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FISCAL IMPACT REPORT

SPONSOR Nava ORIGINAL DATE 2/7/2007 HB _____
LAST UPDATED 3/16/2007

SHORT TITLE Charter School Facilities Needs SB 634/aSFC/aHJC/aHF1#1

ANALYST Aguilar

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$20,000.0			Non- Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Relates to HB 323, HB 328 and SB 395

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

Responses NOT Received From

Public School Facilities Authority (PSFA)

SUMMARY

Synopsis of House Floor Amendment #1

House Floor Amendment #1 to Senate Bill 634 changes language charging the PSCOC with developing a program for assisting charter schools to be located in public buildings or in buildings being acquired by charter schools pursuant to a lease purchase agreement.

The floor amendment removes additional uses for funds the council determines are not needed for grants.

Synopsis of HJC Amendment

The House Judiciary Committee amendment to Senate Bill 634 as amended implements a delayed repeal on July 1, 2012 and provides for the distribution of funds from the charter school capital outlay fund upon repeal.

Synopsis of SFC Amendment

The Senate Finance Committee amendment to Senate Bill 634 removes all appropriations.

Synopsis of Original Bill

Senate Bill 634 appropriates \$20 million from the general fund to the charter school capital outlay fund for the purpose of funding the local share of a PSCOC project to charter schools.

Money available in the fund, in the following order, may be used for:

- making grants to a state-chartered charter school for its share of a PSCOC project;
- making grants to local or state charter schools;
- providing grants to a local-chartered school for its share of a PSCOC project; and,
- providing the state share of a project from the charter school capital outlay fund instead of from the public school capital outlay fund.

FISCAL IMPLICATIONS

The appropriation of \$20 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of any fiscal year shall not revert to the general fund.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

It is important to note that the underlying premise behind standards based funding has been the need for a portion of all school funding projects is paid as the “local share” based on a formula contained in the Public School Capital Outlay Act. Provisions contained in this bill result in the state paying both the “state” share and the “local share” of projects. This may not be consistent with the process approved by the judge overseeing the Zuni lawsuit. It is important that the PSCOC ensure that all newly developed procedures are consistent with the judge’s orders.

SIGNIFICANT ISSUES

The bill provides that a state-chartered school will use the same percentage of participation for a project as the school district in which the state charter is located. The current percentages are derived from a formula which includes property valuation of a school district.

The bill also provides that offsets from all direct legislative appropriations to charter schools made after January 1, 2007 shall count against the school district until the charter school becomes a state-chartered school. Once the charter school becomes a state-chartered school the offset will follow the charter unless it has already been subtracted from an award to a school district.

The bill provides that for PSCOC to make awards from the charter school capital outlay fund when it determines a charter school does not have the resources to pay for its portion of the project. The PSCOC is given the authority to establish by rule, procedures for the

amount needed and to be allocated to a charter school from the fund.

SB-634 provides for the Public School Facilities Authority to review and rank the applications that are submitted. After a public hearing the PSCOC shall approve grants from the fund based on the adopted methodology. Of note is that awards made pursuant to this section will not be considered as an allocation when calculating the offsets.

TECHNICAL ISSUES

The public education department notes that the bill provides that once a charter school becomes a state-chartered school an offset incurred from all appropriations made after January 1, 2007 will follow the charter unless it has already been subtracted from an award to a school district. However, the bill does not contain language providing a state-chartered school will have the option to accept or reject an appropriation after it becomes a state-chartered school. Current language gives the authority to the school district. The Legislature may wish to consider adding language giving state-chartered schools this option once they are state chartered.

OTHER SUBSTANTIVE ISSUES

PED also notes that the Legislature may wish to consider as an alternative, legislation requiring school districts to add charter schools to resolutions when they go to the voters for approval of local general obligation bonds. An additional solution may be to increase the statewide GOB limit to be used for statewide charter schools.

PA/mt