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FISCAL IMPACT REPORT

02/22/13
ORIGINAL DATE 03/04/13
LAST UPDATED 03/08/13

SPONSOR SFC **HB** 231/SFCS/aSFI#1
SHORT TITLE School District and Charter School Investments **SB** /aHEC
ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
NFI						

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Public Education Department (PED)

SUMMARY

Synopsis of HEC Amendment

The House Education Committee amendment to Senate Finance Committee Substitute for Senate Bill 231 as amended on the Senate Floor specifies that deposits into local financial qualified depositories is mandatory. This restores this requirement to current statute.

Synopsis of SFI Amendment

The Senate Floor Amendments to Senate Finance Committee Substitute for Senate Bill 231:

- Clarifies record keeping procedures for school district investments
- Clarifies that school boards may pay administrative and investment expenses
- Allows Credit unions to be treated exactly the same as banks and other financial institutions.

Synopsis of Original Bill

The Senate Finance Committee Substitute for Senate Bill 231 gives state-chartered charter

schools and school districts with an enrollment of above 3 thousand the same investment options currently reserved to Class A counties. The bill also prohibits local governments from purchasing bonds sold by the Student Loan Marketing Association (Sallie Mae).

District chartered schools would be allowed the investment options afforded all county and municipal treasurers regarding the investment of bond funds.

Lastly the substitute reorders the “equitable distribution” formula used to allocate deposits among financial distributions. It includes credit unions and requires that funds be allocated proportionally to a yet to be developed formula.

SIGNIFICANT ISSUES

Bonds issued by Sallie Mae are rated below investment grade by Standard & Poor’s Corporation.

The largest chartered school in the state has 500 enrollees; the bill would apply to 26 districts and no charter schools.

The average size of a school district is 3,500 hundred enrollees. While large school districts such as Albuquerque Public Schools could develop this expertise, the ability of smaller districts to do so is questionable.

Coordinating construction management, bond funds, and the arbitrage requirements of the Tax Reform Act of 1986 is quite complex and time consuming. Small school districts may be hard pressed to take on these duties. Charter schools simply do not have the administrative capacity to perform this task.

The requirement that monies be deposited pro-rata among the districts’ financial institutions runs counter to the trustees’ fiduciary duty of seeking maximum return consistent with the security of principal. Admittedly, current statute also violates this concept.

TECHNICAL ISSUES

The legal lists of permissible investments enumerated in this bill are outdated and should be reviewed by an interim committee. For example, the list allows the investment of bond funds (for a Class A county) in an equity pool managed by the State investment Council. This would be an imprudent financial practice.

The title of this bill does not refer to the new restriction on Sallie Mae bonds.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate

A list of charter schools and districts by enrollment is presented below:

District enrolled membership (MEM) - FY13

DISTRICT/CHARTER	TOTAL MEM
ALAMOGORDO	6,173.00
ALBUQUERQUE	87,085.25
ACADEMIA DE LENGUA Y CULTURA	77.50
ALB TALENT DEV SECONDARY	139.00
ALICE KING COMMUNITY SCHOOL	323.00
BATAAN MILITARY ACADEMY	123.50
CHRISTINE DUNCAN COMMUNITY	126.00
CORRALES INTERNATIONAL	204.50
DIGITAL ARTS & TECH ACADEMY	315.50
EL CAMINO REAL	415.50
GORDON BERNELL	431.50
LA ACADEMIA DE ESPERANZA	321.00
LOS PUENTES	204.50
MONTESSORI OF THE RIO GRANDE	199.00
MOUNTAIN MAHOGANY	196.50
NATIVE AMERICAN COMM ACAD.	389.50
NUESTROS VALORES	111.50
PAPA	350.00
ROBERT F. KENNEDY	263.50
SIA TECH	284.50
SOUTH VALLEY	238.50
TWENTY FIRST CENT.	240.00
ALBUQUERQUE W/CHARTERS	92,039.75
ANIMAS	214.50
ARTESIA	3,611.75
AZTEC	3,185.25
MOSAIC ADADEMY CHARTER	180.00
AZTEC W/CHARTERS	3,365.25
BELEN	4,460.25
BERNALILLO	3,055.75
BLOOMFIELD	3,014.75
CAPITAN	496.50
CARLSBAD	5,848.25
JEFFERSON MONT. ACAD.	165.50
CARLSBAD W/CHARTERS	6,013.75
CARRIZOZO	145.50
CENTRAL CONS.	6,206.00
CHAMA VALLEY	374.00
CIMARRON	324.50

MORENO VALLEY HIGH	86.00
CIMARRON W/CHARTERS	410.50
CLAYTON	539.50
CLOUDCROFT	389.00
CLOVIS	8,495.75
COBRE CONS.	1,268.75
CORONA	76.00
CUBA	550.50
DEMING	5,193.50
DEMING CESAR CHAVEZ	152.50
DEMING W/CHARTERS	5,346.00
DES MOINES	81.00
DEXTER	993.75
DORA	239.75
DULCE	702.75
ELIDA	139.00
ESPAÑOLA	4,085.75
CARINOS DE LOS NINOS	250.50
ESPANOLA W/CHARTER	4,336.25
ESTANCIA	839.50
EUNICE	607.25
FARMINGTON	10,569.00
NEW MEXICO VIRTUAL ACADEMY	489.00
FARMINGTON W/CHARTER	11,058.00
FLOYD	218.00
FT. SUMNER	309.25
GADSDEN	13,885.50
ANTHONY CHARTER	83.50
GADSDEN W/CHARTER	13,969.00
GALLUP	11,549.75
MIDDLE COLLEGE HIGH	63.50
GALLUP W/CHARTER	11,613.25
GRADY	100.50
GRANTS	3,537.00
HAGERMAN	441.25
HATCH	1,300.25
HOBBS	8,583.00
HONDO	158.50
HOUSE	95.00
JAL	371.75
JEMEZ MOUNTAIN	282.00
LINDRITH AREA HERITAGE	23.50
JEMEZ MOUNTAIN W/CHARTERS	305.50

JEMEZ VALLEY2	353.25
SAN DIEGO RIVERSIDE CHARTER	101.50
JEMEZ VALLEY W/CHARTER	454.75
LAKE ARTHUR	127.50
LAS CRUCES	24,095.50
LA ACADEMIA DOLORES HUERTA	125.00
LAS MONTANAS	287.50
LAS CRUCES W/CHARTER	24,508.00
LAS VEGAS CITY	1,786.75
LOGAN	301.00
LORDSBURG	529.50
LOS ALAMOS	3,492.00
LOS LUNAS	8,271.25
LOVING	568.50
LOVINGTON	3,322.25
MAGDALENA	379.50
MAXWELL	90.00
MELROSE	215.00
MESA VISTA	393.00
MORA	501.25
MORIARTY	3,194.50
MOSQUERO	47.75
MOUNTAINAIR	283.75
PECOS	593.25
PEÑASCO	448.75
POJOAQUE	2,004.00
PORTALES	2,973.75
QUEMADO	145.50
QUESTA	393.75
ROOTS & WINGS	52.50
QUESTA W/CHARTERS	446.25
RATON	1,193.25
RESERVE	153.75
RIO RANCHO	16,604.25
ROSWELL	9,829.75
SIDNEY GUTIERREZ	62.50
ROSWELL W/CHARTER	9,892.25
ROY	38.25
RUIDOSO	2,101.00
SAN JON	116.00
SANTA FE	12,555.50
ACAD FOR TECH & CLASSICS	357.00
MONTE DEL SOL	352.00

TIERRA ENCANTADA CHARTER	236.00
TURQUOISE TRAIL	463.00
SANTA FE W/CHARTERS	13,963.50
SANTA ROSA	623.25
SILVER CITY CONS.	3,008.75
SOCORRO	1,686.25
COTTONWOOD CHARTER	170.00
SOCORRO W/CHARTERS	1,856.25
SPRINGER	190.00
TAOS	2,439.25
ANANSI CHARTER	111.50
TAOS CHARTER	213.00
VISTA GRANDE	99.50
TAOS W/CHARTER	2,863.25
TATUM	317.00
TEXICO	538.00
TRUTH OR CONSEQ.	1,314.00
TUCUMCARI	1,037.50
TULAROSA	896.25
VAUGHN	116.50
WAGON MOUND	70.00
WEST LAS VEGAS	1,561.25
RIO GALLINAS CHARTER SCHOOL	108.00
WEST LAS VEGAS W/CHARTER	1,669.25
ZUNI	1,269.25
STATE CHARTERS	
ACADEMY OF TRADES & TECH ST. CHARTER (APS)	117.50
ACE (APS)	208.50
ALBUQUERQUE INSTI. MATH & SCI. (AIMS) ST. (APS)	295.00
ALBUQUERQUE SCHOOL OF EXCELLENCE ST. CHAR (APS)	290.00
ALBUQUERQUE SIGN LANGUAGE ST. CHARTER (APS)	72.00
ALDO LEOPOLD ST. CHARTER (SILVER CITY)	109.00
ALMA D' ARTE STATE CHARTER (LAS CRUCES)	186.50
AMY BIEHL ST. CHARTER (APS)	289.00
ASK ACADEMY ST. CHARTER (RIO RANCHO)	186.50
CESAR CHAVEZ COMM. ST. CHARTER (APS)	188.00
CIEN AGUAS INTERNATIONAL ST.	224.00

CHARTER (APS)	
CORAL COMMUNITY (APS)	45.00
COTTONWOOD CLASSICAL ST. CHARTER (APS)	444.00
CREATIVE ED. PREP INST #1 ST. CHARTER (APS)	180.50
EAST MOUNTAIN ST. CHARTER (APS)	365.50
ESTANCIA VALLEY (MORIARTY)	293.00
GILBERT L. SENA STATE CHARTER (APS)	174.00
HORIZON ACADEMY WEST ST. CHARTER (APS)	430.50
INT'L SCHOOL MESA DEL SOL ST. CHARTER (APS)	202.50
J. PAUL TAYLOR ACADEMY (LAS CRUCES)	173.00
LA PROMESA ST. CHARTER (APS)	251.50
LA RESOLANA LEADERSHIP (APS)	66.00
LA TIERRA MONTESSORI (ESPANOLA)	74.00
LEARNING COMMUNITY (APS)	184.00
MASTERS PROGRAM ST. CHARTER (SFPS)	138.50
MCCURDY CHARTER SCHOOL (ESPANOLA)	503.00
MEDIA ARTS COLLAB. ST. CHARTER (APS)	188.50
MISSION ACHIEVEMENT & SUCCESS-MAS (APS)	107.00
MONTESSORI ELEMMENTARY ST. CHARTER (APS)	356.00
NEW AMERICA CHARTER SCHOOL ST. CH. (APS)	375.00
NEW AMERICA SCHOOL (LAS CRUCES)	235.00
NEW MEXICO INTERNATIONAL SCHOOL (APS)	114.00
NEW MEXICO SCHOOL FOR THE ARTS ST. CH (SANTA FE)	177.00
NORTH VALLEY ACADEMY ST. CHARTER (APS)	488.50
RALPH J. BUNCHE ACADEMY (APS)	101.00
RED RIVER VALLEY (QUESTA)	62.50
SAGE MONTESSORI CHARTER (APS)	149.00
SCHOOL OF DREAMS ST. CHARTER (LOS LUNAS)	353.50
SOUTH VALLEY PREP ST. CHARTER (APS)2	124.00
SOUTHWEST AER.,MATH & SCIENCE-SAMS (APS)	276.00
SOUTHWEST INTERMEDIATE LEARNING CENTER (APS)	111.50
SOUTHWEST PRIMARY LEARNING	105.00

CENTER (APS)	
SOUTHWEST SECONDARY LEARNING CENTER (APS)	283.50
TAOS ACADEMY ST. CHARTER (TAOS)	141.50
TAOS INTEGRATED SCHOOL OF ARTS ST. (TAOS)	137.50
THE GREAT ACADEMY (APS)	230.00
TIERRA ADENTRO ST. CHARTER (APS)	186.50
UPLIFT COMMUNITY SCHOOL (APS)	103.00
VILLAGE ACADEMY ST. CHARTER (BERNALILLO)	38.00
WALATOWA CHARTER SCHOOL (JEMEZ VALLEY)	63.00
WILLIAM W & JOSEPHINE DORN CHARTER (APS)	10.00
STATEWIDE	331,363.00