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FISCAL IMPACT REPORT

SPONSOR: Varela DATE TYPED: 03/01/01 HB 505
 SHORT TITLE: Court Automation Fund Appropriation SB _____
 ANALYST: Hayes

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
\$ 7,000.0				Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Appropriation in The General Appropriation Act HB2/a in Section 6, Special appropriations.
 Relates to SB690

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
\$ (7,000.0)			Non-Recurring	General Fund
\$ 7,000.0			Non-Recurring	Court Automation Fund

SOURCES OF INFORMATION

LFC budget files
 Administrative Office of the Courts (AOC)

SUMMARY

Synopsis of Bill

HB505 appropriates \$7 million from the general fund to the Court Automation Fund administered by the Administrative Office of the Courts in order to defense all outstanding New Mexico Finance Authority court automation fee revenue bonds, series 1996 and series 1999, and to pay costs relating to the retirement of those bonds.

House Bill 505 -- Page 2

The appropriation of \$7,000.0 is for expenditure in fiscal years 2001 and 2002 for retirement of the bonds. HB505 contains an emergency clause.

Significant Issues

1. Bond proceeds from the last bond issue will be exhausted at the end of fiscal year 2001, meaning that money available for operating costs and judiciary automation projects, totaling approximately \$800.0, will no longer be available next fiscal year.
2. AOC revenue forecasts anticipated \$3.5 million in fee revenue this fiscal year, an amount reflected in its FY01 budget and used to fund operating costs of the Judiciary's Statewide Automation Program (referred to as "JID"). That number has now been revised to \$2.8 million. This is a reduction in expected operating revenue for JID in the sum of \$700.0.
3. The structure of bond regulations creates a cash flow problem for the first few months of every fiscal year for JID. Fee revenues received by NMFA from the courts after July 1st accumulate until the bond debt service on the court automation bonds has been satisfied. (Payment of the bond debt service is solely generated from fee revenue.) Only after the debt service has been satisfied does JID receive fee revenue for its operations.
4. JID does not receive a general fund appropriation for its operating costs, only for salaries and benefits (\$1,373.8).
5. The Statewide Automation Program will not have adequate operating costs for fiscal year 2002 because of the issues detailed above. A decrease in revenues (\$700.0) and no further bond proceeds (\$800.0) equals a budget deficit of \$1.5 million in operating costs.
6. The ideal solution proposed was to fund a one-time appropriation in order to completely pay off the bonds. By retiring the bonds, JID would no longer have a cash flow problem, the debt service amount paid each year (\$1.6 million) could now be used to support JID's budget deficit (see #5 above), and the fee revenue, estimated at \$2.8 million, would be available for other operating expenses in JID.
7. If the non-recurring appropriation proposed in this bill is not approved for defeasance of the court automation bonds, then general fund monies will be requested by the Administrative Office of the Courts for its Statewide Automation Program. Without the bond defeasance, a recurring annual general fund appropriation of \$1.5 million will be needed to maintain current staffing levels and basic operating costs until the debt service is paid each year. This would continue until fiscal year 2007.

FISCAL IMPLICATIONS

The appropriation of \$7,000.0 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining after the defeasance of the bonds shall remain in the Court Automation Fund and not revert back to the general fund.

ADMINISTRATIVE IMPLICATIONS

This one-time appropriation, if approved, will require an increase in "other state funds" source category in HB2 so that fee revenue can be adjusted and available for use for operating expenses

versus being unavailable fee revenue utilized to make bond payments. The estimated adjustment is approximately \$900.0

CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP

As of this date, HB2/a contains a \$7 million special appropriation to retire the Supreme Court automation bonds and interest payments.

SB690 duplicates HB505 with the exception of stating that any unexpended or unencumbered balance remaining at the end of FY02 shall revert to the general fund and not maintained as a fund balance in the Court Automation Fund.

POSSIBLE QUESTIONS

1. Why does HB505 propose not reverting unexpended funds back to the general fund?
2. If there is a fund balance in the Court Automation Fund, how does JID plan on spending it? Will JID create additional term FTEs as it did in FY01?
3. What is causing lower revenues compared to earlier years? After all, court-related activity seems to have increased throughout the state.
4. In knowing that bond proceeds would be exhausted at the end of FY01, what adjustments, if any, were made in spending and in staffing to account for this decrease in available funds?

CMH/njw:ar