

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

## FISCAL IMPACT REPORT

SPONSOR Padilla LAST UPDATED \_\_\_\_\_  
ORIGINAL DATE 2/4/2025  
BILL  
SHORT TITLE School Building System Innovation Project NUMBER Senate Bill 125  
ANALYST Carswell

### APPROPRIATION\* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$10,000.0	Nonrecurring	General Fund

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

Agency Analysis Received From  
Public School Facilities Authority (PSFA)

## SUMMARY

### Synopsis of Senate Bill 125

Senate Bill 125 (SB125) appropriates \$10 million from the general fund in FY26 to the public school capital outlay fund for grants for replacement of school building HVAC systems and electrical distribution systems.

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

The appropriation of \$10 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

## SIGNIFICANT ISSUES

At the end of the first quarter of FY25, the public school capital outlay fund had a balance of \$1.6 billion. It receives revenue twice a year from the proceeds of supplemental severance tax bonds, in amounts that vary based on need and capacity. Due to the high balance in the fund and high capacity in the severance tax bonding program, general fund appropriations are not

necessary to support the systems replacement projects that are the focus of SB125.

The fund already supports replacement of school building systems and HVAC replacements are currently among the most common systems projects school districts pursue through the Public School Capital Outlay Council (PSCOC), making the need for additional funding or a new program for this purpose unclear. According to the Public School Facilities Authority (PSFA), in FY24, PSCOC made 25 systems-based awards totaling \$27 million. Ten of the awards included HVAC replacement, with the state share of the HVAC portion of the projects totaling \$5.4 million. In FY25, PSCOC has so far made 14 systems-based awards, including three involving HVAC replacement. The state share of the HVAC portion of the projects has totaled \$10.4 million in FY25.

SB125's creation of a new grant program for HVAC system replacement for public schools duplicates PSCOC's existing systems-based program, which has been in place since 2016. According to PSFA, the program was intended to assist school districts invest in existing facilities to extend the functional life of school buildings, the same goal stated in SB125.

Eligibility for a systems-based project is currently limited to schools in the top 300 of the weighted New Mexico Condition Index, which scores the condition of school facilities. The "top" rankings are given to the schools most in need to repair or replacement. PSFA notes the grant program created under SB125 appears to circumvent PSCOC's current approach to prioritizing systems replacement. The council's processes for prioritizing capital projects and determining the state and local shares of those projects are intended to promote equitable capital investment at schools statewide in order to comply with a constitutional lawsuit that resulted in PSCOC's creation.

SB125 states the council shall prioritize applications for projects that are eligible to receive federal funding. However, if the projects are eligible for federal funds, it is unclear why PSCOC or other state funds would be necessary to advance the projects. PSFA notes the U.S. Department of Energy has a program to support clean energy improvements in public schools, but no school districts in New Mexico have indicated to PSFA an intention to pursue this funding for HVAC upgrades.

SB125 also states the council shall prioritize applications that would incorporate photovoltaic technology into school energy distribution systems. PSCOC does not currently participate in the costs of solar energy system installations.

CC/rl/SL2