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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/2/19

SPONSOR Ortiz y Pino LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Endowment To Support Rural Libraries, Ca SJR 11

ANALYST Graeser

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>			\$200.0	\$200.0	Nonrecurring	General Fund Sec't of State Operating

Parenthesis ( ) indicate expenditure decreases

\* Note: in previous session, the Secretary of State's office has noted that the cost of advertising a constitutional amendment imposes a cost on the office's operating budget. These costs are probably built into the Secretary of State's operating appropriation.

### SOURCES OF INFORMATION

LFC Files

No Responses Received

### SUMMARY

#### Synopsis of Joint Resolution

Senate Joint Resolution 11 proposes a constitutional amendment to create the "rural libraries endowment fund" in the state treasury. The intent is to have a permanent endowment fund, the earnings of which would be used to supplant or enhance annual general fund appropriations for the operation and capital needs of the state's rural libraries. Earnings of the endowment fund could also be used for "the delivery of specialized services to rural libraries."

The joint resolution is somewhat silent on the sources of funds to create the corpus of the fund, mentioning only "appropriations and donations to the fund and all income from the investment of the fund. If funds are ever provided, they would be invested as is the corpus of the land grant permanent fund. In general, each year the fund would distribute the average of the previous five-year's earnings limited to 5 percent of the market value of the corpus at the end of the preceding year.

Distributions would be made in the following way:

- 92 percent for each library designated by the enabling law as a rural library;
- 3 percent for distribution as grants through the rural libraries grant program; and

- 5 percent for the state’s delivery of specialized services to rural libraries.

The constitutional amendment proposed by the resolution would probably be submitted to the voters at the next general election in November 2020.

There is no effective date of this joint resolution. It is assumed that the effective date is 90 days after this session ends (June 14, 2019).

## **FISCAL IMPLICATIONS**

Any enabling legislation pursuant to approval of this constitutional amendment would create a new fund and provide for continuing appropriations. LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the Legislature to establish spending priorities.

Because the proposal does not clearly identify a source of initial or continuing funds for the endowment, it is difficult to estimate potential fiscal impacts. It may be that this proposal is intended to take advantage of federal funding. A brief Google search indicated that the United States Department of Agriculture has, in the past, provided dedicated funding to rural libraries. There is also some federal funding available to extend broadband internet access to underserved rural communities.

However, considering the many, many competing needs in the state, it is unlikely that this created endowment fund would receive significant funds from state sources or public donations or grants.

## **SIGNIFICANT ISSUES**

<http://www.ala.org/advocacy/sites/ala.org/advocacy/files/content/pdfs/Rural%20paper%2007-31-2017.pdf>

The above URL indicates the nature and extent of some the problems experienced by rural libraries. An excerpt is included:

As libraries move away from population centers, they are less likely to be part of systems with multiple branches .... Just over 60 percent of all rural libraries are part of a system with only a single library, ranging from a low of 50.5 percent for rural fringe locations to 66.8 percent for rural remote outlets. Thus, as libraries move further away from population centers they are less able to leverage economies of scale. These libraries may benefit from regional or state collaborations, but those that lack sufficient support at these levels are more likely to have difficulty with expedient inter-library loans, face greater distances for staff to travel for continuing education training, and have less access to dedicated information technology, administrative, and technical services staff than their counterparts.