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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 01/21/14  
**LAST UPDATED** 02/13/14    **HB** \_\_\_\_\_

**SPONSOR**    Senate Floor

**SHORT TITLE**    Charter School Share of Ed. Technology Act    **SB** 6/SFIS

**ANALYST**    Chavez

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16		
	School Districts – Decrease (See Fiscal Implications)		Recurring	School District Operating Budgets
	Charter Schools – Increase (See Fiscal Implications)		Recurring	Charter School Operating Budgets

(Parenthesis ( ) Indicate Revenue Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		Minimal	Minimal	Minimal	Recurring	School District Operating Budgets

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to SJM 4

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Information Technology (DoIT)

Public Education Department (PED)

Public Schools Facility Authority (PSFA)

### SUMMARY

#### Synopsis of Bill

The Senate Floor Substitute to Senate Bill 6 amends the Education Technology Equipment Act to make locally and state-chartered charter schools eligible to receive a prorated share of education technology equipment, through the issuance of Education Technology Notes (ETN) under the Act.

The bill defines “eligible charter school” as “a locally-chartered or state-chartered charter school located within the geographic boundaries of a school district that timely provides the necessary information to identify the lease-purchase education technology equipment for use in the charter school to be included in the local school board for lease-purchase of education technology equipment.”

Finally, the bill adds a new section of the Education Technology Equipment Act that requires a school district that assumes debt under the provisions of the Act to provide to charter schools with education technology equipment after July 1, 2014. The value of the distributed equipment would be in equal value to an amount of the debt prorated by the number of students enrolled in the school district and eligible charter schools, as reported on the first reporting date of the prior school year, or for a new charter school, based on the estimated full-time-equivalent enrollment as shown in the approved charter school application (subject to adjustment after the first reporting date).

### **FISCAL IMPLICATIONS**

There is no appropriation for this bill.

While the proportionate share of the technology equipment that each public school in a school district would decrease if charter schools were included in a district’s lease-purchase agreement, charter schools’ inclusion in the agreements would lead to an increase in revenue as measured in the value of technology equipment received.

### **SIGNIFICANT ISSUES**

Charter schools currently receive government funding from the state equalization guarantee (SEG) and from distributions of property taxes in accordance with the Public School Capital Improvements Act, which includes purchasing computer software and hardware for student use in public school classrooms, and the Public School Buildings Act. They currently do not receive distributions under the Education Technology Equipment Act.

According to PED analysis of the original bill, currently school districts that generate revenue from the sale of education technology notes (ETNs) do not distribute a portion these proceeds to charter schools located within their physical boundaries. While districts currently may choose to include charter schools in lease-purchase agreements for technological equipment under the Act, they are not required to do so. ETNs are sold using the district's property tax capacity to generate funds to for this purpose.

Revenue generated through the Education Technology Equipment Act is through the issuance of ETNs. An ETN can be approved at any time during the fiscal year with board approval. The number of ETNs that can be issued is only limited by the bonding capacity of a district.

The Public School Capital Improvement Act (Section 22-25-3.B. NMSA 1978) and the Public School Buildings Act (Section 22-26-3.B. NMSA 1978) have both been amended in the past to provide both local and state charter schools a proportionate share of these funds based on enrollment. The funds are to be distributed on a per-membership basis, using the 40<sup>th</sup> day membership numbers from the prior school year. However, according to PED, the Education Technology Equipment Act distributions (ETNs) as described in the bill differ from the above

acts in that ETNs are bonds issued that are repaid through property taxes. The term for ETNs is usually five years and the ETNs usually require an annual principal and interest payment. The Public School Capital Improvement Act and Public School Buildings Act are mill-levy taxes, and revenue from the taxes is distributed among the schools in the district. The process for issuing bonds to generate revenue for school districts under the provisions of the Education Technology Equipment Act is different from the process used for generating revenue in other property tax elections (e.g. the Public School Capital Improvement Act and the Public School Buildings Act). Only board approval is necessary for the issuance of Education Technology Note; this is the only process for increasing property taxes in the state that does not require voter approval. The revenue generated from the issuance of Education Technology Notes covers the principal and interest of the debt of a lease-purchase agreement made by a school district.

PED adds that currently, thirteen school districts are utilizing financing under the Education Technology Equipment Act. Of the thirteen, seven school districts have at least one charter school residing within the school district's boundaries.

Of the 89 school districts in New Mexico, 18 contain locally chartered and/or state-chartered charter schools.

## **RELATIONSHIP**

Senate Joint Memorial 4 proposes to study appropriate ways for the state to participate in building broadband network infrastructure. However, the memorial does not state whether the study would include local and state-chartered charter schools.

HB 260 and SB 159 repeals the Technology for Education Act (Chapter 22-15A NMSA 1978) and amends sections of the Public School Capital Outlay Act to allow the Public School Capital Outlay Council (PSCOC) to expend up to \$10 million annually from FY14 through FY19 for an education technology infrastructure deficiency correction initiative.

## **OTHER SUBSTANTIVE ISSUES**

PED notes that similar language has already been added in the Public School Capital Improvement Act and the Public School Buildings Act (as mentioned above) to provide both local and state charter schools a proportionate share of these funds. The original intent of including charter schools to receive a proportionate share funding was to provide a revenue source to assist charter schools to move into public buildings by 2015 which is required pursuant to 22-8B-4.2 NMSA 1978. It is important to note that many charter schools receiving funds have been making expenditures for educational technology and equipment in lieu of construction, renovation or to entering into a lease purchase agreement in order to be located in a public building which was the original intent.

While the bill requires charter schools to identify the lease-purchase education technology equipment for use in the charter school to be included in the local school board for lease-purchase of education technology equipment, it does not include a requirement that charter schools include a five-year facilities plan. The Education Technology Act requires that, when a school district contemplates entering into a lease-purchase arrangement payable in whole or in part from ad valorem taxes, the local school board, before initiating any proceedings for approval of such lease-purchase arrangement, shall forward to the school budget planning unit of the state

department of public education, a written notice of the proposed lease-purchase arrangement.

Under Section 6-15A-8 NMSA 1978, the process for issuing ETNs includes the following steps:

- B. At a regular meeting or at a special meeting called for the purpose of considering the lease-purchase of education technology equipment, a local school board shall:
- (1) make a determination of the necessity for lease-purchasing the education technology equipment;
  - (2) determine the estimated cost of the equipment needed;
  - (3) review a summary of the terms of the proposed lease-purchase agreement;
  - (4) identify the source of funds for the lease-purchase payments;
  - (5) if all or part of the funds needed requires or anticipates the imposition of a property tax, determine the estimated rate of the tax and what, if any, the percentage increase in property taxes for real property owners in the school district.

While the bill requires districts to allocate a share of the technology and provides for charter schools to share their needs with the school district, it does not require the school district to consider the needs of the charter school when entering into lease-purchase agreements.

KC/jl:ds