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FISCAL IMPACT REPORT

SPONSOR Beffort **ORIGINAL DATE** 02/22/11
LAST UPDATED 03/07/11 **HB** _____

SHORT TITLE Municipal Corporation Bond Deposits **SB** 520

ANALYST Burrows

REVENUE (dollars in thousands)

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

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General's Office (AGO)
State Treasurer's Office (STO)
New Mexico Municipal League (NMML)
Department of Finance and Administration (DFA)
Public Education Department (PED)

Responses Not Received From

NM Association of Counties

SUMMARY

Synopsis of Bill

Senate Bill 520 proposes to amend Section 6-15-5 to eliminate the requirement that all bidders for municipal bonds submit a deposit prior to acceptance of the bids. Instead, only the best bidder would be required to submit a deposit.

Because no effective date is provided in the bill, its provisions will become effective 90 days after the 2011 Legislative Session adjourns, on June 17, 2011.

FISCAL IMPLICATIONS

There is no fiscal impact.

SIGNIFICANT ISSUES

Senate Bill 520 may reduce administrative costs incurred by the municipality associated with returning the deposits of unsuccessful bidders.

According to the New Mexico Municipal League, by eliminating the requirement that all bidders provide a surety bond or deposit on the bonds prior to the selection of the winning bid, more bidders may be attracted to the bond sale.

Under current law, a bidder may be reluctant to dedicate funds without the assurance that its bid will be accepted. A larger pool of bidders could result in a lower interest rate to the municipality.

DFA notes that Cilia Agliodoro, CTP Treasurer of the City of Albuquerque is in favor of Senate Bill 520, and has no issues with this legislation.

TECHNICAL ISSUES

The Attorney General's Office (AGO) notes that the bill does not specify the notification method to the winning bidder that is needed to trigger the deposit.

AMENDMENT

The AGO suggests striking section 6-15-6, which provides for return of deposits from unsuccessful bidders. This section would become superfluous under Senate Bill 520.

Senate Bill 520 does not specify the time period by which the winning bidder must submit the deposit in order to secure acceptance of its bid. A possible amendment would establish a deposit deadline, which would allow the municipality to entertain other bids within a reasonable time-frame if the winning bidder is unable to provide a deposit.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

All bidders for municipal bonds will be required to place deposit at the time of the bid.

LKB/svb