

LFC Requester:	Sunny Liu
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**AGENCY BILL ANALYSIS
2017 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	<input checked="" type="checkbox"/>	Amendment	<input type="checkbox"/>	Date	<u>2-12-17</u>
Correction	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Bill No:	<u>SB147</u>

Sponsor:	<u>Senator Mimi Stewart</u>	Agency Code:	<u>924</u>
Short Title:	<u>SCHOOL CAPITAL OUTLAY STATE-LOCAL MATCHES</u>	Person Writing	<u>Aguilar/Ortiz</u>
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SECTION II: FISCAL IMPACT

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications				

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: SB-147 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

In FY17 the average state share through the existing formula was 44% and the average local share was 56%. After full implementation of the proposed formula in the bill, the average state share would be 37%. The Public School Facilities Authority (PSFA) estimates that approximately \$432.5 million must be spent annually to maintain current facility conditions of schools. This bill will ultimately require the state to participate less for approved projects from the PSCOC fund.

The new proposed formula is provided in the attachment (Source: PSFA).

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 in which the state funds public school capital outlay expenditures by making extensive amendments to the PSCOC Act and created the Public School Capital Outlay Task Force (PSCOTF) to develop the structure and goals of the newly created standards based program. It is the responsibility of the PSCOTF 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.

It is important to note that the proposed changes in this bill were not vetted nor endorsed by the PSCOOTF or by the Public School Capital Outlay Council. Serious concern is raised with changes to the standards-based facilities funding process without the PSCOOTF evaluating its merits and its effect on the lawsuit historically and now as trial is underway.

The standards based process for providing capital funding under the PSCOC Act 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 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. SB-147 proposes to add gross square feet per student, replacement cost per square foot, and replacement cost per square foot.

ADMINISTRATIVE IMPLICATIONS

This bill removes the responsibility of calculating the state/local shares from the Public Education Department (PED) to PSFA. The PED supports this administrative change due to the fact that majority of the information required for the new formula is administered by the PSFA.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB-147 relates to HB-69, SB-63 and SB-64.

ALTERNATIVES

Vete the proposed formula through the PSCOOTF during the interim for possible endorsement.