

## Opinion No. 75-03

January 28, 1975

**BY:** OPINION OF TONEY ANAYA, Attorney General

**TO:** Harry Wugalter, Chief Public School Finance Division Department of Finance and Administration Santa Fe, New Mexico 87501

### QUESTIONS

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May a school district prepay a three-year insurance premium if such a payment results in a saving to the district?

#### CONCLUSION

Yes.

### OPINION

#### {\*34} ANALYSIS

Section 11-6-6.1, NMSA, 1953 Comp. allows a school district to enter into an insurance contract not exceeding five [5] years. Section 77-6-6, NMSA, 1953 Comp., requires each local school board to submit an estimated annual budget for the school district. The estimated budget may include:

"B. . . .

(1) estimates of the cost of insurance policies for periods up to five [5] years if a lower rate {\*35} may be obtained by purchasing insurance for the longer term . . ." (Section 77-6-6, **supra**).

Section 77-6-6, **supra**, does not differentiate between a situation where the entire premium of the multi-year insurance contract is paid in the initial policy year, and a situation where the premium of such policy is paid in annual installments. Nevertheless, if it is a condition of the insurance contract that the entire premium be paid in the initial policy year, then it is our opinion that a school board may prepay such premium for a period not to exceed five [5] years. Section 11-6-6.1, **supra**; Section 77-6-6, **supra**.

The conclusion expressed in the preceding paragraph is supported by rules of statutory construction, the cardinal rule of which is the ascertainment of legislative intent. **State v. Chavez**, 77 N.M. 79, 419 P.2d 456 (1966). Legislative intent is determined primarily by the language of the act. **Winston v. New Mexico State Police Board**, 80 N.M. 310,

454 P.2d 967 (1969). Moreover, statutes are to be interpreted with reference to their manifest object. If statutory language is susceptible of two constructions, one of which will carry out and the other defeat the manifest object of the act, the former construction should be given the statute. **Martinez v. Research Inc.**, 75 N.M. 672, 410 P.2d 200 (1965).

Applying the foregoing principles, we have no hesitation in concluding that the legislature obviously intended that a school board may purchase insurance policies for a period not to exceed five [5] years and, if prepayment of the entire premium in the initial policy year is necessary in order to obtain the insurance, then it is legal for a school board to make such a payment.

By: Ralph W. Muxlow II

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