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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
53rd Legislature, 2nd Session, 2018

Bill Number	<u> SJR15 </u>	Sponsor	<u> Munoz </u>
Tracking Number	<u> .210146.1 </u>	Committee Referrals	<u> SRC/SFC </u>
Short Title	<u> State Trust Beneficiary Reserve Fund, CA </u>		
Analyst	<u> Simon </u>	Original Date	<u> 2/5/18 </u>
		Last Updated	<u> </u>

BILL SUMMARY

Synopsis of Bill

Senate Joint Resolution 15 (SJR15) proposes an amendment to the New Mexico constitution transfer land grant permanent fund (LGPF) balances in excess of \$15 billion to a newly created “state trust beneficiary reserve fund,” for appropriation in FY20 through FY29. Any unexpended balance would revert to the LGPF at the end of FY29.

SJR15 would propose the amendment to voters at the next general election or at any special election called prior to that date.

FISCAL IMPACT

The estimated fiscal impact of the transfer proposed by SJR15 was not available from the Legislative Finance Committee (LFC) or the State Investment Council (SIC) for this analysis. According to SIC, the 2017 year-end value of LGPF was \$17.2 billion and based on SIC analysis of another proposed constitutional amendment, the projected value of the LGPF on January 1, 2019 is \$18.2 billion. Based on this projection, roughly \$3.2 billion could be transferred for appropriation between FY20 and FY29, or roughly \$320 million per year for 10 years, not including interest earnings.

It is unclear what effect the transfer of these fund will have on interest earnings but the short-term nature of the SJR15 could require reserve funds be invested in securities with more liquidity than is possible with some LGPF investments. This could impact investment returns.

Section 1-16-13 NMSA 1978 requires the Secretary of State (SOS) to print the full text of each proposed constitutional amendment, in Spanish and English, in an amount equal to 10 percent of the registered voters in the state. The SOS is also constitutionally required to publish the full text of each proposed constitutional amendment once a week for four weeks preceding the election in newspapers in every county in the state. SOS staff estimate each constitutional amendment may cost up to \$19 thousand in printing costs based on 2016 actual expenditures. In addition, the SOS is required to publish the full text of proposed constitutional amendments in newspapers in every

county. SOS staff estimate each constitutional amendment may cost up to \$47.60 per word. According to LFC, the cost of printing one 332 word constitutional amendment was \$15,803.

SUBSTANTIVE ISSUES

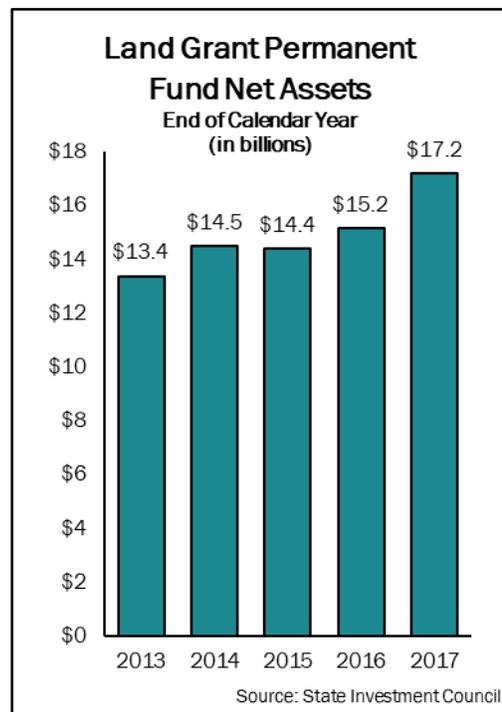
SJR15, if approved by voters, would make a one-time transfer of LGPF balances over \$15 billion for appropriation in a set period of time. This would provide LGPF beneficiaries, including public schools, with additional appropriations in the short-term; however, after FY29 the Legislature would need to reauthorize a similar transfer, replace these appropriations from another source, or allow appropriations for LGPF beneficiaries to fall. Funds transferred from LGPF to the reserve fund could only be appropriated to the beneficiaries of LGPF.

SJR15 would not require the Legislature to provide annual appropriations from the reserve fund. The Legislature could hold those funds in reserve to guard against decreases in appropriations in years with falling general fund revenue collections. However, the funds would be available for appropriation in any year between FY20 and FY29.

OTHER SUBSTANTIVE ISSUES

The New Mexico Constitution provides that 5 percent of the year-end average balance for the previous five years is distributed to the beneficiaries of the land grant permanent fund. For FY19, the distributions will total \$747 million, based on a five year average balance of \$14.94 billion. In FY17, roughly 85 percent of LGPF distributions were for public schools. Assuming a similar distribution in FY19, public schools would receive about \$635 million in LGPF distributions for FY17. At this rate, LGPF distributions would account for about 23 percent of the \$2.8 billion House Appropriations and Finance Committee Substitute for House Bills 2 and 3 appropriates for public schools.

The state remains involved in two lawsuits challenging the equity and sufficiency of the public school funding formula. Generally, the lawsuits allege the amount of revenue appropriated for public education is insufficient to meet the constitutional mandate to establish and maintain a “uniform system of free public schools sufficient for the education of, and open to, all children of school age in the state.” The cases were argued this summer and a ruling is expected in the spring of 2018. One key argument raised by the plaintiffs is that the share of funding received by public education has fallen since the 1980s. The plaintiffs have argued the state should increase education funding by \$600 million, based on a study of the funding formula from the American Institutes for Research, which called for an additional \$300 million in formula funding in 2008.



RELATED BILLS

SJR15 relates to HJR1, Land Grant Fund Distributions, CA; HJR2, Land Grant Fund for Public Safety, CA; HJR10, Permanent Education Emergency Fund, CA; SJR2, Land Grant Funds for Education, CA; and SJR11; Permanent Funds for Longer School Year, CA.

SOURCES OF INFORMATION

- LESC Files

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