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FISCAL IMPACT REPORT

SPONSOR: HTRC Substitute DATE TYPED: 03/05/01 HB 134/HTRCS
 SHORT TITLE: Public School Capital Outlay Projects SB _____
 ANALYST: Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
\$ 153,420.0	NA	NA	NA	Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

State Department of Education (SDE)
 Legislative Education Study Committee (LESC)
 LFC Files

SUMMARY

Synopsis of Bill

This bill provides criteria and procedures for funding public school capital outlay projects; authorizes the issuance of Severance Tax Bonds and Supplemental Severance Tax Bonds; creates the Public School Capital Outlay Task Force; and appropriates \$153.4 million from the general fund for expenditure in fiscal years 2001-2004 for carrying out the Act.

Significant Issues

House Taxation & Revenue Committee Substitute for House Bill 134 contains standard language for certification of the need for bonds by the Public School Capital Outlay Council (PSCOC) and the sale of the bonds by the Board of Finance. The bill provides permanent authorization for the issuance of Supplemental Tax Bonds, and allows that the proceeds be used for carrying out the provisions of the Public School Capital Improvements Act and the Public School Capital Outlay Act. However, the first \$50 million of the proceeds is to be used to correct outstanding deficiencies in fiscal year 2002. Section 1 eliminates use of the Supplemental Severance Tax Bonds program for funding higher education infrastructure projects, but grandfathers the 1999 authorization of \$25 million.

The bill creates a new section within the Public School Capital Outlay Act (PSCOA) requiring the PSCOC to define and develop guidelines for identifying serious code deficiencies in public school

buildings and grounds that may adversely affect the health or safety of students and school personnel. This section specifies that it is the intent of the Legislature to identify and fund the deficiencies no later than June 30, 2004.

The bill creates a "Deficiencies Correction Unit" as part of the Public School Capital Outlay Council to be headed by an exempt director, selected by the Council, who is versed in construction, architecture or project management. Within budgetary constraints, the director may employ or contract necessary technical and administrative personnel to carry out the duties outlined in this section.

For project allocation cycles occurring before September 1, 2003, the bill amends the PSCOA by maintaining the current grant application process, but lowers the local bonding capacity requirement from 75% to 65%. It retains the current allocation of \$20 million in Supplemental Severance Tax Bonds in FY01 to "Impact Aid" districts and increases the dedicated amount to \$50 million in FY02 and FY03.

After September 1, 2003, the bill amends the PSCOA by allowing all school districts to be eligible for funding, regardless of the percentage of indebtedness. The priorities for funding are to be based on use of statewide adequacy standards to be developed by the PSCOC no later than September 1, 2002. The standards must address physical condition, capacity of buildings, the educational suitability of facilities, and the need for technological infrastructure. The bill further increases the role of the PSCOC in providing technical assistance and oversight to school districts in implementing projects for which PSCOC grants are made.

The bill increases the multiplier contained in the PSCIA (SB9) from \$35 to \$50 in FY02 through FY04. If there are adequate funds available for capital outlay projects, and if the state match portion does not exceed one third of the total funding available, the PSCOC can increase the multiplier in FY05. The bill modifies the PSCIA by making all school districts that have imposed a two-mill levy pursuant to the PSCIA eligible for a minimum state match. The minimum distribution is based on a \$5.00 multiplier and is taken into account when determining a school district's overall program guarantee. The State Superintendent is required to include reporting requirements with these distributions.

The bill creates the Public School Capital Outlay Task Force (PSCOTF) to consist of 20 members or their designees including: the deans of the University of New Mexico School of Law and the New Mexico State University College of Engineering; the secretary of finance and administration; the state investment officer; the superintendent of public instruction, the chairman of the LFC, the Senate Education Committee and House Education Committee; a minority party member of the House and one of the Senate, appointed by the Legislative Council; two public members who have expertise in education and finance, appointed by the Speaker of the House; two public members who have expertise in education and finance, appointed by the president pro tempore of the Senate; three public members who have expertise in education and finance, appointed by the Governor; and three superintendents of school districts that receive federal impact aid funds, appointed by the Legislative Council in consultation with the Governor.

The duties of the PSCOTF are to study and evaluate the progress and effectiveness of the PSCOA and the PSCIA, including the level of funding from the existing revenue streams. The duties include the assessment and a recommendation to the Legislature of long-term funding for the PSCOC program and evaluating with modifications the sliding scale formula that was enacted into the PSCOA last year. The PSCOTF will also monitor and assist the PSCOC as it develops statewide facility standards for public school buildings. The recommendations of the PSCOTF are due to the Legislature no later

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than January 15, 2002, and will prepare a report of its findings and submit it to the governor and the Legislature no later than December 1 of each year.

The bill authorizes the State Board of Finance to issue and sell senior Severance Tax bonds in an amount not to exceed in \$100 million in FY2002 and FY2003 upon certification of the need by the Public School Capital Outlay Council (PSCOC). The proceeds are to be used to correct outstanding deficiencies.

HTRCS/HB 134 appropriates \$153.6 million from the general fund for the following purposes:

- **\$2.3 million** (FY01-03) to SDE to complete a statewide needs and cost assessment of all school districts. Any unexpended or unencumbered balance remaining at the end of fiscal year 2003 shall revert to the general fund.
- **\$1.1 million** (FY01-02) to the newly created “deficiency correction unit” to carry out duties pursuant to the Public School Capital Outlay Act. Any unexpended or unencumbered balance remaining at the end of fiscal year 2002 shall revert to the general fund.
- **\$50 million** (FY01-04) to the Public School Capital Outlay Fund for correcting deficiencies at public schools. Any unexpended or unencumbered balance remaining at the end of fiscal year 2004 shall not revert but will be used for the purpose of providing grant assistance pursuant to the Public School Capital Outlay Act.
- **\$100 million** (FY02-04) to the Public School Capital Outlay Fund to correct deficiencies at public schools (contingent upon the Secretary’s of GSD and DFA certifying that the PSCOC has adopted a project management system to ensure the projects will be constructed in the most cost-effective and efficient manner). Any unexpended or unencumbered balance remaining at the end of fiscal year 2004 shall not revert but will be used for the purpose of providing grant assistance pursuant to the Public School Capital Outlay Act.
- **\$20,000** (FY01-02) to the LCS for paying per diem and mileage for members of the Public School Capital Outlay Task Force. Any unexpended or unencumbered balance remaining at the end of fiscal year 2002 shall revert to the general fund.

The bill repeals past authorizations for the State Board of Finance to sell \$475 million of Supplemental Severance Tax Bonds for PSCOC project, including Laws 2000, chapter 95, Section 2 and Laws 2000 (2nd S.S.), Chapter 11, Section 3.

The PSCOTF and its duties are repealed effective January 1, 2004.

The effective date for the Supplemental Severance Tax Bond authorization and increase in the PSCIA multiplier is July 1, 2001.

RELATIONSHIP

See attached chart.

FISCAL IMPLICATIONS

The general fund appropriation in HTRCS/HB 134 totals \$153.4 million. (Fiscal years impacted and reversions included above)

ADMINISTRATIVE IMPLICATIONS

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The SDE will continue to provide administrative support to the PSCOC and the PSCOTF. The staff of the SDE will also provide the maintenance and oversight of a statewide public school facility database. Under the provisions of HTRCS/HB 134, the state will have a much greater role in the funding and oversight of public school capital outlay projects.

The bill requires that the PSCOC take action as necessary to assist school districts in implementing projects funded by the state, including assisting with the preparation of requests for bids or proposals, contract negotiations and contract implementation. The bill provides for the new “deficiencies corrections unit” to oversee and coordinate these activities.

OTHER SUBSTANTIVE ISSUES

Pursuant to Senate Joint Memorial 21 passed during the 2000 Legislature, the PSCOTF was created to analyze options for providing an ongoing mechanism for funding capital outlay projects for New Mexico public school districts. The task force was also asked to consider the use of “impact aid” and other revenue sources to find a more appropriate way to ensure equity in both capital and operational funding. HTRCS/HB 134 supports and implements portions of the recommendations developed by the PSCOTF. The State Board of Education has adopted the PSCOTF recommendations.

LMK/njw
Attachment