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FISCAL IMPACT REPORT

SPONSOR Hall ORIGINAL DATE 2/27/15
LAST UPDATED 3/14/15 HB 552/a HWMC
SHORT TITLE School Investment Of Public Money SB _____
ANALYST Graeser

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17	FY18	FY19		
	NFI	NFI	NFI	NFI	Recurring	General Fund
	*	*	*	*	Recurring	State Charter Schools

(Parenthesis () indicate revenue decreases

[*] While the primary purpose of this bill is convenience, the bill provides for somewhat more flexibility in investments and may have a small positive revenue effect.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

Parenthesis () indicate expenditure decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration, Board of Finance (DFA/BOF)

Public Education Department (PED)

SUMMARY

Synopsis of Amendment

House Ways and Means Committee amendment to House Bill 552 adds the words, "state chartered" to every occurrence of the description, "charter schools designated as boards of finance." This amendment resolves a possible ambiguity identified by LESC and DFA. The amendment insures that the privilege of depositing public money in local banks offered to state-chartered charter schools is not inadvertently offered to district chartered charter schools.

Synopsis of Bill

House Bill 552 adds state-chartered schools designated as boards of finance by the Public Educa-

tion Department (PED) as entities allowed to invest funds pursuant to the authorities and requirements of 6-10-1.1, 6-10-10 and 6-10-36 NMSA 1978. The bill adds the words, “as much as practicable” to the general requirement that public money investments be divided among local banks and savings and loans doing business in the local entity geographical area. This addition may be technical. The geographical even-handedness applies to all investments of public money by institutions of higher education, technical and vocational institutes, incorporated municipalities and counties that have adopted home rule charters, local school boards and (added in the bill) state-chartered schools.

The bill does not contain an effective date – assume 90 days after adjournment, or June 19, 2015.

FISCAL IMPLICATIONS

This bill appears to be technical and to recognize that state-chartered schools have similar issues of finding suitable local depository institutions as do other local government institutions such as institutions of higher education, technical and vocational institutes, incorporated municipalities and counties that have adopted home rule charters and local school boards. There do not appear to be any fiscal implications of this bill. However, see DFA’s analysis in “Significant Issues” below. These added investment opportunities might generate somewhat greater investment returns, particularly for bond proceeds.

SIGNIFICANT ISSUES

PED notes the following:

“During previous legislative sessions, amendments were made to the Public School Capital Improvements Act (SB-9) and the Public School Buildings Act (HB-33) requiring school districts to include the capital improvements funding needs of state-chartered charter schools and locally-chartered charter schools, residing within the school district, on the resolutions submitted to the qualified voters.”

“The amendment to the Public School Capital Improvements Act became effective for school districts holding an election on or after July 1, 2009. The amendment to the Public School Buildings Act was effective for school districts holding an election after July 1, 2007. Past legislation creates a potential revenue stream for state-chartered charter schools from local ad valorem taxes to pursue the purchase or lease-purchase of a school building and school grounds or to perform any necessary maintenance to public school buildings and school grounds. Now that this funding stream exists, HB-552 is clarifying that state charter chartered school can have the ability to invest these funds just as a school district does. These types of funds are often invested because they are non-reverting funds.”

“HB-552 adds “school board designees” throughout various sections of the bill to clarify that school districts and state chartered charter schools may make investments of public money and determine deposits with local qualified depositories.”

The addition of the words, “as much as practicable” may be technical as applied to state-chartered schools. These schools do not have a clearly defined geographical area, so restricting the investment of public money in a local bank may not be possible. The addition of the clause may also be technical as applied to other local listed institutions.

DFA notes a technical concern – resolved pursuant to the provisions of the HWMC amendments:

“While “school districts” are included in definition of local governing body in the definitions found at 6-10-1.1(E), it appears that this bill would make section 6-10-10 NMSA 1978 applicable to PED-designated school boards and state charter schools as stand-alone investment entities for the first time. Section 6-10-10 NMSA 1978 applies to municipal, county and state treasurer activities. Existing reference to school districts in this section of statute appear to pertain to investment options for school board funds invested under a County Treasurer. Making 6-10-10, and more specifically 6-10-10(F), applicable to PED-designated school boards and state charter schools would appear to expand the investment options available to those bodies for investment of bond proceeds to include bonds of certain governmental entities and securities backed by the full faith and credit of the United States government.”

PERFORMANCE IMPLICATIONS

DFA notes the following two performance implications:

- School boards and charter schools would appear to have additional investment options for bond proceeds.
- Governmental units would have less strict equitable distribution of deposits requirements.

ADMINISTRATIVE IMPLICATIONS

None on the state. The provisions of the bill may assist state charters to implement a 24-hour deposit rule.

LG/aml/je