

LFC Requester:	Jonas Armstrong
-----------------------	------------------------

**AGENCY BILL ANALYSIS
2018 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

LFC@NMLEGIS.GOV

and

DFA@STATE.NM.US

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original **Amendment** _____ **Date** 01/24/18
Correction _____ **Substitute** _____ **Bill No:** SB30

Sponsor: Senator Mimi Stewart **Agency Code:** 924
Short Title: CHANGE CAPITAL OUTLAY FUNDING FORMULA **Person Writing** Marian Rael
Phone: 827-6519 **Email** marian.rael@state.nm.us

SECTION II: FISCAL IMPACT

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20		
	See Fiscal Implications			School District and Charter School Construction Funds

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal implications				

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: SB-30 has been endorsed by the Public School Capital Outlay Oversight Task Force (PSCOOTF) and the Legislative Educational Study Committee. The bill replaces the current state/local match formula for projects allocated by the Public School Capital Outlay Council (PSCOC).

The bill replaces the current formula over a five-year period.

FISCAL IMPLICATIONS

For FY18 the average state share of school construction projects through the existing standards based formula was 42% and the average local share was 58%. After full implementation of the proposed formula in the bill, the average state share will be 34%. The Public School Facilities Authority (PSFA) estimates that approximately \$445 million must be spent annually to maintain current facility conditions of schools.

The provisions contained in SB-30 will ultimately lower the level of participation by the state in approved projects funded from the Public School Capital Outlay Fund and allow for more school districts to receive assistance.

SIGNIFICANT ISSUES

As a result of the Zuni lawsuit filed in 1999, Judge Joseph L. Rich ordered the state to establish and implement a uniform funding system for capital improvements of New Mexico school districts and for correcting past inequities. In response to the judge's order, New Mexico changed the way the state funds public school capital outlay projects by making extensive amendments to the Public School Capital Outlay Act (PSCOA) and created the PSCOOTF to develop the structure and goals of the newly created standards based program. It is the responsibility of the PSCOOTF to provide ongoing monitoring and oversight of the program and address any issues in order to maintain the uniform system in the way the state funds public school capital outlay expenditures. This bill has been vetted and endorsed by the PSCOOTF.

The standards based process for providing capital funding under the PSCOA requires participation by both the state and school districts. The current formula was endorsed and approved by the PSCOOTF whose job is to monitor the overall process and effectiveness of programs developed pursuant to the Act. The original formula was developed and based on the premise that the formula should:

- Be transparent and objective;
- Be based upon the equity principle;
- Reward those districts that tax themselves above the statewide average;
- Continue to have a state distribution that averages approximately fifty percent of the total statewide effort;
- Continue to have a ten percent minimum state share; and
- Be recalculated annually using current data to reflect changes in the financial capacity of school district.

The current formula has three basic components to determine the participation percentages. These components consist of land valuations, membership and the amount of residential mills a school district has imposed. The proposed changes in this bill will factor in additional variables to measure districts' capacity to pay for school improvements. SB-30 proposes to add gross square feet per student, replacement cost per square foot, and replacement cost per square foot.

ADMINISTRATIVE IMPLICATIONS

It is assumed that this bill shifts the responsibility of calculating the state/local shares from the Public Education Department (PED) to the PSFA due to the fact that majority of the information required for the new formula is administered by the PSFA and because the PSFA serves as staff to the PSCOC. The PED supports this administrative change.

ALTERNATIVES

One issue that these changes to the standards based calculation do not address is the issue of those districts that have the local wealth to build facilities over and above adequacy while those districts unable to generate significant funds remain with good facilities but cannot build to the same level as wealthier districts. The Legislature may wish to consider provisions that increase a district's match by the amount a project exceeds the adequacy standards.