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FISCAL IMPACT REPORT

ORIGINAL DATE 03/04/13

SPONSOR SEC LAST UPDATED _____ HB _____

SHORT TITLE Public Peace, Health, Safety & Welfare SB 620/SECS

ANALYST Gudgel

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
	(\$200.0)	(\$200.0)	Recurring	Public School Capital Outlay Fund – Existing Programs
	\$200.0	\$200.0	Recurring	Public School Capital Outlay Fund – Education Technology Grants

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

Senate Education Committee Substitute for Senate Bill 620 amends the Public School Capital Outlay Act to include a definition of education technology and allow the Public School Capital Outlay Council to use up to \$200 million to make grants to school districts and charter schools for purchasing, installing, maintaining, and upgrading education technology during fiscal years 2014 through 2018. The bill also changes eligibility for waivers for districts that have a residential property tax rate of 10 mills and don't have sufficient bonding capacity over four years to provide their local match to only be applicable to districts with student enrollment of less than 800 students.

FISCAL IMPLICATIONS

The Public School Capital Outlay Council (PSCOC) makes grants from the Public School Capital Outlay Fund (PSCOF) to school districts primarily for standards-based projects, lease assistance, and roofing projects. The PSCOF consists entirely of proceeds from the sale of supplemental severance tax bonds. Standards-based projects require local school districts to match funds committed by the PSCOC based on a formula established in statute. This bill limits the instances when the PSCOC can grant a waiver under the first waiver provision (residential property rate of 10 mills and insufficient bonding capacity to provide the local match) to districts with fewer than 800 students. Additionally, the bill allows the PSCOC to use up to \$200 thousand annually for education technology grants. The bill will not affect the amount of bonds annually certified but may affect the amount of funds available for standards-based projects. Limiting the number of school districts that are eligible to receive a waiver of their local matching requirement may make more funds available for projects in the queue. However, allowing the PSCOC to use up to \$200 thousand annually for education technology grants may result in less funds available for standards-based projects.

The bill may have a negative effect on individual local school district's ability to fund capital projects. The bill eliminates the possibility of a waiver for the following 19 school districts and the charter schools located within their boundaries: Albuquerque, Bernalillo, Cobre, Cuba, Dexter, Gadsden, Gallup, Hatch, Jemez Valley, Las Vegas City, West Las Vegas, Los Alamos, Los Lunas, Pojoaque, Portales, Rio Rancho, Springer, and Tularosa. The only districts that will qualify for a waiver pursuant to this section will be Cuba, Jemez Valley, and Springer.

Currently, House Bill 2 includes a \$5.2 million special appropriation to the Public Education Department to purchase needed computer equipment for administration of the new standards-based assessment anticipated in 2014-2015.

SIGNIFICANT ISSUES

Education Technology Grant Program

The bill establishes a procedure for school districts and charter schools to apply for an education technology grant. Applications will be required to include a detailed assessment conducted by the school district of the education technology equipment needed to meet state or federal education instructional requirements and the itemized estimated costs. The Public School Facilities Authority will be required to verify the assessment and estimated costs and rank the applications through a methodology adopted by the PSCOC. The PSCOC will be able to make awards in an amount up to \$200 thousand dollars annually, and is authorized to award partial grants. Grants made pursuant to the bill must be expended within two years.

The new definition of "education technology" educational and cable televisions, television systems, radio broadcasting; satellite, copper wire, and fiber-optic transmission; network connection devices and digital communications equipment, including voice, video and data equipment; computer hardware and software, including licenses, data storage fees and other technologies and services; local and remote servers; other computer infrastructure; portable media such as discs and drives to contain data for electronic storage and playback; maintenance equipment; and generally anything else used to implement technology in schools and related facilities. The expanded definition also allows these revenue sources to be used for improvements, alterations and modifications to, or expansions of existing buildings or personal

property necessary or advisable to house or otherwise accommodate any of the equipment and tools include in the expanded definition.

Expanded use for education technology would diminish capacity to fund other capital projects or other allowed uses of the Public School Capital Outlay Fund. Historically, school districts fund 61 percent of all statewide construction spending from local taxes. To maintain the current facility condition index of 34.62 percent, the PSFA estimates \$367 million must be spent annually on school facilities-renewal. This leaves the State responsible for about \$143 million annually. Funding at a lower level places the state's investment in school facilities at risk, as funding gaps may increase the rate of degradation and thus may exceed future funding capacity

Waiver Provisions

There are a number of school districts that have facilities far worse than the average facility in the state; however, some of these districts have a high local match requirement and relatively low bonding capacity and because of this have not requested standards-based funding. These districts, even if completely bonded, would not be able to raise sufficient revenue to cover their portion of a project.

The bill reduces the number of school districts that may qualify for a waiver, as well as the charter schools that are located within the boundaries of those school districts. All locally chartered and state -chartered charter schools qualify for a waiver using the same criteria as the school district in which they reside. This would include a total of 19 school districts including 62 charter schools located within these school districts' boundaries.

ADMINISTRATIVE IMPLICATIONS

The bill requires the Public School Capital Outlay Council to adopt rules to administer the new grant program, including adopting a methodology to rank applications annually considering the availability of alternative funding, the existing education technology infrastructure within the school district and the size and location of the school district.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

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

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.

House Bill 291 appropriates \$10 million from the Public School Capital Outlay Fund to address deferred maintenance.

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 the constitutional obligations under the Zuni court decree.

House Bill 268 conflicts with the waiver provisions included in this bill.

OTHER SUBSTANTIVE ISSUES

Expanding the uses of these revenue sources may allow school districts to implement the new Partnership for Assessment Readiness for College and Careers assessment related to the new common core state standards (CCSS). The CCSS were adopted in 2010 and will be fully implemented by the 2014-2015 school year. The new PARCC assessment is a computer adaptive test. The PED estimated it will cost the state approximately \$8.4 million to purchase computers needed to administer the test. This cost estimate does not include other technology infrastructure needs.

RSG/blm