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FISCAL IMPACT REPORT

ORIGINAL DATE 02/05/13
 SPONSOR Rue LAST UPDATED 02/06/13 HB _____

SHORT TITLE College District Bonds for Hardware and Software SB 39

ANALYST Hartzler-Toon

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	NFI	N/A	N.A

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)
 Central New Mexico Community College (CNM)
 New Mexico Finance Authority (NMFA)

Responses Not Received From

New Mexico Association of Community Colleges (NMACC)
 New Mexico Independent Community Colleges (NMICC)
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 39 (SB 39) amends the College District Tax Act, Sections 21-2A-1 through 10 NMSA 1978, by (1) expanding the purpose of bonds to include the purchase and installing of computer hardware and software and (2) striking the prohibition of issuing bonds for less than five years. The bill also makes technical corrections to the Act consistent with current legislative drafting style.

FISCAL IMPLICATIONS

This bill does not contain an appropriation. The bill does impact the issuance of general obligation bonds, expanding the purpose of using bond proceed and the term of bonds.

The bill would amend current law to allow bonds to be used for the purchase of land for stadiums but prohibit the use of bond proceeds for erecting, furnishing, constructing, purchasing, or remodeling stadiums.

SIGNIFICANT ISSUES

According to the HED, community colleges have limited revenue sources for technology projects, mainly student tuition and fees or state appropriations. The College District Tax Act allows community colleges to enter debt for the purposes of purchasing property or construction, but does not help institutions generate such revenue for the purchase of major technology and software purchases, installation, and maintenance.

SB 39 would allow community colleges to enter debt to purchase and install computer hardware and software with a useful life equal to or exceeding the maturity of the bonds. This time constraint linking asset value to term of debt relieves some concern that the debt will be carried long after the asset's useful life.

The NMFA notes that

SB39 further defines that the Bonds may be sold at a public sale or may be sold at a private sale to the State of New Mexico or the New Mexico Finance Authority. This change restricts who may purchase the Bonds and does not allow for the possibility of a private sale with banks or other private sources which may offer competitive or attractive terms/pricing, thereby saving the College District money on its bond issue. It is unclear as to why this option should be eliminated.

SB39 also reduces the premium cap on redeemable maturities from three percent of the principal of the bonds to one percent of the principal of the bonds. This change may eliminate needed flexibility for College Districts to redeem principal maturities early for valid financial reasons.

Central New Mexico Community College notes that broadening the purpose of bond proceeds will make community colleges less reliant on state general fund appropriations and severance tax bond funds for needed campus infrastructure.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Without the ability to raise revenues through incurring debt, institutions may be required to raise tuition and fees to cover hardware and software costs.

THT/svb