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FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/11
LAST UPDATED 02/15/11 **HB** _____

SPONSOR Nava

SHORT TITLE Timely Payment Provisions Inclusions **SB** 341/aSEC

ANALYST Burrows

Revenue (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	NFI	NFI		

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public School Facility Authority (PSFA)

Public Education Department (PED)

Responses Not Received From

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Amended Bill

Senate Education Committee Amendment amends Senate Bill 34 to include emergency language, which if signed into law would make the provisions of the bill effective immediately.

Synopsis of Original Bill

Senate Bill 341 amends a section of law pertaining to payments to bondholders of school district general obligation (GO) bonds by adding to the definition of a bond, “bond anticipation notes” pursuant to the School District Bond Anticipation Notes Act and “general obligation lease-purchase arrangements” pursuant to the Education Technology Equipment Act. Further, the bill requires school districts, rather than bondholders, to inform DFA if payments will not be made in a timely manner. The bill also removes redundant language from Section 22-18-13.

FISCAL IMPLICATIONS

There is no fiscal impact to the state.

SIGNIFICANT ISSUES

Section 22-18-13 authorizes DFA to pay interest to bondholders of GO school district bonds in the event that the school district has not made payment in a timely manner. In these circumstances, the amount due will be withheld from future state equalization guarantee (SEG) distributions for that school district. Senate Bill 341 would extend these protections to holders of bond anticipation notes and general obligation lease-purchase arrangements. This could have the effect of bettering bond ratings and lowering future interest rates on school district bonds.

Bond anticipation notes provide a mechanism for school districts to obtain short-term financing for capital projects. The notes are securities evidencing an obligation of the school district that precede the issuance of GO bonds. The notes cannot be issued unless the corresponding GO bonds have been authorized through election, and the proceeds of the notes must be used for the same purpose for which the GO bonds are authorized.

A lease-purchase arrangement refers to any debt of the school district incurred for the purpose of acquiring education technology equipment pursuant to the Education Technology Act whether designated as a lease, bond, note, loan, warrant, debenture, obligation or other instrument evidencing a debt of the school district.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Lease-purchase agreements and bond anticipation notes issued by school districts will not be backed by SEG distributions.

LKB/bym:mew