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FISCAL IMPACT REPORT

SPONSOR Asbill **ORIGINAL DATE** 10/21/09 **LAST UPDATED** 10/22/09 **HB** _____
SHORT TITLE School District Flexibility and Insurance **SB** 24/aSFL#1
ANALYST Aguilar

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$29,000.0	Nonrecurring	Public School Capital Outlay Fund
	(\$6,400.0)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Senate Bill 25
 Duplicates House Bill 33

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Public Education Department

SUMMARY

Synopsis of SFL Amendment #1

Senate Floor Amendment #1 strikes and inserts language in order to allow the funds appropriated in this bill to be used to reimburse school districts for property insurance coverage expenditures. The original bill only permitted the funds to be used to directly pay for property insurance coverage.

The amendment further strikes Section 2 in its entirety as a technical change which makes Senate Bill 24 identical to House Bill 33.

Synopsis of Original Bill

Senate Bill 24 appropriates \$29 million from the Public School Capital Outlay Fund to the New Mexico Public School Insurance Authority for the purpose of paying property insurance premiums on behalf of school districts and charter schools.

Senate Bill 24 also reduces the general fund appropriation to the state equalization guarantee in Section 4 of the General Appropriations Act of 2009 by \$6.4 million.

The bill declares an emergency.

FISCAL IMPLICATIONS

The appropriation of \$29 million contained in this bill is a nonrecurring expense to the Public Schools Capital Outlay Fund. (PSCOF) Any unexpended or unencumbered balance remaining at the end of Fiscal year 2010 shall revert to the Public School Capital Outlay Fund.

The FY10 awards from the Public School Capital Outlay Fund were made in August 2009 and a number of projects have begun construction. The reduction of \$29 million from the fund, combined with other reductions in FY10 supplemental severance tax bond capacity being used as part of the solvency plan will affect many of these projects and may cause some to be delayed into future years.

The \$29 million appropriation to the Public School Insurance Authority for FY10 to pay insurance premiums on behalf of school districts and charter schools will free up an equal amount of district operational funds for other uses such as salaries and benefits for teachers and other direct instruction costs.

The reduction of the SEG by \$6,400.0 will be offset by the decrease in insurance liabilities that the school districts and charter schools have to meet.

The PSCOF, primarily dedicated for capital outlay projects, is also used to fund the Capital Improvements Act (SB-9), New School Development Act, the lease payment assistance program, CID reimbursement, assistance for master facility plans, demolition allocations, and emergency allocations. As the annual uses from the fund have increased, the amount available for standard-based projects is reduced accordingly.

SIGNIFICANT ISSUES

It is unclear why the bill contains a reduction to the state equalization guarantee of \$6.4 million since the original intent was to provide districts with a modest amount of additional flexibility by freeing \$29 million of the districts operational budgets for other use.

\$7 million of this appropriation is to provide property insurance coverage in FY10 for the Albuquerque Public Schools (APS) which are self insured. NMPSIA will distribute this amount to APS.

ADMINISTRATIVE IMPLICATIONS

The funding formula will have to be recalculated for FY10.

TECHNICAL ISSUES

PED notes that the bill does not provide a mechanism for the PED to reset the unit value for the SEG based on the decreased appropriation.

LFC Analysis of PSCOC Financial Plan

(millions of dollars)

Attachment

I. SOURCES & USES		Original FY10 est.	Updated FY10 est.	FY11 est.	FY12 est.	FY13 est.
SOURCES:						
	FY09					
Supplemental STB Sponge	240.8	71.1	41.5	127.9	157.4	179.0
Less Sponge for Solvency		0.0	0.0			
Prior Year Carryover (\$10.4+4.4+42.5)		57.4	57.4			
Long Term SSTB		64.9	100.0			
STBs ⁽¹⁾	2.0	2.5	2.5			
General Fund ⁽²⁾		20.0	0.0			
STB Swap for General Fund (SB 26)		0.0	20.0			
Local Match Advance Repayments Estimated*	0.1	0.0	0.0			
HIP Reversion*	1.6	0.0	0.0			
PSCOC Project Reversions*	6.9	12.0	12.0	8.0	8.0	8.0
Deming High Reversion*	39.5	24.6	24.6			
DCP Program Reversions*	10.3	0.0	0.0			
	301.3	252.6	258.0	135.9	165.4	187.0
USES:						
"Continuation" projects (2004-2005 awards) ⁽²⁾						
SB79 - Transfer for Solvency	58.4					
Capital Improvements Act (SB-9)	20.0	18.1	18.1	18.8	19.2	19.6
New School Development Fund	3.0					
Lease Payment Assistance	7.3	8.1	8.1	8.5	9.0	9.5
3D/I Database Refresh						
FIMS Implementation						
Demolition Awards (FY10 est.)	2.2	0.3	0.3	0.0	0.0	0.0
Master Plan Awards	0.4	0.8	0.8	0.0	0.0	0.0
Air Quality Program						
Energy Efficiency Improvement Program ⁽¹⁾⁽²⁾						
CID & SFMO reimbursement expenses	0.4	0.3	0.3	0.2	0.2	0.2
PSFA Operating	6.4	6.4	6.4	6.4	6.4	6.4
Less Proposed Solvency Swap		0.0	0.0			
PSCOC Grant Awards	203.1	224.9	230.4	108.4	137.0	157.7
	301.3	252.6	258.0	135.9	165.4	187.0

II. STANDARDS-BASED AWARD PROGRAM	FY09 est.	Original FY10 est.	Updated FY10 est.	FY11 est.	FY12 est.	FY13 est.																					
<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <th>Total Award</th> <th>Net Adjustmen</th> <th>Initial Award</th> </tr> <tr> <td style="text-align: center;">247.1</td> <td style="text-align: center;">48.6</td> <td style="text-align: center;">198.5</td> </tr> <tr> <td style="text-align: center;">295.6</td> <td style="text-align: center;">66.2</td> <td style="text-align: center;">229.4</td> </tr> <tr> <td style="text-align: center;">112.8</td> <td style="text-align: center;">22.2</td> <td style="text-align: center;">90.6</td> </tr> <tr> <td style="text-align: center;">126.3</td> <td style="text-align: center;">9.4</td> <td style="text-align: center;">116.9</td> </tr> <tr> <td style="text-align: center;">98.6</td> <td style="text-align: center;">5.2</td> <td style="text-align: center;">93.4</td> </tr> <tr> <td style="text-align: center;">180.6</td> <td style="text-align: center;">0.1</td> <td style="text-align: center;">180.6</td> </tr> </table>	Total Award	Net Adjustmen	Initial Award	247.1	48.6	198.5	295.6	66.2	229.4	112.8	22.2	90.6	126.3	9.4	116.9	98.6	5.2	93.4	180.6	0.1	180.6						
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247.1	48.6	198.5																									
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180.6	0.1	180.6																									
September 2004 Awards :																											
September 2005 Awards :																											
August 2006 Awards :																											
July 2007 Awards :	20.5	15.1	15.1																								
July 2008 Awards :	93.2	0.2	0.2																								
July 2009 Awards ⁽¹⁾ :		180.6	180.6																								
Supplemental Reserve Allocations :	29.9	0.3	0.3																								
Supplemental / Out of Cycle Awards :	0.0	14.4	14.4	10.0	10.0	10.0																					
(+) Charter School Capital Outlay Allocations ⁽³⁾ :	2.0	0.9	0.9																								
Charter School Capital Outlay Balance (est.) :	0.0	1.6	1.6																								
Cost Overruns (est.) :		2.9	2.9																								
(+) Phase 2 Projects ⁽³⁾ :		118.6	118.6	98.4	127.0	45.8																					
(+) New Projects ⁽³⁾ :		61.1	61.1	0.0	0.0	101.9																					
Roof Awards (est.) :		10.0	10.0	0.0	0.0	0.0																					
Subtotal :	145.7	224.9	225.1	108.4	137.0	157.7																					
Unallocated/Carryover:	57.4	0.0	5.3	0.0	0.0	0.0																					