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FISCAL IMPACT REPORT

ORIGINAL DATE 2/13/07

SPONSOR Carraro LAST UPDATED _____ HB _____

SHORT TITLE Emergency Public School Facility Fund SB 602

ANALYST Wilson

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
\$600,000.0		Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
\$400.0			Non-Recurring	Emergency Public School Capital Outlay Act
\$200.0			Non-Recurring	Public School Maintenance Act

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	\$0.1	\$0.1	\$0.1	\$0.1	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 499

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 602 appropriates \$400,000,000 from the general fund to the emergency public school facility fund for expenditure in fiscal years 2007 and subsequent fiscal years for the purpose of funding new or expanded school facilities in high-growth areas of the state pursuant to the provisions of the Public School Capital Outlay Act.

Senate Bill 602 appropriates \$200,000,000 from the general fund to the public school maintenance fund for expenditure in fiscal years 2007 and subsequent fiscal years for the purpose of making allocations for maintenance of public school facilities pursuant to the provisions of the Public School Capital Outlay Act.

The bill declares an emergency

FISCAL IMPLICATIONS

The appropriation of \$600,000,000 contained in this bill is a recurring 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.

This bill creates two new funds and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

PED notes that the State and the legislature have made a substantial commitment to funding infrastructure for public schools statewide. In the last five years approximately \$737,500,000 has been allocated through Public School Capital Outlay Council (PSCOC) funding. The majority of the deficiencies within school districts can be associated to inadequate or deferred maintenance. With great needs and limited resources, this additional funding of \$200,000,000 will assist school districts in protecting our state's investments. However, this new proposed program duplicates that of the Public School Capital Improvements Act (PSCIA). The PSCIA currently generates approximately \$83,500,000 from local taxes and an additional \$17,500,000 of state-guaranteed funds. There may also be some equity issues with the program (see substantive issues).

The current PSCOC funding is not sufficient to bring public schools' facilities to their preferred condition. The assessment of New Mexico school facilities two years ago showed a total estimated cost of \$2,300,000,000 for the life-cycle building renewal and repair needs. This was the amount that was needed to bring up all schools in New Mexico to the current state adequacy standards. This estimate includes categories such as life, safety, health, adequacy and space (overcrowding/high growth) The additional \$400,000,000 allocated in this bill to the fund will assist the state in meeting the repair needs of school districts much faster by taking care of the high-growth areas. Current revenue estimates show that approximately \$173,000,000 will be available from Supplemental Severance Tax Bonds (SSTB) this year. Due to all the additional programs within the act, the PSCOC should have about \$140,000,000 available for construction projects. There is an apparent need for funding high-growth areas; however, there may also be equity issues with this program (see substantive issues).

These two allocations will use the majority of all the available sources for capital projects for this legislative session.

SIGNIFICANT ISSUES

This bill creates a new section to the PCSOA by creating a “Public School Maintenance Fund” (PSMF) in the state treasury. Allocations are to be made by the PSCOC for public school maintenance projects. All districts are eligible to apply and no local match is required

The PSCOC shall develop rules that specify the application requirements, how the applications will be prioritized, ensure the funds allocated are consistent with a district preventative maintenance plan and ensure funds are expended in a prudent manner.

The bill creates another section to the PCSOA creating the “Emergency Public School Facility Fund” (EPSFF) in the state treasury. Allocations are to be made by the PSCOC for making grants for new or expanded schools in high-growth areas. The PSCOC shall adopt guidelines to identify the high critical growth areas adversely affecting education.

The Public School Facilities Authority (PSFA) shall assist these school districts in developing plans to alleviate the crowding. After criteria for prioritizing needed facilities the PSCOC shall make allocations and work with the school districts and enter into construction contracts. A school district will qualify for these funds regardless of their bonded indebtedness. Before the PSCOC can make an allocation they must ensure the building is insured, the district has submitted a five-year facilities plan with enrollment projections and a current maintenance plan adopted by the PSCOC.

The five-year facilities plan must also include the capital needs of charter schools and projections for the facilities needed in order to maintain a full-day kindergarten program. A school district must also agree in writing to agree with any reporting requirements or conditions imposed by the PSCOC.

ADMINISTRATIVE IMPLICATIONS

This bill does not include any additional programs to be administered by the PED; therefore, any changes can be achieved with existing staff. However, the creation of two additional programs may affect the workload of the PSFA.

RELATIONSHIP

Related to HB 499, Public School Capital Outlay making an appropriation of \$500,000,000 to the PSCOF; however, the appropriation is for all projects.

OTHER SUBSTANTIVE ISSUES

As a result of the Zuni lawsuit filed by the Zuni Public Schools, the Eleventh Judicial Court ordered the State to establish and implement a uniform funding system for capital improvements in New Mexico school districts. In response to the judges’ order many changes were made to the PCSOA. One of the major changes was the implementation of the state and local share formula

that is based upon a district's local tax efforts, wealth and membership. This bill creates the PSMF, allowing for allocations without a local match. This may pose an equity issue and jeopardize the uniform system developed by the Public School Capital Outlay Oversight Committee in response to the Zuni lawsuit. Currently, the court has not completed its oversight.

The EPSF is also created with no specific guidelines. The PSCOC would have to ensure that the adopted methodology is consistent with the current standards-based process to ensure the uniformity which was ordered by the courts. Creating special funding for specific school districts may jeopardize the uniformity. In the current standards-based system, school districts are ranked in a database and the state goes down the list and funds as many needs as available revenues will allow. There are currently nine categories used to rank a school building and each category is weighted differently. Currently, space or growth is the second-highest weighted category. In essence, if a school is experiencing high growth and overcrowding this will be reflected in the ranking of this database. A school district will rise higher on the list. The current ranking system is already addressing the growth problem and it is relevant by looking at the schools that are rising to the top. The problem is the available resources.

DW/nt