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FISCAL IMPACT REPORT

ORIGINAL DATE 1/27/18
LAST UPDATED 2/07/18 **HB** 130/aHEC/aHAFC

SPONSOR Bandy

SHORT TITLE Public School Capital Outlay for Security **SB** _____

ANALYST Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY19 | FY20 | FY21 | FY22 | FY23 | 5 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|-----------|-----------|-----------|-----------|-----------|-------------------|---------------------------|-----------------------------------|
| Total | \$5,000.0 | \$5,000.0 | \$5,000.0 | \$5,000.0 | \$5,000.0 | \$25,000.0 | Nonrecurring | Public School Capital Outlay Fund |

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB 30, SB 124, SM 8
 Conflicts with SB 239

SOURCES OF INFORMATION

LFC Files
 Legislative Education Study Committee (LESC) Files

Responses Received From

Department of Public Safety (DPS)
 Public Education Department (PED)
 Public School Facilities Authority (PSFA)
 Regional Education Cooperatives Association (RECA)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to House Bill 130 strikes references to “repair, renovation or replacement” within the bill and inserts a new subsection that more specifically defines “school security system project” as a project that enhances the security of students, staff, and visitors on school property through the:

- Purchase, installation, construction, repair, renovation, or replacement of school property attributes and equipment such as:
 - Communication systems;
 - Perimeter gates;
 - Fencing;
 - Campus checkpoints;

- Video cameras;
- Intercom and public address systems; and
- Classroom, exterior door, and window locks;
- Addition or removal of ingress or egress points;
- Design, construction, or equipping of administration office vestibules; and
- Integration of a new security system with a new or an existing security system.

Synopsis of HEC Amendment

The House Education Committee amendment to House Bill 130 makes technical corrections, changing references of the “80th and 120th days” to “second and third reporting dates.”

Synopsis of Original Bill

House Bill 130 amends the Public School Capital Outlay Act, earmarking \$5 million annually of the public school capital outlay fund (PSCOF) for school security system repair, renovation, or replacement between FY19 and FY23. The bill requires school districts to apply for these security awards and directs PSFA and the Public School Capital Outlay Council (PSCOC) to develop an assessment, ranking, and award methodology for projects. Awards for security projects must be expended within three years.

FISCAL IMPLICATIONS

According to PSFA, available funding for current programs would decrease by \$25 million for the period between FY19 and FY23 as a result of introducing the new security project awards program. PSFA provides the following scenario illustrating estimated budget impacts to PSCOF for the next three fiscal years:

Current PSCOC Uses of SSTB Proceeds:

| (%) | Program/Use (millions) | FY19 | FY20 | FY21 | 3 yr. Total |
|-------------|---|----------------|----------------|----------------|----------------|
| 13.0% | Capital Improvements Act (SB-9) | \$18.4 | \$18.4 | \$18.4 | \$55.2 |
| 17.6% | SB4 (Instructional Materials/Transportation Distribution) | \$25.0 | \$25.0 | \$25.0 | \$75.0 |
| 2.8% | Lease Payment Assistance Awards | \$12.0 | \$12.0 | \$12.0 | \$36.0 |
| 0.3% | Master Plan Assistance Awards | \$0.4 | \$0.4 | \$0.4 | \$1.2 |
| 1.6% | Broadband DCP (SB159) | \$7.0 | \$0.0 | \$0.0 | \$7.0 |
| 0.7% | HB219 (PED Pre-K) | \$3.0 | \$0.0 | \$0.0 | \$3.0 |
| 3.6% | PSFA Operating Budget | \$5.1 | \$5.0 | \$5.0 | \$15.1 |
| 0.2% | CID / OSFM Inspections | \$0.3 | \$0.3 | \$0.3 | \$1.0 |
| 0.7% | Emergency Reserve for Contingencies | \$1.0 | \$1.0 | \$1.0 | \$3.0 |
| 59.4% | PSCOC Awards | \$97.8 | \$71.2 | \$83.8 | \$252.8 |
| 100% | | \$170.0 | \$133.3 | \$145.9 | \$449.2 |

Estimated PSCOC Uses of SSTB Proceeds Proposed (HB 130):

| (%) | Program/Use (millions) | FY19 | FY20 | FY21 | 3 yr. Total |
|-------|--|--------|--------|--------|-------------|
| 12.3% | Capital Improvements Act (SB-9) – <i>no change</i> | \$18.4 | \$18.4 | \$18.4 | \$55.2 |
| 16.7% | SB4 (Instructional Materials/Transportation Distribution) - <i>no change</i> | \$25.0 | \$25.0 | \$25.0 | \$75.0 |

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| | | | | | |
|-------------|--|----------------|----------------|----------------|----------------|
| 8.0% | Lease Payment Assistance Awards – <i>no change</i> | \$12.0 | \$12.0 | \$12.0 | \$36.0 |
| 0.3% | Master Plan Assistance Awards – <i>no change</i> | \$0.4 | \$0.4 | \$0.4 | \$1.2 |
| 1.6% | Broadband DCP (SB159) – <i>no change</i> | \$7.0 | \$0.0 | \$0.0 | \$7.0 |
| 0.7% | HB219 (PED Pre-K) - <i>no change</i> | \$3.0 | \$0.0 | \$0.0 | \$3.0 |
| 3.4% | PSFA Operating Budget – <i>no change</i> | \$5.1 | \$5.0 | \$5.0 | \$15.1 |
| 0.2% | CID / OSFM Inspections – <i>no change</i> | \$0.3 | \$0.3 | \$0.3 | \$1.0 |
| 0.7% | Emergency Reserve for Contingencies | \$1.0 | \$1.0 | \$1.0 | \$3.0 |
| 3.3% | Systems Security - <i>new</i> | \$5.0 | \$5.0 | \$5.0 | \$15.0 |
| 52.9% | PSCOC Awards After Proposal – <i>reduced</i> | \$92.8 | \$66.2 | \$78.8 | \$237.8 |
| 100% | | \$170.0 | \$133.3 | \$145.9 | \$449.3 |

| (%) | Program/Use Impact (millions) | FY15 | FY16 | FY17 | 3 yr. Total |
|-------|-------------------------------|---------|---------|---------|-------------|
| -3.5% | PSCOC Awards | (\$5.0) | (\$5.0) | (\$5.0) | (\$15.0) |

PSCOF is the source of funding for the standards-based and systems-based capital outlay programs or public schools statewide, as well as the state match for the Public School Capital Improvements Act (SB-9), lease assistance program, master plan assistance program, and other programs under the Public School Capital Outlay Act. Revenues to the fund are principally from supplemental severance tax bonds and allocations from the fund are authorized by PSCOC.

In FY17, PSCOC made 10 standards-based awards totaling \$64.7 million for planning and constructing school facility projects, an \$85.4 million or 57 percent decrease in awards from FY16. PSCOC also provided \$15.7 million in charter school lease assistance, \$15.5 million in capital improvements, \$7 million for school buses, and \$7.5 million for broadband deficiency correction awards. Overall standards-based project award funding has declined in recent years, despite expanded uses of PSCOF (see Attachment), resulting in fewer resources for building renovation and replacement.

With significant improvement in the condition of school facilities over the last 10 years, funding is shifting toward improvements that will extend the useful life of a building. In FY17, PSCOC began piloting a systems-based award application process to address improvements in roofing, electrical distribution, electronic communication, plumbing, lighting, mechanical, fire prevention, facility shell, interior finishes, and heating, ventilation, and air conditioning systems. PSCOC awarded \$14.4 million to three school districts in the first round of systems awards, and seven districts applied for FY18 systems awards. PSFA estimates demand for system initiatives funding will increase in subsequent years as more school districts understand eligibility criteria and identify projects that qualify for an award.

In FY18, PSCOC considered changes to the facilities assessment database (FAD) ranking methodology that would model building degradation schedules based on industry standards, consolidate building system costs, and adjust system compositions and category weight factors to better reflect actual activity. Current proposed changes to the FAD methodology; however, would increase the statewide weighted New Mexico condition index (wNMCI) from 16.1 percent to 28.8 percent. This adjustment would signal that building conditions are poorer than previously estimated and indicate a stronger need for facility replacement or renovation, which increases demand for standards-based project awards.

SIGNIFICANT ISSUES

LESC notes the current standards-based public school capital outlay program was developed and established partially in response to a 1998 lawsuit filed in state district court by Zuni Public Schools and later joined by Gallup-McKinley County Public Schools and Grants-Cibola County Public Schools. As this lawsuit has never been closed, it is essential to fully fund the standards-based and systems-based award programs, which fulfill the core mission of PSCOC to ensure educational adequacy.

PSFA notes improvements to a facility based on the outcome of a security systems project may improve the facility's wNMCI. This index enables the comparison of all the public schools in the state to determine greatest need for funding the correction of school deficiencies. This list is used to identify and rank projects by greatest capital need. An improved wNMCI may affect eligibility for funding under the standards-based program or other funding programs which use the wNMCI as prioritization for awards. As such, school districts close to the eligibility threshold for standards- or systems-based awards may choose to forgo a security system project to ensure their building wNMCI score and rank make them eligible for the standards- or systems-based award.

Data provided by PSFA identified 27 school district-funded security projects between 2006 and 2018 totaling about \$21 million; however, these projects were not limited to security only. Projects included parking and security lighting, fencing, building additions, renovations to entrances, security vestibules, interior renovations, and other security features. Some projects only included security features as a partial component, so estimates include non-security features.

DPS notes this bill would support the improvement of security for students attending New Mexico public schools by providing capital funding for the repair, renovation, or replacement of public school security systems. School security measures have increased throughout the country due to the increased incidence of violence at schools, such as school shootings. According to the National Criminal Justice Reference Service, a federally funded program sponsored by the U.S. Department of Justice, reported in 2017 that annual active shooter incidents have increase over the past 15 years, from one incident in 2000 to 20 in 2015. Additionally, the number of people killed or injured annually in active shooter incidents has increased, from seven in 2000 to 134 in 2015. In that period, 45 active shooter incidents were on school property (23 percent), second only to 88 incidents in places of commerce (44 percent).

The most recent New Mexico school shooting happened on December 7, 2017, in the Aztec school district, which resulted in the death of two students and the suicide of the shooter. On January 14, 2014, a school shooting happened in the Roswell school district, which resulted in two students being wounded before a teacher talked the shooter into conceding the gun.

ADMINISTRATIVE IMPLICATIONS

PSCOC and PSFA will need to develop guidelines for the security systems initiative, to include an application, and ranking methodology. The application must include an assessment of the school's security system and a statement of opinion by the school district that the repair, renovation or replacement sought would improve the security of the school's buildings, property and occupants.

CONFLICT, RELATIONSHIP

This bill conflicts with Senate Bill 239, which earmarks up to \$10 million for school security system repair, renovation, or replacement projects between FY19 and FY22. This bill relates to Senate Bill 30, which changes the local-state match for capital outlay funding, and Senate Bill 124, which appropriates \$60 million of recurring general fund appropriation to the Public Education Department each year to train school personnel on how to respond to an armed threat or attack, contract or employ security personnel, and install security cameras and metal detectors on school premises. The bill also relates to Senate Memorial 8, which requests a study on suicide rates by firearms and gun violence in schools. The FY19 executive budget recommendation includes a request for approximately \$6 million in public school capital outlay for security systems in public schools.

TECHNICAL ISSUES

PSCOC recommends that language on page 12, lines 9 through 10, be amended to read “O. For each of fiscal years 2019 through 2021, up to five million dollars (\$5,000,000) of the fund is reserved for awards...” Amending the language to include “up to” reflects similar language used for other initiatives and earmarks within the PSCOF, like the broadband deficiencies correction program and inspection fees for the Construction Industries Division and State Fire Marshal.

OTHER SUBSTANTIVE ISSUES

The Washington Institute for Public Policy (WSIPP) published a report examining the funding for safety and security in schools across the nation, finding that many schools allocate some funds for school security, but few include school security in their funding formulas. Thirty-eight states have funding sources dedicated to safety or can be used for school safety if needed. Five states include school safety and security in their education funding formulas, with large variation in their allocations of dollars per pupil; Washington state has the lowest allocation, at \$12 per pupil and New Jersey has the highest allocation at \$143 per pupil.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Security systems will continue to be funded with district resources, or addressed as passive systems through design and construction in accordance with the adequacy standards as part of a standards-based capital outlay award through the PSCOC.

SL/al/sb

New Mexico Average Facility Condition Index (FCI) and Standards-Based Awards for School Buildings

