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FISCAL IMPACT REPORT

ORIGINAL DATE 02/24/09

SPONSOR Sanchez, M. **LAST UPDATED** _____ **HB** _____

SHORT TITLE General Fund Schools Use Transfer & Bonds **SB** 621

ANALYST Moser

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
(\$10,000.0)			Nonrecurring	Local Government Transportation Fund
\$10,000.0*			Nonrecurring	Severance Tax Bond

(Parenthesis () Indicate Revenue Decreases)

*Funding is for no more than \$10 million over FY09 and FY10

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Transportation (NMDOT)

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

Senate Bill 621 proposes transferring \$10 million from the Local Government Transportation Fund (LGTF) to the General Fund to be appropriated to the Public Education Department (PED) for emergency support of school districts that are experiencing shortfalls in operating budgets in fiscal year 2009 or 2010. Any unexpended or unencumbered funds after all emergency support has been provided or July 1, 2011, whichever occurs first, will be transferred to the New School Development Fund and expended during fiscal year 2010 or subsequent.

The bill also authorizes that state board of finance to issue and sell severance tax bonds in fiscal years 2009 and 2010 in an amount not exceeding a total of \$10 million when the NMDOT certifies the need for the issuance of such bonds and that the projects can proceed to contract within a reasonable time. The money from the severance tax bonds shall not be used to pay indirect costs.

Senate Bill 621 contains an emergency clause.

FISCAL IMPLICATIONS

Senate Bill 621 will result in the LGTF being reduced by \$10 million with the funds being transferred to PED for school district emergency support. NMDOT indicates that all funding appropriated to the LGTF has been encumbered by NMDOT to include a \$25 million general fund appropriation, of which, SB621 proposes to “take back immediately” \$10 million (see attachment). NMDOT indicates that “While encumbered, not all of the funds are necessarily expended due to entities not having sought all of their reimbursements from the fund. However the funds are all encumbered and contractually committed.” The contractual relationship is between NMDOT and the local entity with NMDOT committing to reimburse the entity for expenditures on the specified GRIP II project.

NMDOT and NMFA express concern that although the \$10 million will eventually be replaced by severance tax bond proceeds. If there is sudden up-turn in the spending of the project costs, the fund could possibly fall into the situation in which it does not have sufficient funds to meet its obligations.

Senate Bill 621 will lower the severance tax bonding capacity available for capital outlay projects by \$10 million. The current estimate of capacity available for appropriation from the STB program is \$134.7 million for 2009.

SIGNIFICANT ISSUES

Both NMFA and NMDOT indicate that legislation for “GRIP II” created the LGTF and identified 116 projects to be funded through a \$25 million appropriation from the General Fund and the issuance of severance tax bonds in fiscal years 2007 through 2009 in an amount not exceeding a total of \$150 million when the department of transportation certifies the need for the issuance of bonds. The cost for these 116 local government road projects is estimated to be \$182.5 million. The total amount of funds available from the general fund appropriation and severance tax bond authority amounts to \$175 million. This represents a shortfall of \$7.5 million between the revenues (funds) and expenditures (projects).

NMDOT points out that the severance tax bond sales in fiscal years 2008 and 2009 are capped at the lesser of \$50 million or twelve and one-half percent (12.5%) of the severance tax bonding capacity as determined by statutes. In fiscal year 2008, the LGTF received only \$16.1 million in severance tax bond proceeds, a \$33.9 shortfall. Even if the proceeds from the sale of severance tax bonds for fiscal year 2009 come in at the maximum amount of \$50 million, the fund will be still not be able to fund \$41.4 million in approved projects

Both NMFA and NMDOT argue that “the transfer of \$10 million of encumbered but unexpended funds from the LGTF only adds to the number and amount of approved projects that may not be able to go forward due to unavailable funds. Even though this bill extends into fiscal year 2010 the ability to issue severance tax bonds in the amount of \$10 million to cover the transfer of funds from the LGTF, the severance tax bonding capacity will severely hamper the ability to receive the \$50 million in bond proceeds for fiscal 2009 and therefore create a greater cap between the approved projects and funds available to encumber and complete these project.”

House Bill 734 proposes to amend 6-21-6.12 NMSA 1978T regarding the uses of the LGTF, and in particular, by allowing, subject to legislation, the use of the earnings from investing the Fund to be used for payment of project costs as well as administrative costs associated with the Fund

and the payment of engineering costs. NMFA indicates that the interest earnings to date amount to a little over \$3.5 million, of which, \$500 thousand will be used to fund engineering costs incurred by NMDOT and \$250 thousand has been approved to date to reimburse administrative costs associated with the management of the fund.

GM/mc

GRIP 2 LEGISLATIVE PROJECT LIST
January 14, 2008

CN	Dist.	Entity	Project description	Total by Project	GRIP2 Amount	Match Required	Fund status STB date &/or GF	General Fund	June STB\$ 07	2007 FY	December 2007 STB\$ FY 08	June STB\$ 2008 FY 08
G2S7517	2	Town of Hope	Intersection pothole repair	\$30,000	\$27,000	\$3,000	June 2007	\$12,300	\$14,700			
G2S7576	3	Zia Pueblo	Zia Pueblo Construct drainage, and paving improvements of Zia Pueblo Bernalillo Commercial Property including access, parking and pedestrian facilities	\$470,000	\$423,000	\$47,000	General Fund	\$423,000				
G2S7510	2	Fort Sumner	Seventeenth Street reconstruction for access to Airport Industrial Road	\$620,000	\$496,000	\$124,000	General Fund	\$496,000				
			NMDOT Engineering/Environmental Services					\$500,000				
G2S7532	2	City of Jal	Reconstruction improvements on Third Street from north side of Utah to south side of Minnesota	\$670,000	\$536,000	\$134,000	General Fund	\$536,000				
G2S7504	4	Colfax County	Develop inventory and maintenance plan and improve various county roads	\$750,000	\$600,000	\$150,000	General Fund	\$600,000				
G2S7534	2	City of Lovington	Reconstruction improvements on 9th St. from Ave. R to Gum St. for approximately 2.1 miles	\$1,500,000	\$975,000	\$525,000	General Fund	\$975,000				
G2S7571	3	San Felipe Pueblo	Bridge #8 Replacement on SR 313	\$1,960,000	\$1,274,000	\$686,000	General Fund	\$1,274,000				
G2S7506	4	City of Raton	Paving of various local roads	\$4,000,000	\$2,600,000	\$1,400,000	General Fund, and remaining balance of FY 08 Bond sale June 2008	\$1,998,500				\$601,500
G2S7557	5	Espanola	Improvements on Industrial Park Road	\$3,125,077	\$2,031,300	\$1,093,777	General Fund	\$2,031,300				
G2S7495	2	City of Roswell	West College Boulevard extension from North Sycamore west to the Roswell Relief Route	\$3,551,846	\$2,308,700	\$1,243,146	General Fund	\$2,308,700				
G2S7570	3	Rio Rancho	Unser Boulevard widening and improvements, Farol Rd to US 550	\$4,250,000	\$2,762,500	\$1,487,500	General Fund	\$2,762,500				
G2S7496	6	Acoma Pueblo	Railroad grade separation bridge connecting Bureau of Indian Affairs Roads 30 and 36	\$4,387,538	\$2,851,900	\$1,535,638	General Fund	\$2,851,900				
G2S7547	2	Alamogordo	North scenic reconstruction, South Florida and new roadway at Martin Luther King Drive (5.2 miles)	\$5,410,000	\$3,516,500	\$1,893,500	General Fund	\$3,516,500				
G2S7581	5	Santa Fe	Cerrillos Road Reconstruction in City of Santa Fe	\$8,571,455	\$4,714,300	\$3,857,155	General Fund	\$4,714,300				
							Total	\$25,000,000				