

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR	<u>SFL</u>	ORIGINAL DATE	<u>02/09/10</u>	
		LAST UPDATED	<u>02/18/10</u>	HB
SHORT TITLE	<u>GO Bond Projects</u>			<u>113/SFLS/aHTRC/</u>
				SB <u>aHAFC</u>
				ANALYST <u>Kehoe, Leger, Burns</u>

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
	\$175,540.3	Nonrecurring	General Obligation Bond Capacity

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with House Bill 226, as amended

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment proposes the following:

Item 1 strikes House Taxation and Revenue Committee amendment item 6.

Item 2 clarifies the language for an Eastern New Mexico University capital project.

Item 3 strikes \$3 million for “roof improvements and replacement at New Mexico Junior College in Hobbs in Lea County.”

Item 4, 5, and 6 make technical and grammatical adjustments.

Item 7 inserts two projects: \$3 million “to plan, design, and construct a regional wellness center for the Santa Fe Indian School” and \$1 million “to plan, design, and construct the Science Technology and Sculpture Foundry buildings at the Institute of American Indian Arts.”

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment to Senate Bill 113 provides as follows:

Items 1, 2, 3, and 4 increase from \$1,750.0 to \$2 million each for public libraries, academic

libraries, and public school libraries; and decreases the allocation for tribal libraries from \$1,750.0 to \$1 million.

Item 5 provides for a technical adjustment.

Items 6 changes an Eastern New Mexico University capital project to read “eight million dollars (\$8,000,000) for renovation and infrastructure improvements including the razing of closed facilities, at”

Item 7 strikes “one million dollars (\$1,000,000) for renovating the Greyhound arena, including heating, ventilation and air conditioning improvements, at Eastern New Mexico University in Portales in Roosevelt.”

Item 8 changes the description for a capital project at New Mexico Military Institute to read “for renovations including improvements related to code compliance at Lusk hall.”

Items 9 and 10 correct description language for two projects the University of New Mexico.

The dollar changes proposed by the amendment do not change the amount of general obligation bond capacity authorized in the Senate Floor Substitute for Senate Bill 113.

Synopsis of Bill

Senate Floor Substitute for Senate Finance Committee Substitute for Senate Bill 113 reduces the number of bond issues from six to four and decreases the cost of issuance from \$732.8 to \$640.3. The bill authorizes \$174.9 million for the purpose of funding senior citizen facility improvements, library acquisition and construction, public school pre-kindergarten classrooms and bus purchases, and capital expenditure for higher education and special schools. The floor substitute amends language for the New Mexico School for the Deaf and Visually Impaired by changing the word “contract” to “coordinate.”

FISCAL IMPLICATIONS

According to LFC and DFA consensus estimates, GOB capacity in fiscal year 2010 for issuance in fiscal year 2011 is \$175.3 million. The authorization of \$175.5 million contained in this bill, including \$640.3 for the cost of issuance of the bonds, is a non-recurring expense to GOB capacity. The state agencies and state institutions to which money has been appropriated in this bill shall be responsible for monitoring the projects funded in the Act to ensure compliance with the Constitution and laws of New Mexico and shall cause to be reverted any unexpended or unencumbered balance remaining at the earlier of the third full fiscal year after issuance of the bonds or the termination or completion of the specific project. Reverted funds shall be deposited in the debt service fund established by the state treasurer for the purpose of paying the principal of and interest on the state’s general obligation bonds.

Issuance and sale of general obligation bonds requires approval by the electorate in the 2010 November general election. General obligation bonds are payable from ad valorem (property) taxes levied on all property in the state subject to property taxation. The bonds are backed by the full faith and credit of the state.

If ratified by the voters, the statewide authorizations proposed in this bill include six separate bond questions as follows: \$7.8 million for senior citizen facilities and equipment, \$7 million for library acquisitions and construction, \$5.1 million for pre-kindergarten classrooms and to purchase school buses statewide, and \$155.6 million for higher education and special school facilities.

General obligation bonds are issued by the Board of Finance in December or January following the general election. Funds authorized in this bill will be available to the recipients between March and April 2011.

SIGNIFICANT ISSUES

According to LFC economists, “the effects of the full \$175.3 million Series 2010 GOB issuance on an average taxpayer with a house value of \$200,000 are expected to be approximately \$26 annually. However, because a portion of the general obligation debt already outstanding will simultaneously reach maturity, the net increase in liability per taxpayer is approximately \$16 for a \$200,000 house.

Some downside risk exists in the GOB forecast based on statements recently made by the Bernalillo County Assessor. Due to a recent court ruling against so call “tax-lightening” the assessor’s office say it plans to roll back property values for homes sold since 2002. This is extremely important to statewide residential property tax values because Bernalillo County makes up more than 35 percent of the statewide total. The City of Albuquerque has made a preliminary estimate that this action would reduce the city’s residential tax base by roughly 4.5 percent. Assuming the decision resulted in a 5 percent decline for residential property within the county as a whole,” LFC economists estimate that this could reduce the fiscal year 2010 GOB capacity by as much as \$5 million.

Other Bernalillo County Developments:

- As of January 8th, approximately 225 lawsuits had been filed seeking a refund for overpaid property taxes.
- A class-action lawsuit was filed in State District Court. The proposed class of plaintiffs would include people who have bought homes since 2001 and subsequently had their property tax values bumped up more than 3 percent for tax purposes.
- Although the class-action is seeking to recover refunds for past years, according to the Bernalillo County Assessor’s office “the law is clear that there is legally no remedy for refunds in prior years.” The state law currently requires refund claims be submitted within 60 days of paying the property tax because money from past years has already been collected, then distributed to government agencies for spending. For this tax year that 60 day window expired on January 8, 2010.

CONFLICT

House Bill 226, as amended, authorizes \$170.6 million, including \$850.0 for the cost of issuance of the general obligation bonds and authorizes varying amounts for various similar projects within this bill.