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FISCAL IMPACT REPORT

SPONSOR Stewart ORIGINAL DATE 1/24/2019
LAST UPDATED _____ HB _____

SHORT TITLE Pre-K Classroom Facilities Initiative SB 230

ANALYST Rabin

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	See Fiscal Implications	See Fiscal Implications	See Fiscal Implications			

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB22, SB280, SB298, HJR1
Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public School Facilities Authority (PSFA)
New Mexico School for the Blind and Visually Impaired (NMSBVI)
Regional Educational Cooperatives (REC)

No Response Received From

Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 230 authorizes the Public School Capital Outlay Council (PSCOC) to provide grants for prekindergarten classroom facilities in public school districts, at state-chartered charter schools, and at constitutional special schools from the public school capital outlay fund (PSCOF). The bill directs the council to establish guidelines for a short-term prekindergarten initiative to provide grants from FY20 through FY24. The bill also instructs the council to establish facility adequacy standards for prekindergarten classrooms that can be used to fund prekindergarten facilities as part of a more comprehensive, standards-based award, the costs for which will be shared between the state and district according to the formula used for standards-based awards. This provision of the bill does not contain a sunset date. The bill specifies that the adequacy of prekindergarten facilities will not affect the project prioritization for standards-based awards.

SB230 also makes minor technical corrections to the Public School Capital Outlay Act.

SB230 was endorsed by the Legislative Education Study Committee.

FISCAL IMPLICATIONS

SB230 does not make an appropriation.

PSFA's latest analysis of prekindergarten facility need statewide estimates a cost to the state of approximately \$42.5 million to meet maximum anticipated demand for currently eligible students. This estimate assumes additional enrollment expansion of 4,342 students under the current eligibility requirements; if eligible prekindergarten programs are expanded, this cost may increase. Operational capacity may constrain the pace of spending on new prekindergarten classrooms. PSFA notes that the agency's FY20 infrastructure capital improvement plan allocates a total of \$25 million for prekindergarten classroom facilities, with a \$5 million allocation for each fiscal year of FY20 through FY24. SB230 does not establish a total or annual limitation on spending for this purpose.

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 (SB9), lease assistance program, facility security 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.

ADMINISTRATIVE IMPLICATIONS

PSFA expects administrative implications of SB230 to be minimal, and believes it can, in consultation with the Public Education Department, develop prekindergarten classroom standards without difficulty by modifying existing adequacy standards for kindergarten classrooms. PSFA may need to reclassify up to 2 FTE to take on duties related to administration of the prekindergarten program; however, the agency does not anticipate this will have any financial impact, as they expect to maintain those positions in the same pay band.

RELATIONSHIP

This bill relates to Senate Bill 280 (Capital Outlay Expenditures), which includes authorization for PSFA to expend \$5 million from the PSCOF for prekindergarten classrooms. In addition, SB280 appropriates \$32.9 million from the PSCOF to PED for school buses, which may have a significant impact on the fund balance available for other programs.

The bill relates to the prekindergarten appropriation in the LFC recommendation for the General Appropriation Act (GAA), which is partly funded under PED and partly under the Children, Youth and Families Department. The LFC FY20 recommendation for the GAA includes an increase of \$10 million for prekindergarten programs under PED, which may increase operational capacity thereby increasing actual demand for prekindergarten classrooms (but not increasing the estimated maximum anticipated demand). Similarly, House Joint Resolution 1, which amends the New Mexico Constitution to increase annual distributions from the Land Grant Permanent Fund for early childhood services by 1 percent, could increase operational capacity and actual demand for prekindergarten facilities.

This bill relates to Senate Bill 298, which expands eligibility for public prekindergarten programs. As noted in Fiscal Implications, above, any expansion of eligibility may increase the amount of funding needed to provide sufficient classroom space. Similarly, Senate Bill 22, which creates a new Early Childhood Education and Care Department, would expand prekindergarten eligibility and potentially increase facility needs.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If SB230 is not enacted, the discretionary program for prekindergarten facilities will not be established and PSFA does not expect prekindergarten facility adequacy standards to be adopted. Specific authorizations to expend the PSCOF for prekindergarten facilities (such as in SB280; see Relationship, above) may continue to allow PSCOC to award grants for prekindergarten facility programs.

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