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FISCAL IMPACT REPORT

ORIGINAL DATE 02/06/12
 LAST UPDATED 02/16/12

SPONSOR SFC HB _____

SHORT TITLE General Obligation Bond Projects SB CS/66/aSFC

ANALYST Kehoe/Snyder

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|-------------|------------------------------|--|
| FY12 | FY13 | | |
| | \$139,300.5 | Nonrecurring | General Obligation Bond Capacity (See Fiscal Impact) |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee Amendment to the Senate Finance Committee Substitute for Senate Bill 66 authorizes an additional four projects totaling \$5.3 million from general obligation bond capacity. The projects and amounts include the following:

1. \$3 million for the University of New Mexico biology building (Caster Hall);
2. \$1.3 million for the Santa Fe Indian School;
3. \$500 thousand for Southwestern Indian Polytechnic Institute; and
4. \$500 thousand for the Navajo Technical College.

The amendment increases the authorization of general obligation bond issuance to approximately \$139.3 million.

Synopsis of Original Bill

Senate Finance Committee Substitute for Senate Bill 66 authorizes the issuance of general obligation bonds totaling \$134 million including \$664,500 for the cost of issuance for the bond issues. The proposed bond issues include funding for senior citizen facility improvements, library acquisition and construction, capital expenditures for higher education facilities, a special school, and a tribal institution. The bill contains an emergency clause.

FISCAL IMPLICATIONS

In January 2012, the DFA and LFC analysts developed new general obligation capacity estimates based on the 2011 property tax at a 1.36 mill rate. Analysts estimate this rate would generate \$134 million in 2012 bonding capacity without increasing residential property taxes. The authorization of \$134 million contained in this bill, including \$664,500 for the cost of issuance of the bonds, is a non-recurring expense to GOB capacity.

Issuance and sale of general obligation bonds requires approval by the electorate in the 2012 November general election. General obligation bonds are payable from ad valorem (property) taxes levied on all property in the state subject to property taxation. The bonds are backed by the full faith and credit of the state.

The maximum capacity allowed by the New Mexico Constitution is 1% of net taxable value. DFA and LFC analysts currently estimate constitutional capacity at \$312.5 million. The table below shows taxable values and their associated mill rates for the last fifteen years. The last row shows the current rate and the final taxable values which were just recently published. The 2011 property tax rate is set at 1.36 mills.

New Mexico Net Taxable Value and Associated State Mill Levy
(Dollars in Thousands)

| Property Tax Year | Net Taxable Value | Estimated Levy |
|--------------------------|--------------------------|-----------------------|
| 1997 | 23,399,067 | 1.34 |
| 1998 | 24,185,222 | 1.44 |
| 1999 | 26,033,207 | 1.47 |
| 2000 | 27,224,854 | 1.55 |
| 2001 | 30,690,936 | 1.76 |
| 2002 | 31,750,454 | 1.12 |
| 2003 | 32,149,435 | 1.52 |
| 2004 | 35,890,023 | 1.03 |
| 2005 | 38,910,768 | 1.23 |
| 2006 | 42,985,028 | 1.29 |
| 2007 | 47,288,631 | 1.22 |
| 2008 | 50,463,804 | 1.25 |
| 2009 | 55,046,209 | 1.15 |
| 2010 | 51,040,955 | 1.53 |
| 2011 | 52,846,098 | 1.36 |

General obligation bonds are approved for issuance by the State Board of Finance in December or January following the general election. If ratified by the voters, funds authorized in this bill will be available to the recipients in the spring of 2013.

The state agencies and state institutions to which money has been appropriated in this bill shall be responsible for monitoring the projects funded in the bill to ensure compliance with the Constitution and laws of New Mexico and shall cause to be reverted any unexpended or unencumbered balance remaining at the earlier of the third full fiscal year after issuance of the

bonds or the termination or completion of the specific project. Reverted funds shall be deposited in the debt service fund established by the state treasurer for the purpose of paying the principal and interest on the state's general obligation bonds.

SIGNIFICANT ISSUES

The ALTSD received capital outlay requests totaling \$40.8 million from senior programs statewide. Based on formal presentations and review of the applications, the ALTSD assigned a rating of critical, high, or moderate need to the projects. The ALTSD and Area Agencies on Aging recommend funds totaling \$10.2 million for code compliance, renovations, specialized vehicles, and other equipment statewide. The ALTSD also listed five *partially* funded construction projects requiring more than \$1.6 million to complete, however, the agency did not recommend funds for the incomplete projects.

The New Mexico Library Association (NMLA) requested \$29.6 million on behalf of public libraries, public school libraries, academic libraries, and tribal public libraries. Public libraries, public school libraries, and tribal libraries propose to continue making allocations with requested 2012 GOB funds based on population and full-time-equivalent student enrollment.

Institutions of higher education and special schools requested more than \$395 million for capital needs from GOB capacity. In 2010 voters defeated a \$155.3 million GOB issue, specifically for higher education facilities. According to the Higher Education Department, following the failure of the bond issue, members of the New Mexico Higher Education Department Capital Projects Advocacy committee suggested the property tax rate increase may have contributed to the narrow defeat of the bond issue. In the last five years, the majority of funding for upgrading and maintaining higher education facilities statewide has been derived through passage of GOB issues. Approximately, 85 percent of the projects listed within this bill are recommended for higher education institutions.

OTHER SUBSTANTIVE ISSUES

In September 2011, NMHED held four days of hearings on capital outlay requests at locations around the state, receiving testimony on capital outlay requests from all public postsecondary institutions as well as special schools and tribal colleges. These hearings included participation by the Legislative Finance Committee (LFC) and Department of Finance and Administration (DFA) staff. NMHED's funding recommendations for higher education capital outlay projects were submitted to the DFA and LFC on November 1, 2011.

The HED and LFC determination of the proposed projects were based on the following criteria:

- * Space utilization
- * Full-time student enrollment
- * Timeline for project completion
- * Funding from other sources
- * Energy efficient facilities
- * Condition of existing facility
- * Safety of existing facility

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If Senate Finance Committee Substitute for Senate Bill 66 fails to pass the Legislature or voters do not ratify the bill in the 2012 November general election, the need for capital improvements at senior centers, higher education, special schools, and tribal institutions will be significant. Higher education, special schools, and tribal institutions have not received GOB funding since 2008 and the infrastructure at all facilities are critical and continue to deteriorate. The delay in addressing the infrastructure needs could raise the costs of the needed improvements.

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