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FISCAL IMPACT REPORT

ORIGINAL DATE 3/12/19

SPONSOR Allison **LAST UPDATED** _____ **HM** 88

SHORT TITLE Central Consolidated School District Impacts **SB** _____

ANALYST Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate				

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SM 124
Relates to SB 489

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

House Memorial 88 requests the Public Education Department (PED) to convene a task force to study the potential changes to the Central Consolidated School District's (CCSD) property tax base, mill levies, and bonding capacity due to the closure of the San Juan generating station (SJGS). The memorial further requests the task force to present a report on estimated reductions in property tax funds, new revenue sources, and availability of state funds or other sources to help CCSD repay school bonds and maintain facilities to the governor, speaker of the House of Representatives, and president pro tempore of the Senate by October 1, 2019.

FISCAL IMPLICATIONS

The memorial does not make an appropriation but requires PED to convene a task force with representation from state agencies and stakeholders from San Juan County. Costs will depend on staffing needs and frequency of meetings. As such, the operating budget impacts are indeterminate.

SIGNIFICANT ISSUES

Public Service Company of New Mexico's (PNM) integrated resource plan for 2017-2036 calls

for the closure of SJGS at the end of its current service agreement on June 30, 2022. Currently, SJGS is the sole customer of the San Juan coal mine. Westmoreland Coal Company, owner of the San Juan mine, filed for bankruptcy in October 2018 and has publicly indicated it expects to shut down the mine when SJGS closes. These closures would have significant impacts on the state general fund as well as the local communities and school districts through losses of jobs, personal income taxes, property taxes, gross receipts taxes, and severance taxes.

According to a 2019 study by O'Donnell Economics and Strategy, closure of the San Juan mine and SJGS would result in a loss of about 450 jobs and create property tax losses for San Juan County (\$3.2 million); CCSD (\$3.5 million); and San Juan Community College (\$1.9 million). The study indicates SJGS and the San Juan mine account for about 4.1 percent of San Juan County's property tax revenues, about 49 percent for CCSD, and about 11 percent for San Juan Community College.

For 2018, San Juan County's taxable property for CCSD (Kirtland) includes \$91.7 million of residential property, \$599.7 million of non-residential property, \$1.8 million from oil and gas production, and \$391 thousand from oil and gas equipment. CCSD's 0.5 operational school mill levy will generate an estimated \$346.9 thousand and 6.816 school debt levy will generate an estimated \$4.7 million from this taxable base.

At the end of FY18, CCSD had a districtwide facility condition index (FCI) of 46.4 percent, suggesting most school facilities in the district were in relatively good condition. A higher FCI indicates poorer conditions, as the costs of maintaining the facility exceed the total replacement cost of the building. Newcomb Elementary School had the highest FCI for CCSD (at 64.6 percent) in FY18 and was placed at 96th on the statewide highest FCI ranking. CCSD has excellent facility maintenance, as indicated by its facility maintenance report rating of 80.9 percent in FY18.

ADMINISTRATIVE IMPLICATIONS

The memorial requests PED to convene a task force by August 1, 2019, composed of the:

- Secretaries of PED and Taxation and Revenue Department,
- Chairs of the Public School Capital Outlay Council and Public Regulation Commission,
- Directors of LFC and Legislative Education Study Committee,
- San Juan County assessor,
- CCSD superintendent,
- Navajo Nation president, and
- CCSD board-appointed resident of San Juan County and parent of a CCSD student.

The memorial further requests the task force to present a report on estimated reductions in property tax funds, new revenue sources, and availability of state funds or other sources to help CCSD repay school bonds and maintain facilities to the governor, speaker of the House of Representatives, and president pro tempore of the Senate by October 1, 2019.

DUPLICATION, RELATIONSHIP

This bill is a duplicate of Senate Memorial 124 and relates to Senate Bill 489, which establishes new renewable and zero carbon emission portfolio standards for utilities and rural electric cooperatives and creates an alternative for financing the retirement of coal-fired power plants.

SL/gb