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FISCAL IMPACT REPORT

ORIGINAL DATE 2/23/2007

SPONSOR Youngberg LAST UPDATED _____ HB 1125

SHORT TITLE New Albuquerque High School Construction SB _____

ANALYST Schuss

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
\$130,000.0		Non- Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09-FY17		
	(\$1,378.0)*	(\$13,710.7)*	Non-Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases) *Public School Facilities Authority estimate

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public School Facilities Authority (PSFA)

Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 1125 appropriates \$130,000,000 from the general fund to Public Education Department to plan, design, construct, equip and furnish a new northwest high school in Albuquerque Public School District.

HB 1125 declares an emergency

FISCAL IMPLICATIONS

The appropriation of \$130,000,000 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY10 shall revert to the general fund.

PSFA notes that the cost of an interest free loan should be taken into consideration. This cost is the opportunity cost of the state treasurer not investing these funds. Assuming an investment return at 2 percent annualized, the additional cost of the overnight loan to the general fund is \$15,088.7 over 10 years.

According to PED, Currently all capital outlay grant awards made by the Public School Capital Outlay Council (PSCOC) are being reduced by a percentage of direct appropriations for capital outlay projects received by that school district. The amount of the reduction will be determined by the state-local match formula, and will equal the direct legislative appropriation percentage amount for the school district multiplied by the amount of the direct appropriations for individual school projects. This offset was implemented as a direct result of the Zuni lawsuit, to mitigate the disequalization effect of direct legislative appropriations to individual schools. The appropriation in this bill could be considered a direct legislative appropriation because it is made directly to a specific school. The current participation percentage for Albuquerque is 52%. This would result in an offset of \$67,600,000 from any future PSCOC awards allocated to the district.

SIGNIFICANT ISSUES

PSFA has included the following in their analysis:

Expenditures are to take place in fiscal years 2007 through 2010. The appropriation is allocated pursuant to the following criteria:

53% of the total cost of the school shall be in the form of an interest-free loan subject to a loan agreement between the PED and APS. The loan shall provide:

- The district pays the loan within 10 years;
- Loan payments be made from any available resources, including cash balances;
- Loan payments shall be made to the PED and deposited in the general fund.

The PSCOC awarded funding to APS during the 2004-2005 allocation cycle (September 2004) for the purpose of constructing a new northwest high school to relieve overcrowding at Cibola High School. The original award of \$23.3 million was derived as follows:

Original District Request:	\$70.9 M
Approved Project to Adequacy:	\$60.8 M
State Match (46%):	\$28.0 M
Direct Appropriation Offset:	(\$4.7 M)
Net Award:	\$23.3 M

The 2006 Legislature through enactment of CS/SB450a, authorized the PSCOC to advance funds to assist districts in meeting their local match requirement for “high priority projects” in high growth areas.

APS made application to the PSCOC and was awarded additional state funding and advanced funds toward their local match the project on May 3, 2006 based on the following:

2004-2005 PSCOC Award - Northwest High School

Revised Total Project Cost to Adequacy	\$89,795,867
APS Required Match (54%)	\$48,489,768
2004-2005 Direct Appropriations Offset	<u>\$ 4,657,895</u>
Maximum Allowable Advance	\$53,147,663
Current funds available	\$46,512,124
(\$29.8M LGOB and \$16.7M HB-33)	
Less (reserved for exceeding adequacy)	<u>\$28,412,053</u>
Available local match	\$18,100,071
Advance Amount	\$35,047,592

The additional state match required was based on the revised total project cost to adequacy which resulted in an additional \$13,348,560 (46% of \$89,795,867, minus offset of \$4,657,895, minus previous net award of \$23,299,644).

The District held a special bond election in the fall of 2006 to support this project as well as other needs throughout the district. As a result, the current budget is as follows:

PSCOC	\$ 36,648,204
Local Match Advance Funds	\$ 35,047,592
APS GO 06, HB 33	<u>\$ 46,304,204</u>
	\$118,000,000

The NWHS is currently under construction and scheduled to open the 9th grade academy (Phase 1A) for the fall of 2007 and the upper grades (Phase 1B) will open fall of 2008. Phase II (PAC, Aux Gym, 1 Academy) is in design and should bid in a few months.

The \$118,000,000 is the total budget for the complete build out including Construction, Design, Off Site and Infrastructure costs. This amount is completely funded.

It must be noted that under current law the PSCOC can only provide funding to meet the New Mexico Statewide Adequacy Standards, with the District being responsible for 100% funding of all items over adequacy.

The local match advance funds require repayment to the PSCOF by the District either through direct repayment or by applying for future assistance from the PSCOC for other qualified projects and agreeing to fund the projects 100% locally with the applicable state share going toward reducing the advance until fully repaid.

TECHNICAL ISSUES

PSFA reports the following:

If this legislation is intended to repay the local match advance portion of the NWHS project it should be made to the Public School Capital Outlay Fund instead of through the PED and reduced to \$35,047,592.

This direct appropriation would create an offset of 53% of the \$130.0 million appropriation that would reduce future allocation from the PSCOC for other projects under the standards-based process.

Pursuant to Article 9, section 11 of the New Mexico Constitution, no school district shall borrow money unless the proposition to create debt has been submitted to a vote of the qualified electors of the district and a majority voted in favor of creating such debt. Enacting this bill may be inconsistent with this section of the New Mexico Constitution. CS/SB450a specifically addressed this issue by creating an advance program and not a loan.

BS/mt