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FISCAL IMPACT REPORT

SPONSOR HAFC **ORIGINAL DATE** 03/15/21 **LAST UPDATED** 03/16/21 **HB** 326/HAFCS/aHAFC
SHORT TITLE Teacher Housing **SB** _____
ANALYST Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications				

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB6, SB131

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to the House Appropriations and Finance Committee substitute for House Bill 326 makes a technical correction to allow the use of capital improvement (“SB9”) funds for teacher housing maintenance.

Synopsis of Original Bill

The House Appropriations and Finance Committee substitute for House Bill 326 authorizes school districts to use education technology notes, general obligation bonds (GOB), capital improvement levies (SB-9), and public school building levies (HB-33) for teacher housing projects. There is no effective date of this bill. It is assumed the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

The bill does not contain appropriations but instead expands the use of multiple local property levies to support teacher housing projects at public schools. Authorizing local school districts to leverage property taxes for teacher housing may affect requests to the Public School Capital Outlay Council (PSCOC) for public school capital outlay awards.

For FY19, the Legislature appropriated \$10 million from the public school capital outlay fund to help school districts pay down debt for teacher housing. In June 2019, PSCOC awarded the teacher housing appropriation to the Gallup, Central, and Zuni districts to pay down existing debt for previously constructed projects. Allowing school districts to leverage local funds for teacher housing could reduce the need for the state to finance these projects, especially since teacher housing needs differ between districts based on rurality and land ownership issues.

SIGNIFICANT ISSUES

In 2019, the Public School Facilities Authority (PSFA) added teacherages, or teacher housing, as an eligible component of standards-based construction awards. Under the statewide adequacy standards, teachers must meet standards set by the U.S. Department of Housing and Urban Development.

According to PSFA, school districts provide subsidized teacher housing due to:

- Lack of any available housing for rent or sale near school campuses;
- Lack of affordable housing for teachers and staff near school campuses; and
- Need to incentivize teacher relocation/retention in remote areas.

Districts typically pay for maintenance and repair of teacher housing through their operational budget used for all school facilities and cover utility bills for tenants (gas, electric, and water). Teacher housing stock can be defined by number of buildings and number of units. One building can have 1, 2, or 3 units (single, duplex, triplex). Housing can be located on school sites or at off-campus locations within the school district.

A 2019 PSFA survey on teacher housing estimated 460 teacher housing buildings (736 units) statewide, encompassing 651.6 thousand gross square feet. The survey found about 349 units (47 percent) were in good condition, 200 units (27 percent) were marginally good condition, and 187 (25 percent) were in poor condition. The estimated total repair cost for units in poor condition was \$15 million.

School districts, particularly in rural areas or locations with significant federal lands, note teacher housing is necessary to recruit and retain teachers, given difficulties with acquiring housing in these regions. Teachers may not be able to secure living arrangements on federal lands and housing developments may be limited in rural areas. In these cases, school districts may choose to construct and lease housing to teachers who work at the district.

In some districts, like Carlsbad and Hobbs, teacher housing may be an option to provide affordable housing for teachers, particularly when oil and gas industry booms increase population growth, demand for housing, and the need for more teachers. Provisions of this bill would allow districts to use local property taxes to construct and maintain teacher housing units.

Top 10 Number of Teacher Housing Units

Rank	District	Units
1	Gallup	245
2	Zuni	125
3	Central	110
4	Dulce	58
5	Moriarty	39
6	Artesia	19
7	Animas	16
8	Jemez Mountain	13
9	Cuba	11
10	Lovington	10

Source: PSFA

PERFORMANCE IMPLICATIONS

Authorizing local revenue for teacher housing may improve teacher recruitment and retention rates and improve facility conditions for teacherages.

RELATIONSHIP

This bill relates to House Bill 6, which also includes provisions authorizing the use of SB-9, GOB, HB-33, and education technology notes for teacher housing, and Senate Bill 131, which changes the calculation for SB-9 state distributions.

OTHER SUBSTANTIVE ISSUES

In 2000, the 11th Judicial District Court ruled in the *Zuni Public District v. State of New Mexico* lawsuit that New Mexico’s public school capital outlay system violated constitutional requirements, and ordered the state to establish and implement a uniform funding system for capital improvements and for correcting past inequities. Since the *Zuni* lawsuit, the state has spent \$2.7 billion to build school facilities up to the approved statewide adequacy standards. Despite significant improvements in statewide facility conditions, the *Zuni* lawsuit was never closed and, in December 2020, the court ruled in favor of plaintiff school districts on new claims of inequity. The major claim of the plaintiffs was their inability to raise sufficient local capital outlay revenue to maintain capital assets and build facilities that were outside of the statewide adequacy standards like other districts with available local resources.

The **Public School Capital Improvements Act**, commonly referred to as SB-9 or the “two-mill levy,” allows districts to ask local voters to approve a property levy of up to two mills for a maximum of 6 years. Funds generated through imposition of the two-mill levy must be used to erect, remodel, renovate, equip, furnish, maintain, or improve public school buildings. SB-9 funds can also be used to purchase activity vehicles and computer software or hardware.

Local school districts may issue **general obligation bonds** for the purpose of erecting, remodeling, making additions to and furnishing school buildings, or purchasing or improving school grounds or any combination of these purposes. In addition, a school district may also use bond proceeds to purchase computer equipment and software for student use in public school classrooms. The district’s ability to sell bonds is limited to 6 percent of its assessed valuation,

and there is a 4 year period in which the bonds may be sold from a particular approved resolution. The tax rate associated with this type of funding is likely to fluctuate every year due to the timing of principal and interest payments as well as changes in assessed valuations.

The **Public School Buildings Act**, commonly referred to as HB-33, allows districts to impose a tax not to exceed 10-mills for a maximum of 6 years on the net taxable value of property. These funds are to be used for erecting, remodeling, making additions to, providing equipment for or furnishing public school buildings; payments made pursuant to a financing agreement entered into by a school district or a charter school for the leasing of a building or other real property with an option to purchase for a price that is reduced according to payments made; purchasing or improving public school grounds; or administering HB-33 projects, including expenditures for facility maintenance software, project management software, project oversight and district personnel.

The **Educational Technology Equipment Act** allows school districts to create debt without submitting the question to voters to enter into a lease-purchase agreement to acquire educational technology equipment. Such debt is, however, subject to the constitutional limitation that no school district shall become indebted in an amount exceeding 6 percent of the assessed valuation of the taxable property within the school district.

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