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FISCAL IMPACT REPORT

SPONSOR Stewart ORIGINAL DATE 1/26/17
 LAST UPDATED 3/16/17 HB _____

SHORT TITLE “Education Technology Improvements” Uses SB 63/aHF1#1

ANALYST Liu

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY17	FY18	FY19		
	See Fiscal Implications			Local HB33 or SB9 funds

(Parenthesis () Indicate Revenue Decreases)

Relates to SB64, HB69

SOURCES OF INFORMATION

LFC Files
 Legislative Education Study Committee (LESC) Files

Responses Received From

Public School Facilities Authority (PSFA)
 Department of Information Technology (DoIT)
 Public Education Department (PED)

SUMMARY

Synopsis of HF1#1 Amendment

House Floor Amendment #1 to Senate Bill 63 clarifies that purchasing and installing education technology improvements excludes the salary expenses of school district employees. Additionally, the amendment clarifies that personal property used to house or accommodate any education technology improvement tools must be tangible.

Synopsis of Original Bill

Senate Bill 63 expands allowable expenditures under the Public School Capital Improvements Act and the Public School Buildings Act to include purchasing and installing education technology improvements, including tools used in the educational process that constitute learning and administrative resources, and which may also include:

- Satellite, copper and fiber-optic transmission; computer and network connection devices; digital communication equipment, including voice, video and data equipment; servers; switches; portable media devices, such as discs and drives to contain data for electronic storage and playback; and the purchase or lease of software licenses or other technologies and services, maintenance, equipment and computer infrastructure information, techniques and tools used to implement technology in schools and related facilities; and
- Improvements, alterations and modifications to, or expansions of, existing buildings or personal property necessary or advisable to house or otherwise accommodate any of the tools listed above.

FISCAL IMPLICATIONS

Expansion of allowable expenditures under the Public School Capital Improvements Act may increase spending on education technology improvements, but may reduce available funding for other capital improvements. PSFA notes the new definitions would allow school districts to use capital funds to purchase technologies that are eligible for a federal funding match.

The Federal Communications Commission's (FCC) schools and libraries universal service support program, commonly known as the E-rate program, helps schools and libraries obtain affordable broadband. School districts could use the funds to provide the local match to purchase technologies that could be acquired through the FCC E-Rate program, and receive the corresponding state match as funded by broadband deficiencies correction program (BDCP) allocations. The E-rate program will cover up to 90 percent of the cost of installing fiber optics and match up to 85 percent of the cost for internal equipment, such as wired and wireless network equipment. Funding is capped, however, to \$150 per student over five years. Several implementation issues exist, including how future requests from school districts for E-rate funding will align and be coordinated, the timeline for implementation, prioritization of projects, budget constraints, and the role of public and private entities in the process.

To invest and support digital learning, the Legislature established the broadband deficiency correction program (BDCP) during the 2014 legislative session to address education technology needs over the next five years. The Public School Capital Outlay Council expended \$5 million in FY16 and budgeted \$15 million for BDCP awards; however, project reversions are expected to be \$7.5 million by the end of the year. PSFA found 85 percent of schools were connected to fiber but 92 percent of schools needed wireless network upgrades. The study also indicated 77 percent of school Internet connection speeds were slower than 100 kilobytes per second (kbps) per user and estimated upgrading every school in New Mexico to that standard would cost up to \$8.6 million over current spending. To reach 1 megabyte per second per user (1,000 kbps), the state would have to spend up to \$130.6 million over current expenditure levels. PSFA recommends a demand aggregation strategy for broadband services, in conjunction with public institutions of the state, to flatten prices for school districts and reduce geographic service disparities.

PSFA uses the Facility Maintenance Assessment Report (FMAR), a tool introduced in FY11, to measure maintenance effectiveness for school districts across the state. In FY16, PSFA reported an average statewide FMAR score of 64.8 percent, an increase of 4.8 percentage points from FY15. In order to reach the full expected life of a facility, PSFA estimates a district should maintain a 70 percent or better FMAR score. Expansion of expenditures made from the Public

School Capital Improvements Act may reduce available funding for maintenance and decrease overall FMAR scores. Delayed or deferred maintenance due to reduced funding may result in early replacement of facility systems, and is three times more expensive than effective preventive maintenance.

SIGNIFICANT ISSUES

PED notes concern about the list of allowable expenditures provided in the bill as a number of these items are for consumable use, such as portable media and software and references to “computer infrastructure information, techniques and tools.” PED also expresses concern regarding the use of bond proceeds for maintenance. In many cases, some of the items purchased as allowable expenditures provided for in this bill will be obsolete well before bonds mature. PED notes it is generally considered a less than prudent expenditure of funds to purchase items whose lifespan does not equal or exceed that of the bonds. Further, the reference to “personal property” is concerning in that personal property infers property that is not government owned and payment for modifications may implicate the anti-donation provisions of the constitution.

PSFA notes 65 broadband projects were developed in 2016, resulting in \$30 million of upgrades (this includes \$3 million of state participation). As of January 2017, 30 projects have been funded and are under development or construction, and another 35 projects are pending E-Rate approval. E-Rate funding requests increased by \$36 million, or 91 percent, between 2015 and 2016. About 60 schools have indicated a need to install fiber optics and 260 schools reported network equipment upgrade needs. For FY18, PSFA expects between 40 to 50 network equipment projects will begin development and 12 fiber optic requests will be made.

DUPLICATION, RELATIONSHIP

This bill relates to HB 69, which authorizes the option of a local mill levy for education technology improvement; and SB 64, which removes time limitations for public school capital outlay awards to education technology infrastructure deficiency corrections initiatives.

TECHNICAL ISSUES

PSFA recommends adding “wireless” as a transmission option under Section 22-25-2.B.(6)(a).

ALTERNATIVES

DoIT suggests an alternative for Section 22-25-2.B.(6)(a) to read:

(6) purchasing and installing education technology improvements, including tools used in the educational process that constitute learning and administrative resources for digital learning readiness through the use of high-speed Internet access, and which may also include:

- (a) a high-speed broadband connection; wi-fi systems with access points; mobile hotspot devices; content filtering; caching; computer and network connection devices; digital communication equipment, including voice, video and data equipment; servers; switches; network security equipment; and the purchase or lease of software licenses or other technologies and services, maintenance, equipment and computer infrastructure information, techniques and tools used to implement technology in schools and related facilities; and

This alternative emphasizes “digital learning readiness through the use of high-speed Internet access”

SL/jle