

<b>LFC Requester:</b>	<b>Liu</b>
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**AGENCY BILL ANALYSIS  
2022 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:**

**[LFC@NMLEGIS.GOV](mailto:LFC@NMLEGIS.GOV)**

*and*

**[DFA@STATE.NM.US](mailto: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**      
**Correction**     **Substitute**   

**Date** January 25, 2022

**Bill No:** HB119

**Sponsor:** Rep. Romero

**Agency Name and Code Number:** PED - 924

Adjust Certain School

**Person Writing** John Sena

**Short Title:** Distributions

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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

<b>Appropriation</b>		<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>FY22</b>	<b>FY23</b>		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

<b>Estimated Revenue</b>			<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>FY22</b>	<b>FY23</b>	<b>FY24</b>		

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>		(\$17,080.3)	(\$17,080.3)	(\$34,160.6)	Recurring	PSCOF

(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:

House Bill 119 (HB119) adjusts the methodology for calculating allocations for school districts imposing a local mill levy under the Public School Capital Improvements Act, also known as “SB9” or “the two-mill levy.”

The bill includes a calculation in Section 3, Subsection A that is similar to the current distribution methodology. The bill creates an additional calculation in Section 3, Subsection C to distribute additional funding on a per-program-unit basis. If a school district receives a distribution from the first formula they shall receive an additional distribution from the second formula.

The bill redefines program units to include only early childhood education units, basic education units, special education units, bilingual education units, size adjustment units, enrollment growth units, and at-risk units.

Section 4 of the bill repeals section 22-24-4.4 of the Public School Capital Outlay Act (“Serious roof Deficiencies”). This is clean-up language for a program that is no longer in place.

The effective date of the bill is July 1, 2022.

#### **FISCAL IMPLICATIONS**

The SB9 state match is made from the Public School Capital Outlay Fund, which receives most of its revenue from supplemental severance tax bonds. In FY22, state match allocations to districts imposing a levy under SB9 totaled \$20.7 million.

Section 3, Subsection A of the bill adjusts the variables used to calculate the state match, including a definition of program units that reduces the overall program units, a new multiplier of \$89.25 for the projected program guarantee, and a new multiplier of \$5.00 for the minimum program guarantee. PED staff estimate the cost of this first distribution will be \$15.5 million in FY23.

Section 3, Subsection C of the bill creates an additional distribution for all school districts receiving an SB9 distribution. The additional distribution is equal to \$53.00 times the number of program units times the tax rate. This calculation increases statewide allocations by \$22.3 million.

Under HB119, every school district imposing a levy under SB9 would see an increase in their SB9 state match. PED staff estimate the grand total of SB9 allocations under HB119 will equal \$37.8 million, an increase of \$17.1 million over FY22. The results of the new calculations are summarized below:

<b>Section 3, Subsection A</b>	<b>Section 3, Subsection C</b>	<b>TOTAL HB119 (FY23)</b>	<b>Increase from FY22</b>
\$15,484.2	\$22,263.4	\$37,747.6	\$17,080.3

### **SIGNIFICANT ISSUES**

All school districts that impose a two-mill levy pursuant to the Public School Capital Improvements Act (PSCIA), 22-25-1 NMSA 1978, are guaranteed state matching funds. SB9 funds are primarily allocated to help school districts maintain and improve their facilities on a regular basis. A recently updated assessment of New Mexico school facilities has found the state's facility life cycle repair and replacement needs total over \$1 Billion. A majority of these costs can be sourced to inadequate or deferred maintenance on the part of school districts. The additional capital funding allocated to districts under HB119 will help schools maximize public resources for maintenance purposes and protect New Mexico's facility investments.

### **PERFORMANCE IMPLICATIONS**

N/A

### **ADMINISTRATIVE IMPLICATIONS**

N/A

### **OTHER SUBSTANTIVE ISSUES**

In addition to local and state SB9 funds, school districts and charter schools can apply for needs-based funding from the Public School Capital Outlay Council (PSCOC). PSCOC makes systems-based awards for small projects to repair or replace certain building systems that will help prolong the life of the building, including HVAC, roofing, and drainage. This program requires a school district to apply for funds through an application process which may be considered burdensome and often cumbersome for small projects. The additional funds that will be allocated to school districts under HB119 may help districts repair and replace these smaller systems without applying to the sometimes burdensome PSCOC award process.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

N/A

### **TECHNICAL ISSUES**

N/A

**ALTERNATIVES**

N/A

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

N/A