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FISCAL IMPACT REPORT

ORIGINAL DATE 02/18/09
 LAST UPDATED 03/07/09 **HB** _____

SPONSOR Ryan

SHORT TITLE Extraordinary Costs of New School Openings **SB** 478/aSEC

ANALYST Aguilar

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$5,000.0	Nonrecurring	State Fiscal Stabilization Fund (ARRA)

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB378 and HB250

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	\$5,000.0		Recurring	Not Specified

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

Public School Facilities Authority (PSFA)

SUMMARY

Synopsis of SEC Amendment

The Senate Education Committee amendment to Senate Bill 478 appropriates \$5 million from the 18.2 percent set aside in the state fiscal stabilization fund of the American Recovery and Reinvestment Act for other government services.

FISCAL IMPLICATIONS

It is yet unclear how the legislature or governor plan to distribute these funds and this is probably one of many projects that will request funding as the planning process unfolds.

SIGNIFICANT ISSUES

Language contained in the federal conference committee report allows the use of these funds by elementary and secondary education for modernization, renovation or repair of public school facilities. It appears these funds may not be available for costs associated new facilities, particularly for equipment and operating costs.

Synopsis of Original Bill

Senate Bill 478 appropriates \$3 million from the Public School Capital Outlay Fund to the New School Development Fund for making distributions to school districts to pay for equipment and other costs unique to the first year of operation of new schools.

FISCAL IMPLICATIONS

The appropriation of \$3 million contained in this bill is a recurring expense to the public school capital outlay fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2010 shall not revert.

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

According to the February 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$575 million less than the FY09 appropriations before the 2009 solvency reductions. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

SIGNIFICANT ISSUES

The Public School Capital Outlay Fund (PSCOF) is the source of funding for the standards-based capital outlay program for public schools statewide, as well as the state match for the Public School Capital Improvements Act (SB9), Lease Assistance Program, Master Plan Assistance, and other programs. Revenues to the fund are principally from supplemental severance tax bonds which have declined significantly due to the drop in oil and gas prices.

The current PSCOF is funded from the Supplemental Severance Tax Bonds (SSTB's). This revenue stream has been dedicated solely for projects under the PSCOA. However, in recent years many programs have been added to the act depleting the amount available for standards-based capital outlay projects. Currently, the fund is used to fund the Capital Improvements Act (SB-9), New School Development Act, the lease payment assistance program, CID reimbursements, PSFA operating budget, assistance for master facility plans, demolition allocations, and emergency allocations. The annual uses from the fund have increased, which means that available revenues for standards-based projects are reduced by the additional programs.

Revenue estimates report that approximately \$182,900.0 will be available in SSTBs for the next PSCOC award cycle. The latest financial plan reveals that after funding all the additional programs from the fund, cost overruns, supplemental awards and emergency awards, only \$27,100.0 will be available for standards-based construction projects. This is the lowest amount that the PSCOC will have available for new allocations since the year 2000. The current financial plan for the use of the PSCOF by the Public School Capital Outlay Council indicates that current revenues will only support previously awarded projects and may allow only a limited number of new planned projects under the standards-based capital outlay process. Barring new sources of funds to the PSCOF, construction dollars for these new projects are not projected to be available until FY2011 or FY2012.

While having some merit, it should be noted that generally, start-up costs are paid from operational sources and districts should include these costs in the long term financial planning of the district. Additionally, many of the costs districts usually assume to be part of start-up (e.g. desks and other furniture, fixtures and equipment) are included in the architects school work-up, yet many schools choose to use these funds to add more building space and choose to absorb these costs elsewhere in the district budget.

The New School Development Fund created in 2006, but was not funded until 2008 when \$3 million was appropriated to the fund from the PSCOF. The Public Education Department administers the fund and made the following allocations in November 2008. In order to avoid conflicts with equipment purchases allowed by PSCOC funding for these new school projects, and due to limitation resulting from the source of funding being severance tax bonds, the PED limited the awards to the purchase of technology, textbooks, and library books:

**2008-2009
NEW SCHOOL DEVELOPMENT FUND
FINAL ALLOCATIONS**

DISTRICT	SCHOOL	MEM.	TOTAL AWARD
Gadsden	Chapparral HS	165	\$ 184,250
Gallup	Chief Manuelito MS	620	\$ 309,989
Rio Rancho	Sandia Vista ES	800	\$ 42,133
Rio Rancho	Cielo Azul ES	800	\$ 42,133
Deming	Columbus ES	550	\$ 323,870
Rio Rancho	Sue Cleveland HS	2350	\$ 2,097,625
Total			\$ 3,000,000

Below is a list of new schools which will be opening in FY 2010 and 2011. This list was provided by the Public Schools Facilities Authority. The list includes brand new schools and replacement schools:

District	School Name	Grade Level	Semester Open
Gallup-McKinley	New West Gallup Middle School	6-8	Fall 09
Rio Rancho	Sue Cleveland High School	9-12	Fall 09
Albuquerque	New Southwest High School Phase 2	9-12	Fall 09

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Albuquerque	New Northwest High School Phase 2	9-12	Fall 09
Chama	New Tierra Amarilla Elementary	K-5	Fall 09
Ruidoso	Ruidoso Middle School	6-8	Spring 09
Deming	Columbus Elementary School	K-6	Spring 09
Los Lunas	Katherine Gallegos Elementary (New School)	K-6	Spring 09
Gallup-McKinley	Tohatchi Elementary (construction)	K-5	Spring 09
Socorro	Midway Elementary	K-5	Spring 09
Albuquerque	New Southwest High School Phase 3	9-12	Fall 10
Deming	Deming High School	9-12	Spring 11
Deming	Deming High School	9-12	Spring 11

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