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FISCAL IMPACT REPORT

SPONSOR	Mirabal Moya/Dow/Lara/Vincent/Chatfield	LAST UPDATED	
		ORIGINAL DATE	2/11/2025
SHORT TITLE	Millage for Certain School Districts	BILL NUMBER	House Bill 277
		ANALYST	Carswell

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	Up to \$169,962.1	Recurring	Public School Capital Outlay Fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bill 82

Sources of Information

LFC Files

Agency Analysis Received From
Public School Facilities Authority
Public Education Department

SUMMARY

Synopsis of House Bill 277

House Bill 277 amends the statutory criteria that determine school districts' eligibility for waivers of the local match for public school construction projects funded through the Public School Capital Outlay Council. The bill would require districts to impose local property taxes of only 8 mills rather than 10 mills to become eligible for a waiver, which is typically a partial reduction of the local match.

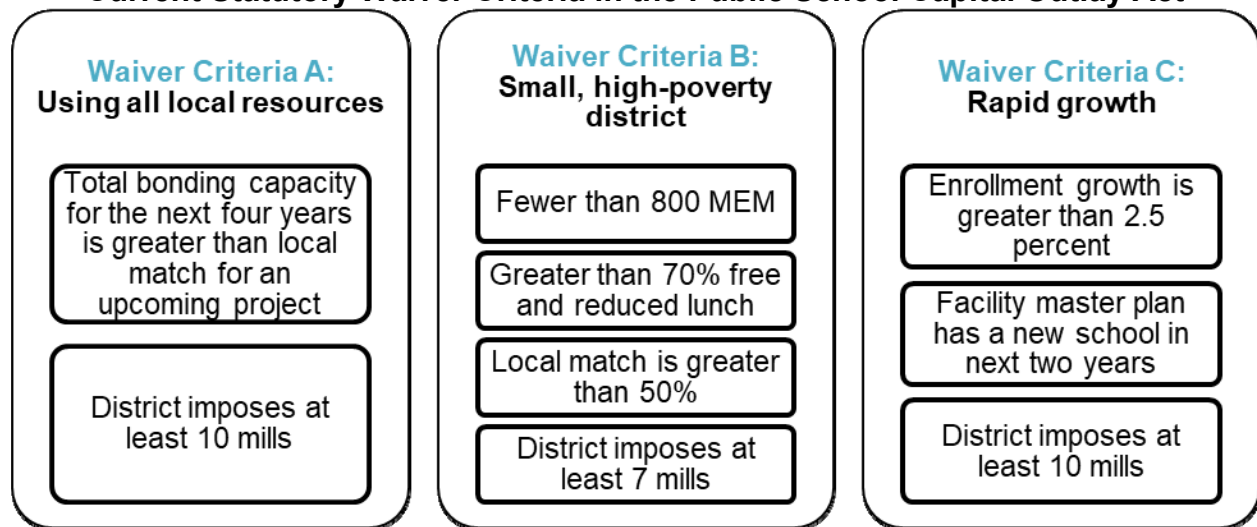
This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

Criteria in statute determine whether a school district may ask PSCOC for a partial waiver of the local match when it cannot afford the amount determined by the state-local match formula that provides the foundation for New Mexico's approach to equitable funding for public school construction. Currently, districts can take three paths to become eligible for a waiver, illustrated in the figure below. HB277 would change the 10 mill requirement under option A to 8 mills,

effectively lowering the amount of local property taxation that must be imposed before the state will consider adjusting the local match.

Current Statutory Waiver Criteria in the Public School Capital Outlay Act



The Public School Facilities Authority identified 19 districts with mill levies between 8 and 10 that could become eligible for waivers if HB277 were enacted. Some of these districts have projects on the Public School Capital Outlay Council’s award schedule over the next couple fiscal years, and some already qualify for waivers under the current statutory criteria and have indicated their intention to request waivers. HB277 would have no additional impact on those districts. Other districts that would become eligible for waivers under HB277 with projects before the council have indicated they can afford their local match without a waiver.

For the purposes of estimating the potential impact of HB277 on the public school capital outlay fund, LFC worked with PSFA to identify the estimated local match for districts with projects pending before the council that would become eligible for waivers under HB277, do not already qualify for waivers, and have not indicated they will not need a waiver. This fiscal analysis assumes those districts would request and receive full waivers of the local match for these projects in FY26, which would require the state to cover the local portion of the project and would reduce available dollars in the public school capital outlay fund for other projects. In reality, the districts may only receive partial waivers and the impacts could be spread out over multiple fiscal years. The bill could also impact districts that have not yet sought funding from PSCOC, but its impact on those projects is difficult to quantify.

Districts that Could Become Eligible for Waivers Under HB277

District	Total Residential Mills
Alamogordo	9.803
Central	9.249
Deming	8.255
Española	8.902

Estancia	8.044
Farmington	9.764
Hondo	9.539
House	8.521
Las Cruces	9.357
Logan	9.201
Lordsburg	9.155
Portales	9.552
Ruidoso	8.242
Santa Fe	8.765
Socorro	8.683
Springer	8.256
Texico	9.612
Truth or Consequences	8.098
Tucumcari	9.413

Source: PSFA

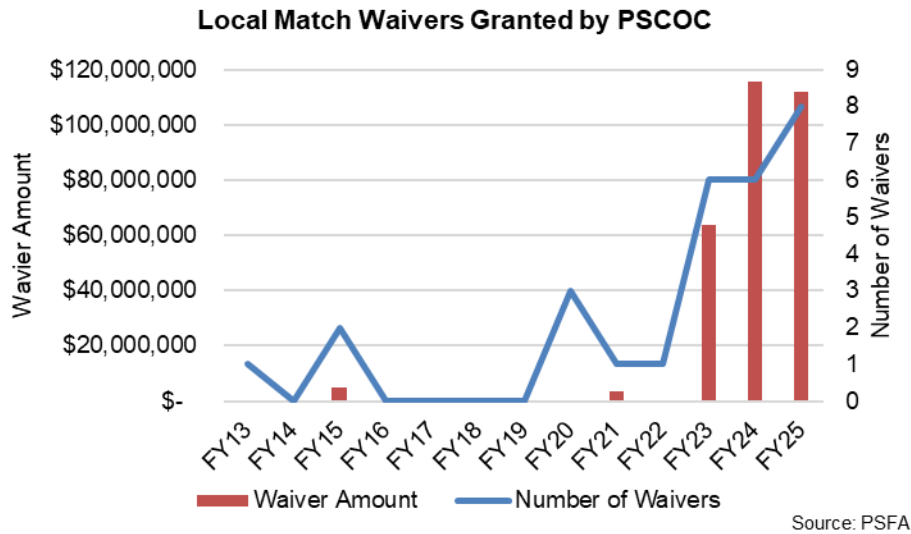
PSFA notes districts that meet statutory waiver criteria can request the council grant a waiver to fund only the *portion* of the local match the district cannot afford:

The statute requires the school district to make a “good faith effort” to use all its local resources toward the potential award. This includes asking voters for authorization to use general obligation bonds and/or levying SB9 and HB33 [public school property tax] mill levies to (raise) funds to contribute to the awarded project. Districts are expected to fund the maximum amount they can afford, which is often achieved with the passage of a general obligation bond.

SIGNIFICANT ISSUES

In 2023, the Legislature passed and the governor signed Senate Bill 131, which provided across-the-board, temporary reductions to the local match school districts must provide for capital projects funded through PSCOC. SB131 provided a one-third match reduction for all districts except those with fewer than 200 students, which got a one-half reduction. The temporary reductions run through FY26.

Despite the local match reduction enacted in 2023, many school districts have requested PSCOC grant partial waivers of their required match. Such requests increased in number and amount starting in FY23 due to dramatic increases in construction costs, which rendered projects unaffordable for many districts even with the lower local match. In FY22, PSCOC granted only one waiver totaling about \$370 thousand, according to PSFA. In FY23, it granted six totaling \$63.6 million. That amount nearly doubled in FY24.



In 2024, the Public School Capital Outlay Oversight Task Force studied waiver trends and the need for adjustments to waiver criteria and the state-local match formula. Senate Bill 82, currently under consideration by the Legislature, contains the recommendations of the task force resulting from that work. SB82 would extend the across-the-board local match reductions and make several revisions to the statutory waiver criteria aimed at further assisting small districts with project costs when necessary. Notably, the task force did not endorse lowering the requirements for local property taxation to support the local share of project costs under waiver criteria A from the current 10 mill threshold.

Changes to Local Match Waiver Eligibility Criteria Proposed in Senate Bill 82

Waiver Criteria A: Using all local resources	Waiver Criteria B: Small, high-poverty district	Waiver Criteria C: Rapid growth
<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">Total bonding capacity for the next four years is greater than local match for an upcoming project</div> <div style="border: 1px solid black; padding: 5px;">District imposes at least 10 mills</div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Fewer than 800 MEM</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; color: #C00000;">Greater than 70% free and reduced lunch</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; color: #C00000;">Local match is greater than 50%</div> <div style="border: 1px solid black; padding: 5px;">District imposes at least 7 mills</div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; color: #C00000;">Enrollment growth is greater than 2.5 percent</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; color: #C00000;">Facility master plan has a new school in next two years</div> <div style="border: 1px solid black; padding: 5px; color: #C00000;">District imposes at least 10 mills</div>

According to PSFA, many small districts with fewer than 800 students have difficulty meeting the free and reduced lunch and local match criteria in waiver option B. The school districts are unable to control either of these criteria and reaching the higher mill levy threshold of 10 to qualify for option A is challenging for small districts, according to PSFA. Additionally, the agency reports waiver criteria C is in practice duplicative of criteria A and is not used.

The increased need for waivers is an indication the state and local match formula that provides

the foundation for New Mexico’s approach to financing public school construction is not working as intended. In 2024, the Public School Capital Outlay Oversight Task Force directed staff from the Legislative Finance Committee, Legislative Education Study Committee, and PSFA to study the formula and propose changes. Staff identified several formula factors that do not reflect current realities, such as assumptions about the cost per square foot of new school construction. However, the across-the-board local match reductions enacted by SB131 have a similar effect on the amount districts are responsible for paying as adjusting these factors in the formula.

Staff also found that adjusting these factors did not, in all cases, help the formula more accurately reflect a district’s ability to pay; the reason for the outliers was not readily apparent. The task force determined adjusting any factors would be premature and might represent an overcorrection. The task force directed staff to continue to study the formula so that larger changes could be pursued in the 2027 session, if warranted. SB82 was endorsed by the task force to provide a stopgap solution to barriers to school replacement and continued financial relief to school districts in the meantime.

The local match reductions were first pursued in 2023 to provide incentivize school districts to seek funding from PSCOC. Applications had dropped off due to changes to the state-local match formula that shifted the cost burden of projects more to districts.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB277 relates to SB82, which also makes revision to the statutory criteria for local match waivers in the Public School Capital Outlay Act. SB82 was developed and endorsed by the Public School Capital Outlay Oversight Task Force.

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