

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 128

52nd Legislature, 1st Session, 2015

Tracking Number: .197672.1

Short Title: Public School Capital Outlay Building Needs

Sponsor(s): Senator Mimi Stewart

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**FOR THE PUBLIC SCHOOL CAPITAL OUTLAY OVERSIGHT TASK FORCE
AND THE LEGISLATIVE EDUCATION STUDY COMMITTEE**

Bill Summary:

SB 128 amends the *Public School Capital Outlay Act* to:

- define the term “building system” as a set of interacting parts that makes up a single, non-portable or fixed component of a facility and that, together with other building systems, makes up an entire integrated facility or property, including, but not limited to:
 - roofing;
 - electrical distribution;
 - electronic communication;
 - plumbing;
 - lighting;
 - mechanical;
 - fire prevention;
 - facility shell;
 - interior finishes and heating; and
 - ventilation and air conditioning systems, as defined by the council;
- remove a reference to a roof repair and replacement initiative that expires at the end of FY 15;
- allow the Public School Capital Outlay Council (PSCOC) to expend up to \$15.0 million annually for a building system repair, renovation, or replacement initiative provided that:
 - the initiative is identified and approved based on new PSCOC guidelines; and
 - the money allocated is expended within three years; and
- add a new section, “Building System Repair, Renovation or Replacement,” that requires:
 - the PSCOC to develop guidelines for a building system repair, renovation, or replacement initiative;
 - school districts desiring a grant award to submit an application to the PSCOC that includes an assessment that the repair, renovation, or replacement, in the opinion of the school district, would extend the useful life of the building;

- the council to approve, after a public hearing, building system repair, renovation, or replacement projects on the established priority basis, provided that the school district is willing and able to pay the portion of the total cost of the project that is not funded with grant assistance from the fund;
- the portion of the state share to be calculated in the same manner as existing standards-based awards; and
- awards to be expended within three years of an allocation.

Among its other provisions, SB 128:

- amends provisions related to public school capital outlay projects applications and grant assistance to allow the PSCOC to award grants for the purpose of repairing, renovating or replacing public school building systems in existing buildings; and
- repeals section 22-24-4.1 NMSA 1978, “Outstanding deficiencies; assessment; correction.”

If enacted, the provisions of SB 128 become effective on July 1, 2015.

Fiscal Impact:

SB 128 does not contain an appropriation; instead it allows the PSCOC to reallocate up to \$15.0 million from the Public School Capital Outlay Fund (PSCOF).

Fiscal Issues:

According to the Public School Facilities Authority (PSFA) bill analysis, the amount of state funds needed annually to support this initiative is unknown at this time as it would depend on the number of applications received and the state/local match of the applicant districts.

According to the Public Education Department (PED) bill analysis:

- there are no fiscal implications to PED; however, allowing the use of funds for building systems may potentially decrease the funds available annually for standards-based projects funded from the PSCOF;
- PSFA staff recently recommended to PSCOC that standards-based awards for FY 16 be limited to approximately \$75 million in order to deal with potential budget shortfalls; and
- if the provisions of the bill are implemented, available funding for standards-based projects in FY 16 may be insufficient to fund some projects already awarded.

Substantive Issues:

According to the PED bill analysis:

- the PSCOC has received fewer applications through the standards-based process over the past several years;
- one of the reasons is that school districts do not have access to their local match for a full PSCOC construction project;
- in many cases, the school district needs do not require the construction of a new building or a major renovation, but rather, smaller projects including electrical, plumbing, lighting, heating, ventilation, and air-conditioning (HVAC);

- in some cases, a school district maximizing its bonding capacity may not be sufficient to produce the revenue it needs to reach its local share;
- the added flexibility of providing funding specifically for “building systems” would allow for districts to “fit” a project to their financial resources and address deficiencies that are affecting their schools; and
- this type of targeting funds for “building systems” will result in an efficient use of available funding by improving the condition of New Mexico’s public school buildings.

According to the PSFA bill analysis, the systems-based program created by SB 128 would:

- supplement the current standards-based program and give the PSCOC and districts more flexibility toward scoping effectively sized projects that will extend school facilities lives, reduce maintenance costs, and minimize operational costs; and
- provide an opportunity for districts to “right size” a school to fit their educational needs and fiscal resources and correct deficiencies that significantly impact the learning environment.

PSFA also indicates that under consideration by PSCOC are PSFA staff recommendations that funding for school systems-based projects require the following:

- the school district campus (school) condition must be worse than the statewide average;
- the application must demonstrate that the post-project weighted New Mexico Condition Index (wNMCI)¹ will be 33 percent or more lower than the pre-project wNMCI;
- upon application, PSFA would analyze a project for feasibility using on-site observation, as well as analyzing specific current and post-project anticipated systems deficiencies;
- current systems deficiencies are identified in the PSFA facilities assessment database;
- the cost of renewal is justified from a return-on-investment standpoint, which considers both cost-effectiveness as well as a positive effect on the educational environment.

Finally, PSFA indicates that examples of building systems that could have the greatest positive impact on a school’s condition and the learning environment are:

- roofs;
- HVAC systems;
- classroom lighting and branch circuits;
- special systems including information technology;
- exterior doors and windows; and
- site drainage.

Background:

The PSCOF is the source of funding for:

- the standards-based capital outlay program for public schools statewide;
- the state match for the *Public School Capital Improvements Act* (SB 9);

¹The wNMCI is a metric used by the PSFA to rank the condition of every school building relative to the statewide adequacy standards. A high wNMCI indicates a facility with greater needs.

- the Lease Assistance Program;
- Master Plan Assistance; and
- and other programs under the *Public School Capital Outlay Act*.

Revenues to the fund are generated primarily from the sale of supplemental severance tax bonds and allocations from the fund are authorized by the PSCOC or appropriated by the Legislature.

Committee Referrals:

SEC/SFC

Related Bills:

SB 113 *Tax Bonds for Dept. of Trans. Projects*
SB 150 *Increase Severance Tax Distributions*
SB 326 *Reduce Severance Tax Bonding Capacity*
HB 92 *Severance Bonds for Transportation Projects*
HB 236 *Reduce Severance Tax Bonding Capacity*