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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 02/09/13  
**LAST UPDATED** 03/07/13

**SPONSOR** SEC \_\_\_\_\_ **HB** \_\_\_\_\_

**SHORT TITLE** Education Technology Definitions **SB** 147/SECS/aHEC

**ANALYST** Gudgel \_\_\_\_\_

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
NFI	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		See Fiscal Implications				

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

### SUMMARY

#### Synopsis of HEC Amendment

House Education Committee Amendment to Senate Education Committee Substitute for Senate Bill 147 allows up to 30 percent of SB9 and HB33 revenues to be used for “education technology”.

#### Synopsis of Original Bill

CS/SB147 expands the definitions of “education technology” and “education technology equipment” for the purpose of imposing local property taxes pursuant to the Public School Capital Improvements Act (SB9), and Public School Buildings Act (HB33), and limits expenditures for education technology to no more than 15 percent of the total revenue received from SB9 and HB33 annually. The bill also clarifies the definition of “education technology” in the Education Technology Equipment Act and the Technology for Education Act, making them consistent.

## FISCAL IMPLICATIONS

This bill expands the permissible uses of local property taxes generated pursuant to the Public School Capital Improvements Act (SB9), and Public School Buildings Act (HB33). A number of concerns are raised by the Public School Facilities Authority as noted below.

## SIGNIFICANT ISSUES

CS/SB147 expands the permissible uses local property tax revenues pursuant to the Public School Capital Improvements Act (SB9), and the Public School Buildings Act (HB33). Currently, school districts are limited in their use of these revenue sources for education technology. They are currently only able to use these revenues to “purchase computer software and hardware for student use in public schools”. The expanded definition includes equipment and tools used in the educational process that constitutes learning and administrative resources.

The new definition of “education technology” substantially expands the types of technology a school district can use local property taxes to purchase. School districts will be able to purchase any kind of equipment and tools used in the educational process that learning and administrative resources. The proposed definition includes educational and cable televisions, television systems, radio broadcasting; satellite, copper wire, and fiber-optic transmission; network connection devices and digital communications equipment, including voice, video and data equipment; computer hardware and software, including licenses, data storage fees and other technologies and services; local and remote servers; other computer infrastructure; portable media such as discs and drives to contain data for electronic storage and playback; maintenance equipment; and generally anything else used to implement technology in schools and related facilities. The expanded definition also allows these revenue sources to be used for improvements, alterations and modifications to, or expansions of existing buildings or personal property necessary or advisable to house or otherwise accommodate any of the equipment and tools include in the expanded definition.

The PSFA notes a number of concerns with expanding the definition of “education technology”.

### According to PSFA

Expanded use for education technology would diminish capacity to fund other capital improvements or other allowed uses of the various funding sources. Historically, school districts fund 61percent of all statewide construction spending from local taxes. To maintain the current facility condition index of 34.62 percent, the PSFA estimates \$367 million must be spent annually on school facilities-renewal. This leaves the State responsible for about \$143 million annually. Funding at a lower level places the state’s investment in school facilities at risk, as funding gaps may increase the rate of degradation and thus may exceed future funding capacity.

Expanding the use of SB9 and HB33 funds as proposed in this bill is a concern because a portion of these funds are used by districts for facility maintenance and oversight. The PSFA’s Facility Maintenance Assessment Report (FMAR) indicates that the New Mexico statewide FMAR average score is currently 60.9 percent. District scores are based upon a small random sample of 186 of the 800 schools.

PSFA data indicates a rating of 80 percent or more is considered good maintenance. Of the school districts, only 8 school districts received a rating of “good”. Sixteen school districts

received ratings of “satisfactory”, 16 received ratings of “marginal”, and 31 school districts received ratings of “poor”.

The PSFA analysis also notes, even with the limitation the amount of total revenues that can be used for education technology, a school district could spend all of an annual SB9 or HB33 distribution on education technology so long as the six year total doesn’t exceed 30 percent. This again may have significant implications on school district facility maintenance. The PSFA analysis also indicates that, because charter schools receive a pro-rata share of the revenue from SB9 and HB33 based on their MEM, a charter school could use all of their distribution for education technology every year as long as their totals when added to the school district totals don’t exceed 30 percent. The PSFA recommends amending the amended substitute to address these concerns. See Technical Issues.

The Public School Capital Outlay Oversight Task Force endorsed SB291 to appropriate \$10 million in Public School Capital Outlay Fund revenues to the Public School Capital Outlay Council for use in FY14 through FY16 to provide allocations to school districts and charter schools that demonstrate a need to address deferred-maintenance issues in classrooms or other facilities that are used primarily by students.

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

House Bill 660 and Senate Bill 620 amend the Public School Capital Outlay Act to allow up to \$200 million of the Public School Capital Outlay Fund Between FY14 and FY18 to be expended on education technology and creates a \$10 million annual grant program for education technology deficiencies.

### **TECHNICAL ISSUES**

PSFA recommends the phrase “provided that **annual** expenditures pursuant to this paragraph shall not exceed thirty percent of the total revenue received from the annual levy or **pro-rata distribution pursuant to Section 22-25-7 NMSA 1978**” be substituted for language on page 7 line 7 and page 9 line 19 after the semicolon. This addresses concerns about the amount of annual distributions that may be used for education technology.

There are several words and phrases within the proposed bill that could lead to the interpretation that items which are not capital in nature (such as disks) are allowable with capital dollars. Other language such as: “education television and radio broadcasting and cable television”, “other technologies and services”, “any other techniques and tools”, and “equipment and tools” may lead to the same misinterpretation and may not be allowable per the SB-9 State Match funding, if the expenditure is in conflict with the State Board of Finance’s disbursement rule (2.61.6 NMAC: Bond Project Disbursement).

The educational technology bureau no longer exists within the PED. The PED recommends the following wording: “division” means the information technology division in the department. The PED indicates the word “bureau” should be replaced with “division” throughout this act.

## **OTHER SUBSTANTIVE ISSUES**

Expanding the uses of these revenue sources may allow school districts to implement the new Partnership for Assessment Readiness for College and Careers assessment related to the new common core state standards (CCSS). The CCSS were adopted in 2010 and will be fully implemented by the 2014-2015 school year. The new PARCC assessment is a computer adaptive test. The PED estimated it will cost the state approximately \$8.4 million to purchase computers needed to administer the test. This cost estimate does not include other technology infrastructure needs.

Currently, HB 2 includes \$5.2 million for the purchase of computers necessary to administer the new assessments.

Local general obligation bond authorizations and SB9 and HB33 mill levies require the question to be contained in a proclamation and then posed to the voters. Generally, changes proposed in this bill will not apply to elections that have occurred prior to the effective date of this bill because the proclamation will not include the expanded uses. It is unclear whether a district would be able to spend general obligation bond proceeds or SB9 and HB33 funds on the expanded permissible uses if the language in the existing proclamation vaguely references education technology.

## **ALTERNATIVES**

The Legislature may want to consider placing a sunset date on the use of SB9 and HB33 funds for the purpose of purchasing education technology.

RSG/svb:blm