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F I S C A L I M P A C T R E P O R T

SPONSOR:	Lujan	DATE TYPED:	05/06/99	HB	5
SHORT TITLE:	Public School Capital Outlay			SB	
			ANALYST:	Taylor	

REVENUE

Estimated Revenue		Subsequent	Recurring	Fund
FY99	**FY2000**	**Years Impact**	**or Non-Rec**	**Affected**
N/A	$ 17,600.0	$ 17,500.0	Recurring	Supplemental Severance Tax Bonds
N/A	$ (17,600.0)	$ (17,500.0)	Recurring	Severance Tax Permanent Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

Department of Finance and Administration

LFC Files

SUMMARY

Synopsis of Bill

House Bill 5 amends the severance tax bonding act to allow the Board of Finance (BOF) to issue supplemental severance tax bonds. The purpose of the supplemental bonds is restricted to public school capital outlay. The BOF is permitted to issue and sell supplemental severance tax bonds only when instructed to do so by Public School Capital Outlay Council (PSCOC) resolution.

Money in the severance tax bonding fund first would be pledged for the payment of principal and interest on severance tax bonds and second pledged for the principal and interest on supplemental severance tax bonds. The amount of supplemental bonds that the BOF could issue would be constrained so that the aggregate debt service for both severance tax bonds and supplemental severance tax bonds could not exceed 62.5 percent of the annual revenue deposited into the severance tax bonding fund in the preceding fiscal year. The maximum amount of supplemental severance tax bonds that can be issued and sold is restricted to $125 million, and the maximum maturity for a bond series is five years.

FISCAL IMPLICATIONS

This bill would have the effect of increasing the amount of dollars available for capital spending. It would accomplish this by increasing the percentage of severance tax revenues that can be used to pay debt service on bonds from 50 percent to 62.5 percent. The additional dollars that are being made available to school capital, absent the proposed changes, would flow into the severance tax permanent fund. That is, additional bonding dollars come at the expense of a smaller distribution to the Severance Tax Permanent Fund. Based on supplemental bond capacity estimates provided by the Board of Finance, debt service requirements for the supplemental bonds would be $17.6 million for FY 2000 and $17.5 million in FY2001. This is money that would normally flow to the severance tax permanent fund. There is no immediate impact on the general fund, but there will be starting in FY2001 as the general fund will forego the interest earnings that would have been earned on these dollars had they been deposited in the permanent fund. The foregone revenue in that year would likely be somewhere about $405 thousand, assuming a 2.3 percent distribution from the severance tax permanent fund (2.3 percent is the rate assumed in the 5-year revenue estimate). This would grow over time as additional dollars are diverted to school capital and away from the permanent fund, and as the percentage rate distribution from the permanent fund increases as the phase-in period for the constitutional amendment governing permanent fund distributions is completed. The 5-year revenue estimate assumes that higher permanent fund distributions will begin in FY 2001 when the distribution from the fund will be 8.7 percent.

The Board of Finance has estimated the additional bonding capacity that would be available as a result of the legislation. They estimate that five year bonds would generate $118.5 million over five years. The BOF estimates that capacity would increase to $125.8 million by allowing a ten-year maximum bond maturity. The BOF spread sheet comparing five and ten year bonding capacity estimates is attached.

ADMINISTRATIVE IMPLICATIONS

The State Department of Education staff reports that this legislation would not significantly change the amount of time that they dedicate to the Public School Capital Outlay Council.

The cost of issuing bonds would be covered by bonds issues.

BT/prr

Attachment