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FISCAL IMPACT REPORT

SPONSOR Miera DATE TYPED 3/3/05 HB 1076

SHORT TITLE Bank Proposals to School Districts SB _____

ANALYST Chabot

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			\$13.9	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(Minimal)	(Minimal)	Recurring	Public School District Operating Funds

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Public Education Department (DFA)

Responses Not Received From

State Treasures Office (STO)

SUMMARY

Synopsis of Bill

House Bill 1076 amends Section 22-8-40 NMSA 1978 (Deposit of Public School Funds—Distribution—Interest) to allow school districts with ten or more banks or savings and loan associations within the district boundaries to issue requests for proposals (RFP) and select at least two qualified depositories for deposit of sums into interest bearing accounts. The RFP will spec-

ify how the funds will be allocated between the two institutions. PED may monitor the deposits of school districts to ensure they comply with this provision.

Significant Issues

Current statutes require school districts to distribute public money equitably among all qualified banks and savings and loan associations that have main or manned branch offices within the boundaries of the school district. This requirement is difficult to manage and often results in audit findings. Limiting the number of financial institutions may result in better service, lower fees and higher interest for the school districts.

FISCAL IMPLICATIONS

This bill could result in school districts being able to earn a slightly higher return on deposits.

PED assesses the current monitoring of school district deposits is done by DFA and it estimates the cost for assuming the monitoring role would be \$13.9 thousand.

ADMINISTRATIVE IMPLICATIONS

PED may have to monitor some or all of the districts and based on its cost estimate, the oversight will be done by the school budget function.

ALTERNATIVES

One alternative would be to have DFA continue the oversight of school district bank deposits.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

The current statutory requirements will remain in effect.

POSSIBLE QUESTIONS

1. How extensive would PED monitoring role need to be?
2. Will PED play a role in the request for proposal process?
3. Can the cost of oversight by PED be funded within the operating budget?

GAC/yr