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FISCAL IMPACT REPORT

ORIGINAL DATE 2/17/11

SPONSOR Varela LAST UPDATED _____ HB 300

SHORT TITLE Information Specified for Obligation Bond Election SB _____

ANALYST Aledo

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Secretary of State (SOS)

Public Education Department (PED)

Other Responses

Think New Mexico

SUMMARY

Synopsis of Bill

House Bill 300 requires that proclamations issued on school bond questions involving issuance of general obligation bonds include:

- a list of each specific project that will be funded with the bond proceeds;
- only projects that reflect the school district's needs as shown by the facility assessment database maintained by the public school facilities authority;
- state the amount of bond proceeds that are allocated to each project; and
- for new school construction, state the capacity and general location of the new school,
- for renovation or addition to an existing school, state the name of the school and a give a brief description of the renovation or addition plans.

The bill also includes a section that restricts the usage of any unexpended funds if a project is cancelled, postponed or costs less than projected. The remaining funds can only be used on other projects specifically included on the list in the proclamation. The bill calls for remaining funds not allocated to any of the listed projects to be used to pay debt service on the outstanding bonds.

FISCAL IMPLICATIONS

According to the Secretary of State's Office, school districts could incur additional publication expenses, but the impact should be minimal.

SIGNIFICANT ISSUES

HB 300 would create increased transparency and accountability with regard to school bond elections under the Election Code. The bill requires school districts to adhere to the same protocol the state legislature follows in bills authorizing general bond obligations such as listing specific projects.

Situations have resulted where school districts have marketed specific projects to the electorate, however the ballot questions, resolution and notice were phased in a very broad and general manner thus allowing districts to utilize bond proceeds for a variety of projects not necessarily put forward or communicated to the general public at the time of the school bond election.

The Public Education Department has concerns with the restrictions called for in Section 3 Subsection B because school districts will no longer be able to use general obligation bond proceeds for any projects other than those listed on the proclamation.

PED provided the following information:

The Facilities Assessment Database (FAD) managed by Public School Facilities Authority (PSFA) produces the New Mexico Condition Index (NMCI) ranking system, which is driven by the statewide adequacy standards and only includes facilities that are needed to support these standards and benchmarks. The facilities in the ranking do not include performing arts centers, bus barns, field houses, athletic facilities, standalone district administration offices, tennis courts stadiums, school-based health centers and equipment sheds. Subsection A- 2 of HB 300 prohibits districts from including these types of facilities in their proclamation because they are not ranked.

The council plans to review the New Mexico public school statewide adequacy at least annually, and change them as time and circumstances require. Because the NMCI rankings frequently change, the projects listed on the districts' proclamations may not be consistent with the rankings. If an emergency circumstance was to arise, a school district would not be allowed to use bond proceeds to address the emergency because it was not listed on the proclamation.

Currently, school districts are required to have a Facility Master Plan (FMP) which includes projects that are usually in line with the NMCI rankings posted by PSFA. When districts go out for bond elections, they distribute marketing tools which inform voters what the bonds will be used for based on the FMP. Currently, if the needs of the district change, the district is allowed to deviate from plan.

ADMINISTRATIVE IMPLICATIONS

The bill does not indicate who is responsible for monitoring district expenditures to ensure they are in compliance with the stated requirements.

OTHER SUBSTANTIVE ISSUES

The bill requires districts to allocate a cost to each project. The Public Education Department point out that HB 300 does not address what would happen if a project goes over budget and how such cost over-runs might impact the remaining projects.

MCA/bym