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## FISCAL IMPACT REPORT

ORIGINAL DATE 03/09/09

SPONSOR    SEC \_\_\_\_\_ LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE    Public School Science Facilities    SB 453/SECS

ANALYST    Aguilar

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$130,000.0	Nonrecurring	Severance Tax Bonding Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB 250 and SB 378  
Conflicts with HB 154, SB 404 and SB 386

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Education Department (PED)  
Attorney General's Office (AGO)  
Public School Facilities Authority (PSFA)

### SUMMARY

#### Synopsis of Bill

The Senate Education Committee substitute for Senate Bill 453 authorizes the state board of finance to issue up to \$130 million in severance tax bonds pursuant to the Severance Tax Bonding Act for expenditure by the Public School Capital Outlay Council in FY10 through FY14 to make grants for projects to build or renovate and equip public high school science laboratories statewide.

The committee substitute requires that all unexpended funds revert to the severance tax bond fund within six months of completion or no later than June 30, 2014.

### FISCAL IMPLICATIONS

The appropriation of \$130 million contained in this bill is a nonrecurring expense to the severance tax bonding fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2014 shall revert to the severance tax bonding fund.

The December revenue estimates reported by the State Board of Finance indicated that \$157,000.0 will be available for senior capital outlay projects in FY10. This bill provides for up to \$130,000.0 of the \$157,000.0 to be available for the PSCOC to allocate for school science laboratory projects. Funds for schools, counties, municipalities and other state agencies will be reduced by the amount the PSCOC allocates from the STB Fund for FY 2010 through 2014.

## **SIGNIFICANT ISSUES**

This bill appropriates \$130 million in severance tax bonds to the Public School Capital Outlay Fund to provide science laboratory equipment, and/or to build and refurbish public high school science facilities and laboratories statewide. The appropriations and expenditures would not be subject to the regular standards-based process, but would require an application and evaluation process to be developed by the PSCOC.

The committee substitute sets a time limit of the end of FY11 for certifying the need to issue bonds and the authorization for any project unable to meet these requirements shall be considered void.

PSFA notes that the Public School Capital Outlay Council funds schools using a standards-based process developed as part of the Zuni settlement and exempting this appropriation and subsequent deviation from the standards based process may be problematic with regard to the lawsuit.

All schools statewide have been evaluated and ranked using the New Mexico Adequacy Standards as a measuring tool. In order to meet Adequacy Standards, a high school must have a science classroom not smaller than the average size classroom (25 square feet/student) with science fixtures and equipment in accordance with the standard equipment necessary to meet the educational requirements of the PED. The PED does not have an “official” list, but provided the National Science Teachers Association (NSTA) list of standard science laboratory equipment as a guide (see attached).

A new high school graduation requirement, which will take effect for students entering ninth grade in the 2009-2010 school year, increases from one to two the number of science courses with a laboratory component students must pass to graduate. In response to a request by the LESC for the impact of this new requirement, the Math and Science Bureau of the PED sent a survey of laboratory needs to the Science Department Chairs at the 118 comprehensive high schools, with a follow-up email to the Superintendents. Sixty-six responded. Almost \$16 million was requested for new or remodeled labs from 18 schools, 13 schools requested almost \$400 thousand for equipment, and 28 schools indicated a need for over \$500 thousand for other science materials, small equipment and supplies. Only 10 schools indicated that they did not need additional funds to implement the new lab component requirement.

The AGO notes that an appropriation directly out of this bonding fund will have an impact on the severance tax bonding program as it currently exists, given the statutory capacity limits for the issuance of severance tax and supplemental severance tax bonds set forth in section 7-27-14(B), (C) and (D), NMSA 1978. This impact would likely be felt most strongly in the supplemental severance tax bond program, which funds capital outlay projects for public schools throughout the state, because that program is subordinate to the senior severance tax bond program. In any event, these appropriations will likely result in reductions in the amount of both senior and supplemental bonds that can be issued to fund capital outlay projects throughout the state.

**TECHNICAL ISSUES**

If \$130 million of high school science laboratory classroom facilities and equipment needs cannot be identified, the remaining dollars could not be used for other uses allowed in the Public School Capital Outlay Act (PSCOA).

**OTHER SUBSTANTIVE ISSUES**

Currently there are not standards to measure science equipment. The Public School Capitol Outlay Council would need to develop standards for appropriate equipment, beyond the long-term capital assets of science laboratories currently allowed.

PA/svb