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FISCAL IMPACT REPORT

ORIGINAL DATE 02/10/13
LAST UPDATED 02/27/13 **HB** 291

SPONSOR Gonzales

SHORT TITLE School Deferred-Maintenance Issues **SB** _____

ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$10,000.0	Nonrecurring	Public School Capital Outlay Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

- Public Education Department (PED)
- Public School Facilities Authority (PSFA)
- Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

House Bill 291 makes an appropriation from the Public School Capital Outlay Fund to the Public School Capital Outlay Council for expenditure in fiscal years 2014 through 2016 to provide allocations to school districts and charter schools that demonstrate a need to address deferred maintenance issues in classrooms or other facilities that are used primarily by students.

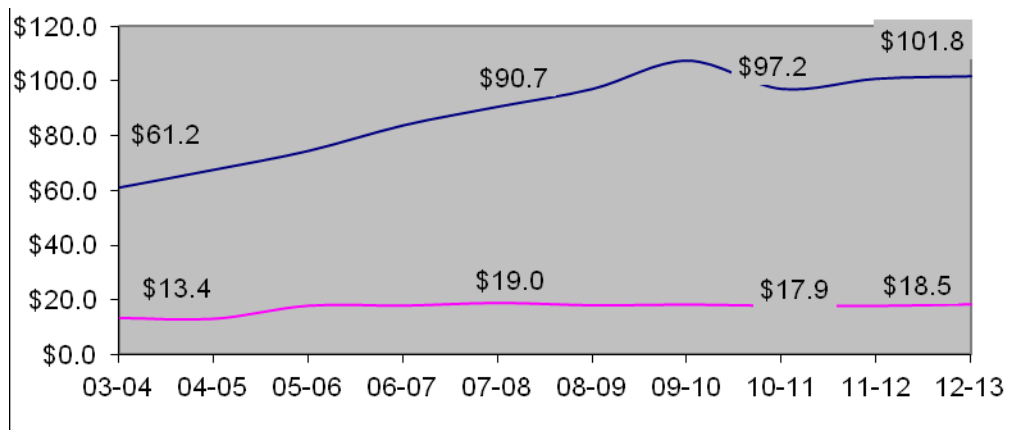
FISCAL IMPLICATIONS

The appropriation of \$10 million contained in this bill is a nonrecurring expense to the Public School Capital Outlay Fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2016 shall revert to the Public School Capital Outlay Fund.

For FY12, a total of \$120.1 million was available to school districts pursuant to the Public School Capital Improvements Act (SB-9) - \$102.4 million from local property taxes and \$17.7 million in state matching funds. The below chart is a 10 year history of both the

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local taxes and state match (Source: PED). One of the uses of these funds is maintenance of school buildings.



Local Tax (top line)

State Match (bottom line)

The PED's analysis notes the revenue source for the PSCOF is finite on an annual basis and that any distributions from the fund for initiatives other than school building construction reduces the amount available for grants to school districts. With a statewide need of more than \$4 billion for repair and renovation, any reduction in the amount available for standards-based awards lengthens the time required to meet the statewide need.

SIGNIFICANT ISSUES

Over the last 10 years, the state and the Legislature have made a substantial commitment to ensuring students are in adequate public schools through both the deficiencies correction program (now closed) and standards-based awards for facilities. Currently, many of the deficiencies within a school district can be attributed to inadequate or deferred maintenance in school districts. Reduced operational and maintenance budgets in school districts statewide are causing districts to defer critical facility needs, often necessitating premature capital expenditures for repair or replacement of facility systems before they reach their expected useful life. This is additionally compounded by the lack of qualified maintenance staff at many school districts. The longer maintenance is deferred the more expensive it becomes. In many instances, if one component fails within a system, other components within the system are adversely affected, increasing repair costs. Deferred maintenance reduces the expected life of facility systems which ultimately drives the need for premature capital expenditures on entire systems rather than just a few components.

Providing an appropriation to the PSCOC to address deferred maintenance will likely extend the expected life of facilities; however, districts are required to provide regular maintenance and this bill may reward districts that have chosen to disregard regular maintenance in the past.

According to the PSFA

Many of the smaller districts do not have the local funding match needed for an entire school renewal under the standards-based program but may afford to fund smaller, yet important projects such as boiler or HVAC rebuild/replacement.

School districts have voiced need for both identification of critical deferred maintenance and prioritization within their districts. The identification of these issues may include the need for additional technical training to support the proper maintenance and upkeep of the facilities. Districts will also need to find other ways to improve maintenance effectiveness to protect the capital investments and provide the necessary educational environment.

ADMINISTRATIVE IMPLICATIONS

The Public School Capital Outlay Council will be required to establish guidelines for prioritizing and distributing allocations from the fund.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 264 designates that the Public School Capital Outlay Council can use up to \$15 million of the Public School Capital Outlay Fund in fiscal years 2014 through 2018 to make awards to schools for building system repair, renovation, and replacement initiatives.

HB 289 allows the use of up to 5 percent of local SB-9 proceeds to be used for salaries of certain school district employees who oversee or participate in maintaining school grounds and facilities.

ALTERNATIVES

Increase the guarantee amount for calculating the state match portion of the Capital Improvements Act (SB-9). This will eliminate the need for establishing a new program.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 211 and Senate Bill 60 include the following appropriations from the Public School Capital Outlay Fund: \$8 million to the New Mexico School for the Deaf; \$9.2 million to the New Mexico School for the Blind; \$2.5 million to PED for prekindergarten classrooms; \$3 million to PED for school busses.

HB 264 establishes a new \$15 million grant program using Public School Capital Outlay Fund proceeds for building systems.

Senate Bill 98 decreases supplemental severance tax bonds available for public school capital outlay projects by \$38.4 million.

Enactment of any or all of these bills will decrease funds available for the core mission of the Public School Capital Outlay Act of ensuring students are in adequate facilities, and may result in reopening of the Zuni lawsuit. The Legislature should consider these bills simultaneously and analyze the merits of each appropriation to ensure the state will continue to meet its constitutional obligations under the Zuni court decree.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Deferred maintenance will become more prevalent and more schools will require premature capital funding to keep the educational environment and specifically the classrooms operating for

its designed purpose. Not addressing this issue now will end up costing taxpayers more in the future.

RSG/svb:blm