

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number: HB 149**

**51st Legislature, 2nd Session, 2014**

**Tracking Number: .195835.1**

**Short Title: School Capital Outlay for Building Systems**

**Sponsor(s): Representatives James E. Smith and Mimi Stewart, and Other**

**Analyst: David Craig**

**Date: February 4, 2014**

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**FOR THE PUBLIC SCHOOL CAPITAL OUTLAY OVERSIGHT TASK FORCE AND  
THE LEGISLATIVE EDUCATION STUDY COMMITTEE**

**Bill Summary:**

HB 149 amends the *Public School Capital Outlay Act* to:

- define “building system” as a set of interacting parts that make up a single, non-portable or fixed component of a facility and that, together with other building systems, make up an entire integrated facility or property, including:
  - roofing;
  - electrical distribution;
  - electronic communication;
  - plumbing;
  - lighting;
  - mechanical;
  - fire prevention;
  - facility shell;
  - interior finishes and heating; and
  - ventilation and air conditioning systems, as defined by the council;
- allow up to \$15.0 million to be expended annually by the Public School Capital Outlay Council (PSCOC) for a building system repair, renovation, or replacement initiative provided that:
  - the initiative is identified and approved based on new PSCOC guidelines; and
  - the money allocated is expended within three years; and
- add a new section, “Building System Repair, Renovation or Replacement,” that requires:
  - the PSCOC to develop guidelines for a building system repair, renovation, or replacement initiative;
  - school districts desiring a grant award to submit an application to the PSCOC that includes an assessment that the repair, renovation, or replacement, in the opinion of the school district, would extend the useful life of the building;

- the Public School Facilities Authority (PSFA) to verify the school district assessment and to rank the application pursuant to a methodology adopted by the council;
- the council to approve, after a public hearing, building system repair, renovation, or replacement projects on the established priority basis, provided that the school district is willing and able to pay the portion of the total cost of the project that is not funded with grant assistance from the fund;
- the portion of the state share to be calculated in the same manner as existing standards-based awards; and
- awards to be expended within three years of an allocation.

Among its other provisions, HB 149:

- amends requirements relating to certain responsibilities of the PSFA; and
- repeals section 22-24-4.1 NMSA 1978, “Outstanding deficiencies; assessment; correction.”

If enacted, the provisions of HB 149 become effective on July 1, 2014.

**Fiscal Impact:**

According to the Legislative Finance Committee (LFC) Fiscal Impact Report (FIR):

- the bill does not make an appropriation;
- however, it allows the PSCOC to expend up to \$15.0 million of the Public School Capital Outlay Fund (PSCOF) to make awards to school districts for building system repair, renovation, and replacement initiatives in FY 15 through FY 19;
- allowing the use of funds for building systems may potentially decrease the funds available annually for standards-based projects;
- however, it may also significantly extend the life of individual school buildings, decreasing future need for large capital investments to address substantial renovation projects and building replacement;
- the PSCOF is the source of funding for the standards-based capital outlay program for public schools statewide, as well as the state match for the *Public School Capital Improvements Act* (SB9), Lease Assistance Program, Master Plan Assistance, and other programs under the *Public School Capital Outlay Act*;
- revenues to the fund are principally from supplemental severance tax bonds; and
- allocations from the fund are authorized by the PSCOC.

**Fiscal Issues:**

According to the FIR for HB 68, which is identical to HB 149, and the PSFA bill analysis, the amount of state funds needed annually to support this initiative is unknown at this time as it would depend on the number of applications received and the state/local match of the applicant districts.

According to the Public Education Department (PED) bill analysis, there are no fiscal implications to PED; however, allowing the use of funds for building systems may potentially decrease the funds available annually for standards-based projects.

## **Substantive Issues:**

According to the LFC FIR:

- over the past several years, the PSCOC has received fewer applications through the standards-based process, in part because school districts do not have sufficient funds to make their local match for PSCOC projects;
- individual districts have experienced difficulty passing new bonds and other property tax initiatives which are needed by districts to raise revenues for local matches required for PSCOC awards;
- in some cases, the bonding capacity of a school district is insufficient to produce the revenue a district needs for the local matching requirement;
- additionally, the condition of schools statewide has increased substantially since the inception of standards-based awards;
- in many cases, the school district needs do not require the construction of a new building or a major renovation, but rather, smaller projects including electrical, plumbing, lighting, heating, ventilation, and air-conditioning (HVAC), etc.;
- targeting funding for “building systems” will result in an efficient use of available funding, improving the condition of New Mexico’s public school buildings;
- renewal can add 10-15 years to a school facility’s useful life, having a positive impact on deferred maintenance backlog; and
- an adequately funded systems renewal program, supplementing whole campus renewals, will increase the effectiveness of the standards-based program by incrementally improving certain schools and thereby moving those schools need of whole campus replacement back many years.

According to the PSFA bill analysis, the systems-based program created by HB 149 would:

- supplement and compliment the standards-based program and give the PSCOC and districts more flexibility toward effective project scoping; and
- provide an opportunity for districts to “right size” a school to fit their educational needs and fiscal resources and correct deficiencies that significantly impact the learning environment.

PSFA also indicates that under consideration by PSCOC are PSFA staff recommendations that funding for school systems-based projects require the following:

- the school district campus (school) condition must be worse than the statewide average;
- the application must demonstrate that the post-project weighted New Mexico Condition Index (wNMCI)<sup>1</sup> will be 33 percent or more lower than the pre-project wNMCI;
- upon application, PSFA would analyze a project for feasibility using on-site observation as well as analyzing specific current and post-project anticipated systems deficiencies;
- current systems deficiencies are available in the PSFA facilities assessment database;
- the cost of renewal is justified from a return on investment standpoint, which considers both cost effectiveness as well as a positive effect on the educational environment; and

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<sup>1</sup> A metric used by the PSFA to rank the condition of every school building relative to the statewide adequacy standards. A high wNMCI indicates a facility with greater needs.

- this is recognized as a greatly improved wNMCI score that is a measure that includes both brick-and-mortar facility condition, and the ability of a school to adequately support its educational programs.

Finally, PSFA indicates that examples of building systems that could have the greatest positive impact on a school's condition and the learning environment are:

- roofs;
- HVAC systems;
- classroom lighting and branch circuits;
- special systems including information technology;
- exterior doors and windows; and
- site drainage.

**Committee Referrals:**

HEC/HJC

**Related Bills:**

HB 68 *School Capital Outlay for Building Systems (Identical)*

\*HB 260 *Education Technology Infrastructure Funding*

\*SB 159 *Education Technology Infrastructure Funding*