

LESC bill analyses are available on the New Mexico Legislature website (www.nmlegis.gov). Bill analyses are prepared by LESC staff for standing education committees of the New Mexico Legislature. LESC does not assume any responsibility for the accuracy of these reports if they are used for other purposes.

LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
53rd Legislature, 1st Session, 2017

Bill Number SB64 **Sponsor** Senator Stewart

Tracking Number .205415.1 **Committee Referrals** SEC/SFC

Short Title Public School Capital Outlay Time Periods

Analyst Rogne **Original Date** 1/26/17
Last Updated 1/31/17

BILL SUMMARY

Synopsis of Bill

Senate Bill 64 (SB64) amends the Public School Capital Outlay Act by removing the sunset date for the education technology infrastructure deficiency corrections initiative, known as the broadband deficiency corrections program (BDCP). Current statute limits BDCP to up to \$10 million in expenditures per year in FY14 through FY19. SB64 removes this time limit and allows a recurring \$10 million to be expended by the Public School Capital Outlay Council (PSCOC) each year.

FISCAL IMPACT

SB64 does not contain an appropriation, but would allow the PSCOC to make up to \$10 million in awards from the public school capital outlay fund (PSCOF) for BDCP annually after FY19.

The Public School Facilities Authority (PSFA) is concerned that allocations made under BDCP would proportionally decrease available funding for current programs under the Public School Capital Outlay Act. The primary source of funding for the PSCOF is the issuance of supplemental severance tax bonds (SSTBs). According to PSFA, the PSCOF has experienced a decrease in revenue due to the decline in oil and gas revenues and limited bonding capacity.

As illustrated below, based upon revenue estimates as of December 2016, the PSCOF has a projected decline in revenue from FY17 through FY21.

Projected Revenue Estimates for the Public School Capital Outlay Fund (dollars in thousands)						
	FY17	FY18	FY19	FY20	FY21	Total
SSTBs August FY16 Estimate	\$120.4	\$120.6	\$125.4	\$142.3	\$127.2	\$636.0
SSTBs December FY16 Estimate	\$112.0	\$110.0	\$123.8	\$122.7	\$120.6	\$589.1
Decrease	-8.5	-10.6	-1.7	-19.6	-6.6	-47.0
Percent Change	-7.0%	-8.8%	-1.3%	-13.8%	-5.2%	-7.4%

Source: PSFA

As such, appropriations for BDCP will be contingent on available revenues in the PSCOF. Allocations from the fund are authorized by the PSCOC. PSCOC budgeted \$15 million for FY15 and FY16 for BDCP. However, as of January 2017, \$4.5 million has been awarded. The PSFA anticipates \$7.5 million in reversions from BDCP, because this was all that was needed to match federal award dollars and to complete the initial work.

SUBSTANTIVE ISSUES

SB64 amends the Public School Capital Outlay Act by removing the time period restraint on the education technology infrastructure deficiency corrections initiative, known as BDCP. The purpose of the Public School Capital Outlay Act is to ensure that the physical condition and capacity, educational suitability, and technology infrastructure of all public school facilities in New Mexico meet an adequate level statewide through a standards-based process. The PSCOF is the source of funding the standards-based and systems-based capital outlay programs, as well as the state match for the Public School Capital Improvements Act (SB9), lease assistance program, master plan assistance, BDCP, and other programs under the Public School Capital Outlay Act (Section 22-24 NMSA 1978).

With PSCOF revenues in decline, BDCP allocations would limit available dollars for the PSCOC to award for other public school capital outlay projects. This may decrease the overall condition of public school facilities throughout the state over time.

PSFA's primary performance measure is the improvement in the statewide facility condition index (FCI) of public school buildings. Redirecting funds could cause the FCI to rise, as a lower score indicates better condition. Historically, school districts have funded 61 percent of all statewide construction spending from local general obligation bonds. To maintain the current FCI of 32.7 percent, PSFA estimates approximately \$433 million must be spent annually on school facilities. Based on last year's percentage, the state would need to make \$169 million available annually to ensure the physical condition of school facilities does not decline. Funding at a lower level places the state's investment in school facilities at risk, as funding gaps may increase the rate of degradation and may exceed future funding capacity.

According to the PSFA, the PSCOC is primarily funded through short-term "sponge" notes but occasionally the PSCOC is funded through long-term 10-year bonds. In these cases, there may be issues funding technology equipment that may not have a useful life as long as these 10-year bonds.

ADMINISTRATIVE IMPLICATIONS

SB64 would require ongoing oversight and management responsibilities to the PSFA for the BDCP, which was enacted originally as a temporary program. As expenditures were set to conclude in FY19, the PSFA hired temporary employees, and the PSFA operational fund accounted for the FTEs as term FTEs. The three term FTEs dedicated to BDCP would require reclassification to permanent FTE status and would impact the PSFA operating budget beginning in FY20 and recurring thereafter. PSFA estimates expenditures for three permanent FTE positions to be \$218 thousand annually, as shown below.

PSFA Temporary Positions	FTE	Salary and Benefits Total (in thousands)
Information Systems Specialists	2	\$165
Administrative Assistant II	1	\$53
Totals	3	\$218
Source: PSFA		

OTHER SIGNIFICANT ISSUES

According to the Legislative Finance Committee, “A 2016 PSFA broadband study found 85 percent of schools were connected to fiber but 92 percent of schools needed wireless network upgrades. The study also indicated 77 percent of school Internet connection speeds were slower than 100 kilobytes per second (kbps) per user and estimated upgrading every school in New Mexico to that standard would cost up to \$8.6 million over current spending. To reach 1 megabyte per second per user (1,000 kbps), the state would have to spend up to \$130.6 million over current expenditure levels. PSFA recommends a statewide procurement strategy for broadband services, in conjunction with libraries and healthcare institutions of the state, to flatten prices for school districts and reduce geographic service disparities.”

RELATED BILLS

Relates to HB69, Educational Technology Improvements & Admin, a bill authorizing local school boards to submit a resolution to voters asking whether a property tax mill levy should be imposed for the purpose of education technology improvements.

Relates to SB63, “Education Technology Improvements” Uses, a bill which expands the definition of education technology that property tax revenues imposed pursuant to the Public School Buildings Act (commonly known as HB33) and the Public School Capital Improvements Act (commonly known as SB9) may be used for.

Relates to SB147, School Capital Outlay Time Periods, a bill changing the formula for determining state and local matches for capital outlay projects including, education technology infrastructure.

SOURCES OF INFORMATION

- LESC Files
- Public School Facilities Authority

MCR/rab