as follows:

<b>DISTRICT</b>	<b>SCHOOL</b>	<b>TOTAL AWARD</b>
Gadsden	Chaparral HS	\$184,250
Gallup	Chief Manuelito MS	\$309,989
Rio Rancho	Sandia Vista ES	\$42,133
Rio Rancho	Cielo Azul ES	\$42,133
Deming	Columbus ES	\$323,870
Rio Rancho	Sue Cleveland HS	\$2,097,625
		\$3,000,000

Current law states that PED may not approve a distribution from the New School Development Fund unless it determines that there are no other reasonably available federal, private, or other public sources for the needed funding.

**Related Bills:**

- CS/SB 453 Public School Science Facilities*
- SB 478a Extraordinary Costs of New School Openings*
- HB 2 General Appropriation Act of 2009*