Public School Facilities Authority Update

Public School Capital Outlay Taskforce

September 17, 2026

STATE OF NEW MEXICO PUBLIC SCHOOL FACILITIES AUTHORITY

Partnering with New Mexico's communities to provide quality, sustainable school facilities for our students and educators.

Agenda

I. Introduction
II. Project Update
III. FY28 Budget Request
IV. FY27 Supplemental Budget Request
V. Bond Reconciliation Update
VI. Zuni Lawsuit Update
VII. APG Update

PUBLIC SCHOOL FACILITIES AUTHORITY

Project Update

During FY26, the PSCOC heard a total of 55 out-of-cycle requests for new awards or award language changes. These requests addressed a range of issues, including square footage changes resulting from the new gross square foot (GSF) Calculator, scope changes (such as converting Systems awards to Standards awards), award recissions, local match reductions, and additional construction funding. PSCOC has established a three-step planning process to minimize future out-of-cycle requests.

Reason	Occurrences	Share / interpretation
GSF Calculator-related	21	Size and scope recalculation
Construction funding	16	Construction phase funding and additional construction funding
Rescissions	9	Awards withdrawn by district, some reapplied in 27.
Local match reductions	8	Partial or full reductions.

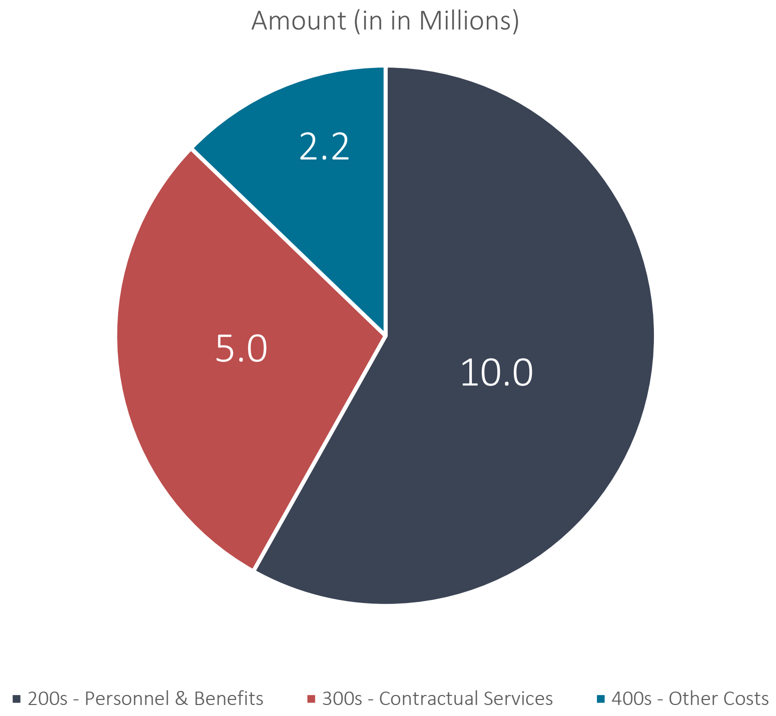
FY28 Budget Request

FY28 Operating Budget Request: **$17.2 Million**

This request positions PSFA to meet current and future workload demands and effectively manage its growing portfolio of capital projects and other funding programs.

Category	FY27 Approved OpBud	FY28 Request	FY27 OpBud Vs FY28 Request
Personal Services & Employee Benefits (200s)	6,910,800	10,000,000	3,089,200
Contractual Services (300s)	2,700,000	5,000,000	2,300,000
Other Services (400s)	1,670,000	2,200,000	530,000
Totals	11,280,800	17,200,000	5,919,200

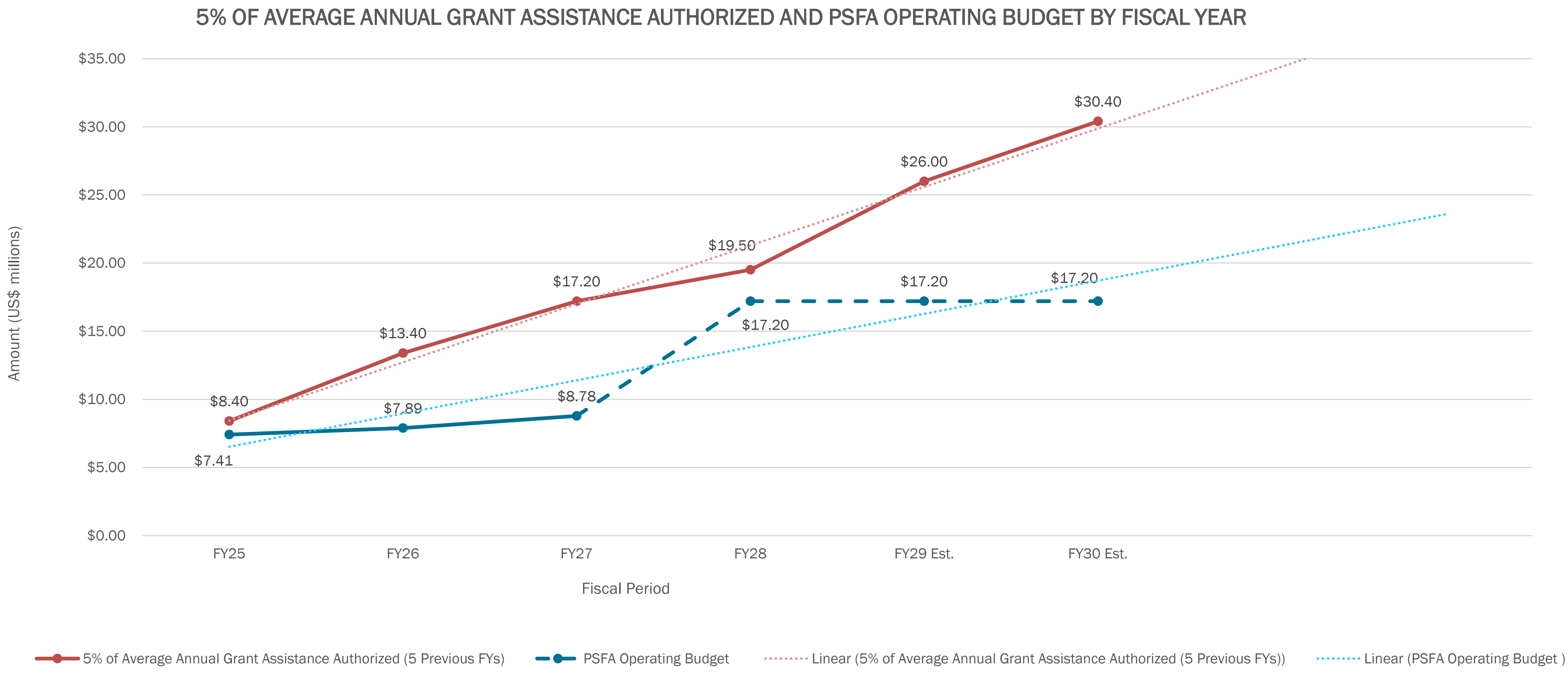
Supports staffing, project oversight, and operational capacity needed to manage increasing capital investments and agency responsibilities.



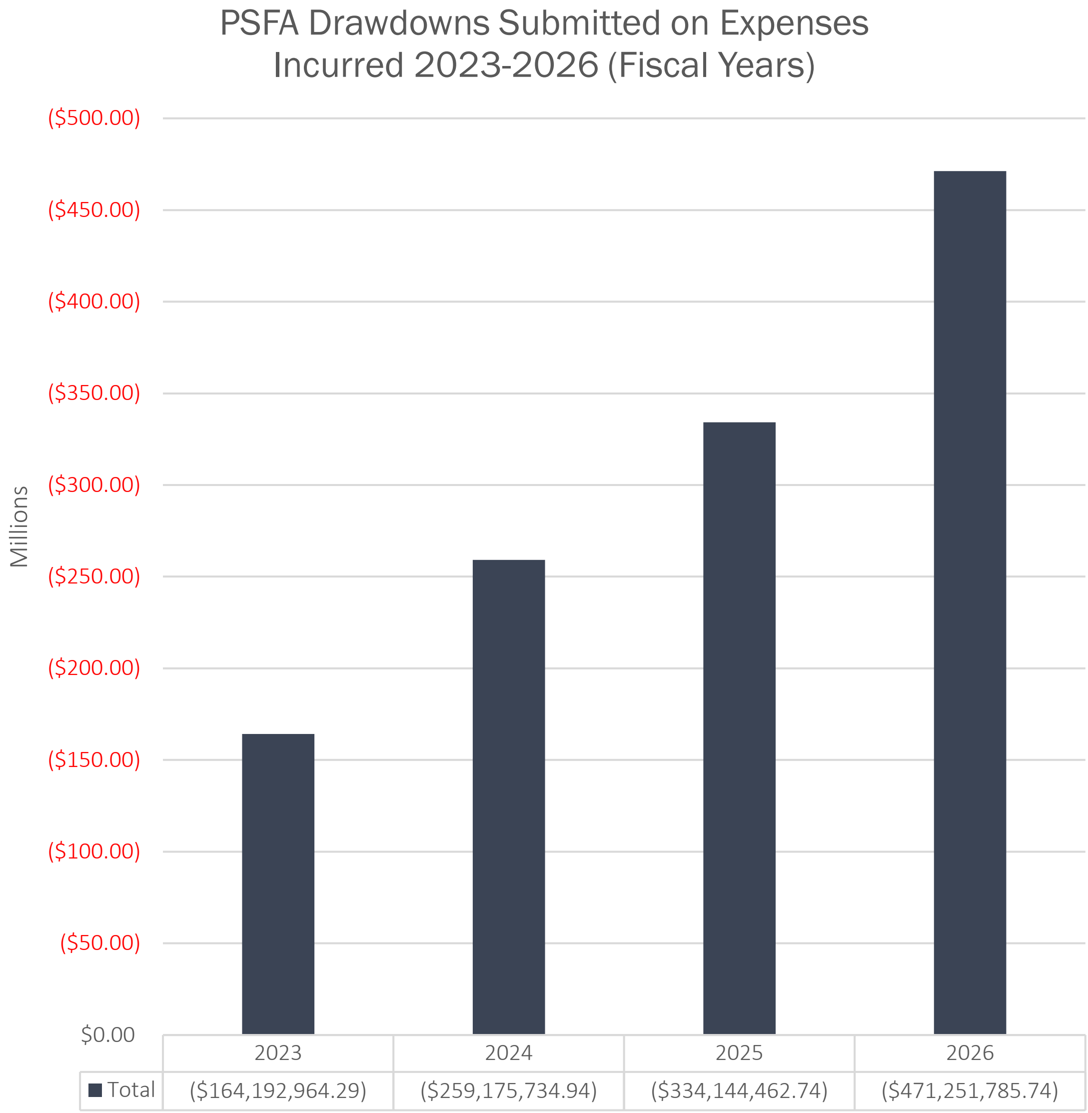
Statutory Authority (22-24-4 NMSA 1978)

- Annual administrative expenditures are capped at 5% of the average annual grant assistance authorized during the previous five fiscal years.
- SB 131 (2023) expanded the period from three previous fiscal years to five previous fiscal years, providing a larger and more stable funding base for administrative operations.

FY28 Budget Request (continued)



FY28 Budget Request (continued)



- **Active Projects**: 226 total projects across multiple programs, including Standards, Systems, Demolitions, Pre-Kindergarten, Teacher Housing, Emergency Awards, Facility Master Plans (FMPs), Measurement & Verification (M&V), and Community Benefit Fund (CBF) projects.
- 34 active FY25 and prior awards are anticipated to request construction funding throughout FY27 and FY28.
  - State Match Anticipated: $917.0 million
  - Potential Local Match Reductions: $219.8 million
- 49 projects were awarded in FY26, including Standards, Systems, and PreK initiatives.
  - Estimated total project value of $1.5-$2.0 billion over the next 4-5 years.

State Board of Finance Bonding Capacity

Sources and Uses of Bonding Capacity Available for Authorization and Severance Tax Permanent Fund Transfer (in millions)

December 2025

PSCOC Public School Capital

FY26	FY27	FY28	FY29	FY30	5-Year Total
$751.7	$760.8	$819.8	$882.7	$898.3	**$4,113.3**

FY27 Supplemental Budget Update

During the 2026 Legislative Session, the agency successfully secured a $2.5 million supplemental operating budget to address longstanding institutional challenges and strengthen organizational capacity through targeted contractual services, strategic initiatives, and operational improvements. These investments are focused on improving financial accountability, enhancing project management and technology systems, modernizing agency operations, and supporting long-term organizational sustainability.

Currently Approved Initiatives	Initiatives in Progress / Procurement Queue	Future Strategic Initiatives (Contractual and Operational)
• Temporary staffing support • Supplemental Severance Tax Bond (SSTB) reconciliation services • Financial consulting services • Legal consulting services • Information technology consulting services • Agency rebranding and annual report development • Project management consulting and training services	• Adequacy Standards and Planning Guide Phase I Study • SSTB Database Phase II • FMAR/FAD Replacement Project • Planning Department platform implementation • Standard Operating Procedures (SOP) consulting services • TARE analysis • Cybersecurity penetration testing • IPRA platform implementation • E-Procurement software solution • Trimble Project Status Report enhancements • Staff training programs and professional certifications	• Continued Adequacy Standards and Planning Guide development • Financial Plan platform implementation • Agency-wide salary and compensation study • Website redesign and modernization • District Financial Capacity Study • Statewide and national construction cost study • Prototype school facility study • Records management and archiving support • Facility Information Management System implementation for charter schools • Albuquerque office relocation • Development of statewide satellite office locations • Equipment acquisitions to support future staffing growth • Expansion of agency vehicle fleet

Bond Reconciliation Update

- **RFP Issued:** May 2026, for reconciliation of 34 active bonds dating back to almost 10+ years ago.
- **Contract Awarded:** Hinkle + Landers, PC (H+L) was selected from two proposals and the agreement was executed at the end of June 2026.
- **Project Scope:** Reconcile bond activity across SHARE, Trimble, and BOF; validate project expenditures; identify discrepancies; and provide corrective action recommendations and a final report.
- **Progress to Date:**
  - July: Project kickoff, PSFA/PSCOC overview, and review of H+L's reconciliation methodology.
  - July-August: PSFA provided documentation, system access, and Trimble training to support the review.
  - August-September: Ongoing collaboration to analyze bond activity, A-code usage, and project awards.
- **Current Status:** The vendor is currently analyzing each bond against the different systems.
- **Other Internal Process Improvements:** PSFA, DFA, and the BOF implemented a new SHARE bond-tracking process using class codes and parent-budget certifications to improve future bond monitoring and accountability.

Current Information Available from State Board of Finance (as of Sept. 15, 2026)	
Total Funding:	$3,311,213,067.93
Amount Expended:	$1,911,658,921.49
Amount Remaining:	$1,399,554,146.44

- Reported balances may overstate available funding because they exclude certified/earmarked project funds.
- Actual uncommitted bond capacity is estimated at about $140 million across all issuances.
- Bond reconciliation will identify available funds, release/reallocate excess funds, and improve future planning

Zuni Lawsuit: History

The litigation drove foundational capital-outlay reforms, but the 2024 Supreme Court decision left the current funding framework untested on its merits.

FOUNDATIONAL RULINGS & REFORM

- 1998: Zuni and Gallup-McKinley file suit over school-facility funding (Grants-Cibola County Schools later joined the lawsuit as a plaintiff).
- 1999: The 11th Judicial District Court finds the capital-outlay system unconstitutional.
- 1999–2003: Legislature creates PSCOC/PSFA and statewide adequacy standards.
- 2001: The Public School Capital Outlay Act formalizes the phase-one state/local match.

CURRENT POSTURE

- 2018: Senate Bill 30 creates phase two, shifting more costs to districts.
- Dec. 2020: Judge Louis E. DePauli Jr. again rules for the plaintiffs and required state to create constitutional capital outlay system.
- 2021–2024: The State's appeal reaches the New Mexico Supreme Court.
- Dec. 2024: The Court finds the case "moot" and remanded the case to district court to consider the constitutionality of the current capital outlay system.

Case Timeline

1998	1999	1999–2003	2018	Dec. 2020	Dec. 2024
Zuni lawsuit filed	Formula ruled unconstitutional	Capital-outlay system overhauled	Phase two formula adopted	Second ruling for plaintiffs	Supreme Court finds case moot and remanded case

Venue watch: Any new case would proceed in the 6th Judicial District before Chief Judge Jarod K. Hofacket, not the 11th District Court.

Zuni Lawsuit: 2026 Updates

The hearing scheduled on September 28, 2026 will address whether Gallup McKinley Board of Education can reinstate the case to challenge the current statutory public school capital outlay framework.

2026 Updates

- Feb. 17: Judge Hofacket dismisses for lack of prosecution; allows 30 days to seek reinstatement.
- Mar. 17: Legal counsel for *Zuni* plaintiff, Gallup Board of Education, moves to reinstate, citing time needed to restart and assess the amended statute.
- Apr. 1: New Mexico Department of Justice counsel opposes, citing 13 months of inactivity and failure to show good cause.
- Apr. 20: Counsel for Gallup Board of Education replies that the remand supports hearing a challenge on the current public school capital outlay framework.

2024–2026 Procedural Timeline

Dec. 2024	Feb. 17	Mar. 17	Apr. 1	Apr. 20	Sep. 28
Case remanded; current scheme may be challenged	Dismissed for lack of prosecution	Zuni moves to reinstate	DOJ opposes; no good cause	Zuni files reply	Hearing

Hearing Details: Monday, September 28, 2026 • 11:15 a.m. • Zoom • DOJ counsel: Erica Schiff

Adequacy Planning Guide: Update

PSFA is updating the APG to better align with the Statewide Adequacy Standards and GSF Calculator while reflecting evolving educational needs, including CTE, early childhood, wellness, and shared-use facilities. The update will improve the guide's practicality, scalability, clarity, and transparency. PSFA shifted from its one comprehensive procurement to a phased model that aligns specialized expertise, improves efficiency, and protects independence.

WHY A PHASED APPROACH

01 Work was restructured into phases to better match specialized expertise and improve efficiency.

02 Stakeholder engagement and other specialized functions will be procured separately to preserve independence and quality.

PHASE 1 : COMPREHENSIVE APG REVISION

RFP ISSUED	Late June 2026
RESPONSES DUE	September 10, 2026
RESULT	Strong consulting-community response
FOCUS	Technical foundation for the broader APG update

PHASE 1 SCOPE

A Project Management

B Review APG, Adequacy Standards & GSF Calculator

C Best Practices & Emerging Educational Programs

D Facility & Campus Space Types

NEXT STEPS Evaluate proposals → Select consultant → Negotiate contract → Issue Notice to Proceed

Adequacy Planning Guide: Update

Three technical phases will move the APG from synthesis and redesign to an aligned GSF Calculator and statewide implementation.

PHASE 2 • INTEGRATE + REDESIGN

2A MANAGE THE WORK
Coordinate Phase 2 with PSFA and the technical team.

2B INTEGRATED REPORT
Synthesize Phase 1 into the existing-conditions, best-practice, space, and statutory framework.

2C REDESIGN THE APG
Build a more usable guide from prior findings and stakeholder input.

2D IMPLEMENTATION GUIDANCE
Define policies, maintenance, update cycles, and APG–GSF–Standards coordination.

PHASE 3 • ALIGN THE CALCULATOR

3A MANAGE THE WORK
Direct schedule, quality, deliverables, and PSFA coordination.

3B REDESIGN GSF CALCULATOR
Align with the APG and Standards; improve transparency and flexibility across school configurations and enrollment sizes.

PRIMARY OUTPUT
Program-driven GSF methodology

PHASE 4 • IMPLEMENT

4A MANAGE THE WORK
Coordinate Phase 4 with the PSFA APG team.

4B TRAINING + IMPLEMENTATION
Create materials, pilot training, statewide training, and implementation support for all three tools.

PRIMARY OUTPUT
Statewide rollout support

PARALLEL WORKSTREAMS

STAKEHOLDER ENGAGEMENT
Independent, neutral facilitation throughout, separate from technical teams and not a public relations or advocacy function.

TARE SPACE STUDY
Set appropriate allowances: separate core educational space from physical education and CTE space; test ES, MS, HS, and combination school configurations.

Q&A

Marcos B. Trujillo

Executive Director

Public School Facilities Authority

mtrujillo@nmpsfa.org