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FISCAL IMPACT REPORT

SPONSOR Stewart ORIGINAL DATE 1/20/17
 LAST UPDATED 3/15/17 HB _____

SHORT TITLE Public School Capital Outlay Time Periods SB 64

ANALYST Liu

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
	\$0.0 - \$10,000.0	Recurring	Public School Capital Outlay Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB69, SB63

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public School Facilities Authority (PSFA)
 Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 64 amends the Public School Capital Outlay Act by removing the sunset clause for the Education Technology Infrastructure Deficiency Corrections Initiative. Current statute contains a sunset for the initiative in FY19. This bill will allow the Public School Capital Outlay Council (PSCOC) to continue budgeting up to \$10 million of the public school capital outlay fund (PSCOF) for education technology initiatives.

FISCAL IMPLICATIONS

This bill does not contain an appropriation, but allows PSCOC to continue awarding up to \$10 million from the PSCOF for education technology infrastructure deficiencies correction projects. Currently PSCOF is used to fund the Capital Improvements Act (SB-9), the lease payment assistance program, Construction Industries Division reimbursements, PSFA operating budget, assistance for master facility plans, school buses, demolition allocations, technology deficiencies, and emergency allocations. The annual uses from PSCOF have increased in recent years, meaning that available revenues for standard based projects are reduced by these additional

programs. Removing the sunset for education technology infrastructure deficiency correction initiatives may decrease the amount of revenues available for standards based projects. Currently PSCOC has the ability to fund \$10 million annually for technology deficiencies through FY19.

The PSCOF has recognized a decrease in revenue due to the decline in oil and gas revenues and limited bonding capacity. December 2016 revenue estimates adjusted PSCOF proceeds downward by a total of 7.4 percent over the next five fiscal years. As such, appropriations for education technology infrastructure deficiency correction initiatives will be contingent upon available revenues in the PSCOF.

	FY17	FY18	FY19	FY20	FY21	Total
SSTB's August 16 Estimate	\$ 120.4	\$ 120.6	\$ 125.4	\$ 142.3	\$ 127.2	\$ 636.0
SSTB's December 16 Estimate	\$ 112.0	\$ 110.0	\$ 123.8	\$ 122.7	\$ 120.6	\$ 589.1
Increase (Decrease)	\$ (8.5)	\$ (10.6)	\$ (1.7)	\$ (19.6)	\$ (6.6)	\$ (47.0)
% Change	-7.0%	-8.8%	-1.3%	-13.8%	-5.2%	-7.4%

PSCOC budgeted \$15 million for FY15 and FY16 to the education technology infrastructure deficiency correction program, also known as the broadband deficiencies correction program (BDCP). However, as of January 2017, \$4.5 million has been awarded, and PSFA has budgeted \$7.5 million in reversions from BDCP.

SIGNIFICANT ISSUES

The purpose of the Public School Capital Outlay Act is to ensure the physical condition and capacity, educational suitability, and technology infrastructure of all public school facilities in New Mexico meet an adequate level statewide. PSCOF is the source of funding for the standards-based and systems-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 (Chapter 22, Article 24 NMSA 1978). Revenues to the fund are principally from supplemental severance tax bonds and allocations from the fund are authorized by PSCOC. Given a projected decline in PSCOF revenues, a redirection of funds to the education technology infrastructure deficiency correction program would mean less available funding for other construction and maintenance awards.

PERFORMANCE IMPLICATIONS

PSFA's primary performance measure is based on improvement (or a decrease) in the statewide facility condition index (FCI) of public school buildings. PSFA notes redirecting funds to education technology infrastructure and equipment over a five-year period could cause the FCI to rise. To maintain the current FCI of 32.1 percent, PSFA estimates approximately \$169 million must be spent annually by the state on school facilities renewal.

ADMINISTRATIVE IMPLICATIONS

According to PSFA, BDCP was originally established as a temporary program and expenditures were expected to conclude in FY19. PSFA's operational budget includes 3 term FTEs for the pilot program that would require reclassification to permanent FTE status.

Positions	FTE	Salary and Benefits Total (in thousands)
Information Systems Specialists	2.0	\$165.0
Administrative Assistant II	1.0	\$ 53.0
Totals	3.0	\$218.0

RELATIONSHIP

This bill relates to HB69 and SB63, which allow local school districts the option of levying a property tax for education technology improvements.

OTHER SUBSTANTIVE ISSUES

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.

PED notes the federal E-rate program has played, and continues to play, a major role in the development and support of telecommunications, Internet access, and other technology services for the K-12 educational community in New Mexico. PED considers E-rate funding a valuable and mission critical source of technology funding and PED encourages districts and charter schools to apply for E-rate funding, not only for new projects, but for the maintenance and support of ongoing programs, maximizing funding available to strengthen infrastructure. Funding for New Mexico schools has increased by \$7 million over the previous year, an increase from 1.1 percent to 2.2 percent relative to the nation.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

According to PSFA, the education technology infrastructure temporary program will end in FY19.

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