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FISCAL IMPACT REPORT

SPONSOR Nava **ORIGINAL DATE** 02/13/11
LAST UPDATED 03/18/11 **HB** _____
SHORT TITLE Public School Capital Outlay Eligibility **SB** 441/aSFL#1
ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		See Fiscal Implications				Public School Capital Outlay Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

Public School Facilities Authority (PSFA)

Responses Not Received

New Mexico School for the Blind and Visually Impaired (NMSBVI)

New Mexico School for the Deaf (NMSD)

SUMMARY

Senate Floor Amendment #1

Senate Floor Amendment # 1 clarifies that the PSCOC is to adopt and apply adequacy standards appropriate to the unique needs of the New Mexico school for the blind and visually impaired and the New Mexico school for the deaf by December 15, 2011.

Synopsis of Bill

Senate Bill 441 amends the Public School Capital Outlay Act to make the New Mexico School for the Blind and the Visually Impaired (NMSBVI) and the New Mexico School for the Deaf (NMSD) eligible for public school capital outlay funding under the standards-based capital outlay process established by the Public School Capital Outlay Council (PSCOC). The NMSBVI and NMSD will be exempt from local share match requirements. PSCOC will be required to adopt adequacy standards appropriate to the unique needs of these schools.

FISCAL IMPLICATIONS

To date, the PSCOC has not completed adequacy standards for either the NMSBVI or the NMSD and therefore the PSFA cannot provide a comprehensive estimate of the impact of this legislation to capital outlay funding.

In recent years PSCOF has been an attractive target as a source of revenue to fund an ever growing list of initiatives for PSFA, schools and school districts. These include, among others, an expanded and inflation-adjusted state match to the local 2 mill levy, increased lease payment assistance to schools tied to the annual increase in the consumer price index with statutory caps on total expenditures removed, master plan assistance, building demolition, and reimbursements to the Construction Industries Division and the State Fire Marshal for inspection services. Combined, these initiatives reduce funding for the core agency mission of building and repairing schools.

Public school and physical plant improvements have stalled over the past 2 years due to limits on funding, and have begun to worsen in FY11. The average FCI for school buildings in New Mexico has been flat at approximately 36 percent over the past 2 years, and increased to 37 percent this year (if a building costs \$100 thousand and has an FCI of 37 percent, that building needs \$37 thousand in repairs – a lower FCI indicates less repairs needed). Average annual investments in facilities required by the state to keep facilities condition from further declining is approximately \$134 million. Currently, unfunded needs for public school facilities in New Mexico total about \$4.05 billion.

Senate Bill 441 will further reduce funding available for standards-based awards for public schools by funding 100 percent of eligible projects at the NMSBVI and the NMSD. Additional funding burdens placed on the PSCOF will accelerate FCI rankings, meaning overall condition of school facilities will worsen. It is unclear how adding the NMSBVI and the NMSD to the standards-based capital process will affect the FCI.

SIGNIFICANT ISSUES

Senate Bill 441 is not Public School Capital Outlay Task Force sponsored legislation.

Pursuant to Section 22-24-5.6, in consultation with the Higher Education Department and the applicable board of regents, the Public School Facilities Authority (PSFA) is administering a deficiencies correction program at NMSBVI and NNSD funded from the PSCOC. Corrective work for prioritized deficiencies is underway through severance tax bond appropriations made in 2009 to the PSCOF of \$2.3 million for the NMSBVI and \$2.5 million for NMSD.

The NMSD and NMSBVI currently compete for capital funding with the institutions that fall under the authority of the Higher Education Department (HED) and the other public entities that seek direct legislative appropriations for capital improvements. The NMSD and NMSBVI serve K-12 student populations; however, both schools are constitutionally created institutions funded quite differently than regular public schools.

ADMINISTRATIVE IMPLICATIONS

The PSFA will have to mesh the NMSD and the NMSBVI into PSFA's facility assessment database. The NMSD and NMSBVI will be ranked based on the need of these facilities and on different standards than traditional public schools and charter schools. Because of this it may be difficult to integrate them into the ranking system.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB218 relates. SB218 makes a \$3.5 million appropriation to the Public School Capital Outlay Fund for NMSBVI and \$5 million for NMSD.

OTHER SUBSTANTIVE ISSUES

The Public School Capital Outlay Act currently defines criteria for the PSCOC to consider when adjusting the local match for a PSCOC-funded project. This authority is limited to reducing or waiving the local share to adequacy, but does not allow waiver of the direct appropriation offset which was a requirement of the Special Master in the Zuni Lawsuit.

RSG/svb:bym