LFC Requester: **Hilla**

PUBLIC EDUCATION DEPARTMENT
BILL ANALYSIS
2025 REGULAR SESSION

SECTION I: GENERAL INFORMATION

Check all that apply:
Original x **Amendment** ____
Correction ____ **Substitute** ____

Date Prepared: 01/27 /25
Bill No: SB125

Agency Name and Code: PED - 924

Sponsor: Padilla

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Short Title: SCHOOL BUILDING SYSTEM INNOVATION PROJECT

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SECTION II: FISCAL IMPACT

(Parenthesis ( ) Indicate Expenditure Decreases)

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	**FY27**		
$10,000.0	None	Nonrecurring	GF

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	**FY27**	**FY28**		
None	None	None	N/A	NFA

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	None	None	None	None	N/A	NFA

Duplicates/Relates to Appropriation in the General Appropriation Act: None as of 2/5/25.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Senate Bill 125 (SB125) proposes to add a new section of the Public School Capital Outlay Act and amend an existing one to establish the Building System Innovation Project, to begin July 1, 2025. The Public School Facilities Authority (PSFA) would select applicants for funding with the project to replace heating, ventilation, and air conditioning systems (HVAC) and electrical distribution systems, simultaneously. Applications would be selected using standards set by the Public School Capital Outlay Council (PSCOC) and would be required to expend grant money within three years of approval.

The state and the school district's shares of the total project cost are to be calculated in accordance with Section 22-24-5(B) NMSA 1978.

The bill does not provide an effective date. Laws go into effect 90 days after the adjournment of the legislature enacting them unless a later date is specified. If enacted, this bill would become effective June 20, 2025.

FISCAL IMPLICATIONS

The bill would appropriate $10 million from the general fund for grants made in FY26 and subsequent fiscal years without reversion of unexpended or unencumbered funding.

Building systems improvements based on both existing standards and the new criteria in the bill are likely to reduce school building annual maintenance costs in the future.

SIGNIFICANT ISSUES

The Public School Facilities Authority (PSFA) currently evaluates applications for systems repair and replacement based on a standards-based formula to rank the applicants by magnitude of need. SB125 would provide additional funding through a newly established Building System Innovation Project for electrical upgrades coupled with HVAC improvements. Innovative projects transitioning to clean, electric systems would be favored for these grants, prioritizing projects that replace evaporative cooling systems, use photovoltaic technology in electric distribution systems, or are eligible for federal funding.

PERFORMANCE IMPLICATIONS

By improving HVAC systems in schools, the provisions of the bill may contribute to Public Education Department (PED) efforts to improve academic achievement and reduce absenteeism.

Research cited in the 2025 Does Money Matter in Education? report from the Albert Shanker Institute shows that investments such as those proposed in SB125 may have a measurable effect on student outcomes:

> ". . . spending on school facilities also improves student outcomes, both directly (e.g., providing healthy and safe spaces for student learning) and indirectly (e.g., supporting teacher recruitment and retention by offering high-quality, productive workspaces). For instance, improvements to heating, ventilation, and air conditioning systems offer a

> relatively large return on student achievement outcomes. Generally, investments in capital have a four- to six-year lag between the commitment of new funding and measurable positive effects on students." (p. 8).

Included in their analysis are the results of a 2024 study by the Institute of Labor Economics, which ranked improvements to school heating, ventilation, and cooling (HVAC) systems as having the greatest positive effect on student outcomes of all school capital projects. Notably, the authors also found that capital outlays benefit economically disadvantaged students more than others, asserting that "targeting spending towards high-impact projects may close as much as 25% of the observed achievement gap between these districts."

The U.S. Environmental Protection Agency has collected several studies that demonstrate a connection between improved indoor air quality and both better test performance and reduced absenteeism.

ADMINISTRATIVE IMPLICATIONS

None.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to Senate Bill 82, Public School Capital Outlay Changes, which proposes to extend through fiscal year 2027 the current waiver for capital outlay local matching funds.

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

It is unclear if the provisions of SB125 would lead to additional HVAC project applications to the PSCOC or that the appropriation would lead to more HVAC projects being funded.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None.

AMENDMENTS

None.