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## FISCAL IMPACT REPORT

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| <b>SPONSOR</b> <u>Garratt/Hernandez</u>                       | <b>LAST UPDATED</b> <u>2/8/24</u><br><b>ORIGINAL DATE</b> <u>2/2/24</u> |
| <b>SHORT TITLE</b> <u>Public School Capital Outlay Grants</u> | <b>BILL NUMBER</b> <u>House Bill 207/aHAFC</u>                          |
| <b>ANALYST</b> <u>Carswell</u>                                |   |

### REVENUE\* (dollars in thousands)

| Type  | FY24 | FY25                    | FY26                    | FY27                    | FY28                    | Recurring or Nonrecurring | Fund Affected                     |
|---|------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|-----------------------------------|
| Funding available for award from the Public School Capital Outlay Council |      | See fiscal implications | See fiscal implications | See fiscal implications | See fiscal implications | Recurring                 | Public School Capital Outlay Fund |

Parentheses ( ) indicate revenue decreases.

\*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

Agency Analysis Received From

Public School Facilities Authority (PSFA)

New Mexico Finance Authority (NMFA)

## SUMMARY

### Synopsis of HAFC Amendment to House Bill 207

The House Appropriations and Finance Committee amendment to House Bill 207 strikes the appropriation from the general fund to the charter school facility revolving fund.

### Synopsis of Original House Bill 207

House Bill 207 appropriates \$10 million from the general fund to the Department of Finance and Administration for expenditure in FY25 and subsequent fiscal years for the New Mexico Finance Authority (NMFA) to provide loans for leasing expenses through the charter school facility revolving fund.

HB207 also amends the Public School Capital Outlay Act to make a program to provide lease

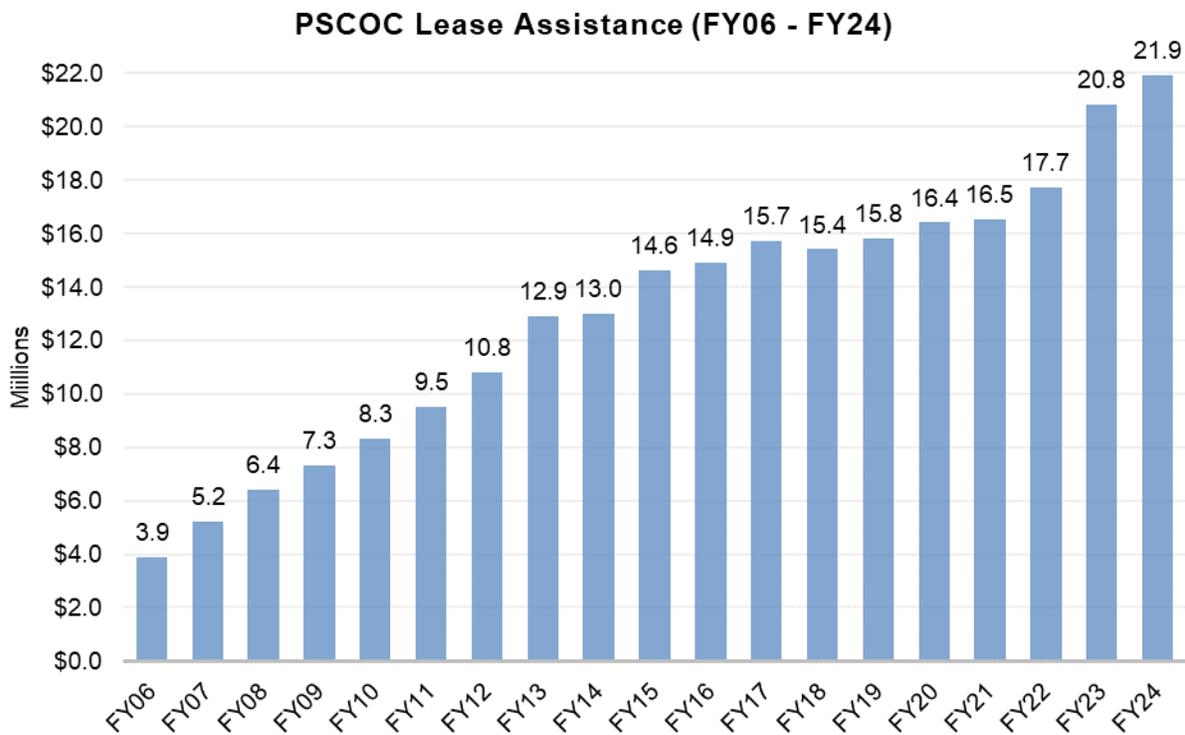
assistance to charter schools from the public school capital outlay fund mandatory rather than discretionary for the Public School Capital Outlay Council.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

## FISCAL IMPLICATIONS

Making the lease assistance program for charter schools through the Public School Capital Outlay Council mandatory rather than discretionary would create a recurring expense to the public school capital outlay fund. According to the Public School Facilities Authority (PSFA), lease assistance from the fund in FY24 totaled \$21.9 million and lease assistance has been provided every year since at least FY06, when it totaled \$3.9 million. (See chart below provided by PSFA.)

PSFA notes a mandatory lease assistance program could require continued funding at increased levels and may become difficult for the fund to sustain due to the increasing cost of construction and increased demand for grants from school districts.



## SIGNIFICANT ISSUES

The 1999 *Zuni* capital outlay adequacy lawsuit, which found the prior practice of locally funded school construction was unfair to property-poor districts, remains open despite the state’s investment of \$2.7 billion since the ruling to improve school facilities and a significant improvement in the average condition of New Mexico schools. Plaintiff districts allege ongoing

disparities in the adequacy of educational facilities, with the case currently on appeal to the New Mexico Supreme Court.

PSFA states, “A mandatory lease assistance program funded by the public school capital outlay fund will create a competing interest for available funds for standards-based and systems-based capital outlay programs for public schools statewide, with potential ramifications for the state if (lease assistance) does not remain a discretionary program.”

NMFA notes HB207 would create additional stability for charter schools and reduce the financial risk schools must consider when pursuing capital to improve or expand facilities. The agency states grants for lease payments increase cash available to make payments under lease purchase agreements, improving schools’ ability to secure financing from NMFA for such arrangements.

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