

LFC Requester:	Sunny Liu
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**AGENCY BILL ANALYSIS  
2018 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:**

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*{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Check all that apply: Date 02/08/18  
 Original     Amendment     Bill No: SJR11  
 Correction     Substitute   

Sponsor: Senator Joseph Cervantes    Agency Code: 924  
 Short Title: PERMANENT FUNDS FOR LONGER SCHOOL YEAR, CA    Person Writing: Marian Rael  
 Phone: \_\_\_\_\_    Email: [marian.rael@state.nm.us](mailto:marian.rael@state.nm.us)

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	FY19		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22		
(\$159,069.00)	(\$167,439.00)	(\$175,986.00)	Recurring	LGPF
\$135,001.68	\$142,105.29	\$149,359.12	Recurring	General Fund (Educational)
\$24,067.32	\$25,333.71	\$26,626.88	Recurring	Other LGPF Beneficiaries

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
Duplicates/Relates to Appropriation in the General Appropriation Act

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

SJR 11 proposes to amend sections of the Constitution related to annual distributions from the Land Grant Permanent Fund by creating an additional one percent distribution to increase the minimum instructional hours and days in a school year as provided by law if the average year-end market value for the immediately preceding five calendar years is at least \$10 billion.

**FISCAL IMPLICATIONS**

Current annual distributions from the Land Grant Permanent Fund (LGPF, also known as the Permanent School Fund in the state Constitution) are set at five percent of the average year-end market value of the fund for the preceding five years. SJR 11 would create another additional one percent distribution if the average year-end market value for the immediately preceding five calendar years is at least \$10 billion to increase minimum instructional hours and days in a school year as provided by law.

According to the State Investment Council (SIC), the estimated additional FY 20 distribution from the LGPF would total \$159,069,000.

Though often termed a “rainy day fund”, the LGPF acts more as a state trust for future education needs based upon revenues primarily from non-renewable resources. Additional distributions from the LGPF decrease the amount available to future beneficiaries because it decreases the size of the fund that is invested and therefore decreases returns earned on that investment. The SIC has a history of discussing this idea in terms of inter-generational equity, going so far as to create a metric of the concept. When the state increases distributions from the LGPF it is placing the needs of the current beneficiaries (or generation) over the benefits saving and building the corpus of the fund provides to future generations.

If SJR 11 were to not become law, the LGPF would continue to grow in both size (corpus) and in investment returns. In this scenario the distributions would increase to match the additional distribution amounts, albeit some time further in the future.

Under SJR 11, it is unlikely the additional distribution would be suspended because the average year-end market value for the immediately preceding five calendar years was below \$10 billion. Because the proposed suspension looks at a five calendar year average for the calculation, something drastic would have to happen to the markets in order to trigger this provision; on the order of a global depression in equities and related securities. For this reason, past debate on additional distributions similar to those proposed in SJR 11 has considered the likelihood of triggering these so-called “safety valve” provisions.

Under current law, a three-fifths majority in both the House and Senate may suspend the additional distribution. The additional distribution would also be suspended if the average year-end market value for the immediately preceding five calendar years is below \$10 billion.

## **SIGNIFICANT ISSUES**

In FY 17 the beneficiaries of the LGPF include the following: Common Schools (school districts and charter schools), the University of New Mexico, the University Saline Lands, New Mexico State University, Western New Mexico University, New Mexico Highlands University, Northern New Mexico Community College, Eastern New Mexico University, New Mexico Institute of Mining & Technology, New Mexico Military Institute, New Mexico Boys School (CYFD), New Mexico Miners’ Colfax Medical Center, Carrie Tingley Hospital, New Mexico Behavioral Health Institute, New Mexico Penitentiary, New Mexico School for the Deaf, New Mexico School for the Blind & Visually Impaired, Charitable, Penal & Reform, Water Reservoirs (OSE), Rio Grande Improvements (OSE), the State Parks Division and Public Buildings. Under the provisions of SJR 11 many of these beneficiaries would receive an increased distribution but would not be subject to the provisions in law relating to the minimum instructional hours and days in a school year. The PED projects the other beneficiaries’ increased FY 20 distribution to total approximately \$24,067,320 based upon these recipients receiving 15.13 percent of the FY17 distribution.

## **PERFORMANCE IMPLICATIONS**

To increase the minimum instructional days and hours in a school year, state statute would need to be changed. If SJR 11 is passed by the voters and the minimum instructional hours or days in a school year is not changed by law, then the extra distribution will increase funding based on the current instructional hours and days in law.

## **ADMINISTRATIVE IMPLICATIONS**

Increasing the distributions to the current school fund alone is unlikely to disrupt or impact PED operations. However, extending the minimum hours in a school day or year in state law will cause PED to revisit and revise most of its internal processes as well as administrative rule frameworks.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

SJR 11 should be viewed as related to HJR 1 which also seeks to increase distributions from the LGPF.

## **TECHNICAL ISSUES**

## **OTHER SUBSTANTIVE ISSUES**

If SJR 11 passes, the amendment proposed by the resolution is to be submitted to the voters for their approval or rejection at the next general election or at any special election prior to that date that is called for that purpose.

## **ALTERNATIVES**

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The LGPF corpus would continue to grow and allow for greater and longer-term distributions to constitutional beneficiaries.

## **AMENDMENTS**