

# Award Offsets, Local Match Waivers and Advances: History and Application

Public School Capital Outlay Oversight Task Force

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*Presenters:*

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**New Mexico Public School Facilities Authority**

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

# Agenda

- **Legislative Appropriations and Offsets**
  - History & Importance of the Offsets
  - Current Offsets by District (Table)
  - Heat Maps
  - Offset Examples
  - Key Issues
- **Local Match Reduction (Waiver)**
  - Waiver Eligibility Criteria
  - History of Local Match Reductions Granted
  - Key Issues
- **Local Match Advances**
  - Regulations
  - Current List of Advances
  - Key Issues
- **Questions**

# Direct Appropriations and Offsets History

## History

- Added to the Public School Capital Outlay Act in 2002.
- Public School Capital Outlay Council (PSCOC) must *“reduce any grant amounts awarded to a school district by a **percent** of all direct non-operational legislative appropriations for schools in that district that have been accepted, including educational technology and re-authorizations of previous appropriations.”*
- A change in 2007 allows a 50% reduction in the offset amount if the legislative appropriations are for a project for schools in the current or previous year’s top 150 NMCI ranking.
- The percent reduction is the calculated local match percentage rate, per the state/local share funding formula.
- Offsets are applied to a district, though appropriations are often directed to a specific school or locally chartered charter school.
- District offsets are calculated each year by the Capital Outlay Bureau of PED. Previous totals roll over year-to-year until the balance is paid off.

# Importance of the Offset

## Why An Offset?

- The Legislature enacted the offset, as one of a number of initiatives, to better equalize state funding of capital requests across all of New Mexico's school districts.
- The 2002 report of the Special Master appointed as a result of the Zuni lawsuit specifically highlighted *"the dis-equalizing effect of direct legislative appropriations to individual schools for capital outlay purposes."* The offset was enacted to mitigate this concern.
- If offsets were not applied, more populous districts would be able to gather funding for capital projects through direct appropriations, while also applying for capital funding through PSCOC's funding programs.
- More populous districts would be able to gather more of the finite state funding than less populous districts.
- Discourages districts from accepting appropriations for projects types that are not aligned with the district's priorities or critical capital needs.

# Current Offset Balances by District

District	Offsets from 2019 Session	Total Offsets for 2019-2020
Alamogordo	\$80,000	\$80,000
Albuquerque	\$8,799,980	\$15,660,304
Animas	\$73,750	\$73,750
Artesia	\$299,920	\$2,114,828
Aztec	\$-	\$638,100
Belen	\$-	\$-
Bernalillo	\$-	\$-
Bloomfield	\$-	\$1,190,599
Capitan	\$-	\$-
Carlsbad	\$523,715	\$2,736,497
Carrizozo	\$-	\$198,182
Central	\$52,000	\$52,000
Chama	\$-	\$154,857
Cimarron	\$-	\$214,750
Clayton	\$-	\$17,250
Cloudcroft	\$-	\$1,356,435
Clovis	\$-	\$-
Cobre	\$202,150	\$348,450
Corona	\$-	\$253,380
Cuba	\$-	\$-
Deming	\$-	\$-
Des Moines	\$107,500	\$176,830
Dexter	\$-	\$-
Dora	\$-	\$199,150
Dulce	\$-	\$-
Elida	\$92,640	\$387,384
Espanola	\$199,750	\$199,750
Estancia	\$-	\$34,056
Eunice	\$-	\$(13,444)
Farmington	\$-	\$-

District	Offsets from 2019 Session	Total Offsets for 2019-2020
Floyd	\$20,000	\$20,000
Fort Sumner	\$-	\$66,450
Gadsden	\$53,200	\$53,200
Gallup	\$218,800	\$218,800
Grady	\$-	\$-
Grants	\$-	\$-
Hagerman	\$-	\$-
Hatch	\$-	\$-
Hobbs	\$200,160	\$200,160
Hondo	\$-	\$100,500
House	\$-	\$8,625
Jal	\$46,000	\$1,063,887
Jemez Mountain	\$-	\$64,084
Jemez Valley	\$-	\$22,490
Lake Arthur	\$855,600	\$1,102,553
Las Cruces	\$86,000	\$86,000
Las Vegas City	\$203,840	\$203,840
Las Vegas West	\$101,970	\$101,970
Logan	\$-	\$111,740
Lordsburg	\$-	\$-
Los Alamos	\$-	\$-
Los Lunas	\$-	\$-
Loving	\$-	\$757,430
Lovington	\$125,400	\$2,970,409
Magdalena	\$-	\$-
Maxwell	\$25,800	\$91,404
Melrose	\$27,750	\$194,892
Mesa Vista	\$-	\$-
Mora	\$103,500	\$912,866

District	Offsets from 2019 Session	Total Offsets for 2019-2020
Moriarty	\$-	\$88,970
Mosquero	\$46,000	\$68,500
Mountainair	\$52,200	\$52,200
Pecos	\$62,100	\$153,230
Penasco	\$-	\$7,800
Pojoaque	\$-	\$11,250
Portales	\$-	\$-
Quemado	\$-	\$108,000
Questa	\$115,000	\$900,997
Raton	\$-	\$-
Reserve	\$-	\$-
Rio Rancho	\$787,500	\$1,270,617
Roswell	\$-	\$0
Roy	\$-	\$8,750
Ruidoso	\$-	\$-
San Jon	\$-	\$13,200
Santa Fe	\$1,376,136	\$5,182,940
Santa Rosa	\$-	\$92,750
Silver	\$33,500	\$57,100
Socorro	\$-	\$-
Springer	\$-	\$86,857
Taos	\$432,400	\$1,098,832
Tatum	\$141,900	\$610,552
Texico	\$-	\$-
T or C	\$-	\$-
Tucumcari	\$-	\$-
Tularosa	\$-	\$-
Vaughn	\$-	\$414,000
Wagon Mound	\$22,620	\$249,300
Zuni	\$-	\$-

# Heat Map - Total Offsets from 2019 Legislative Appropriations

# Heat Map - Total Offsets for 2019-2020, by School District

# Appropriations and Offset Example 1

## **Senate Bill 280 (2019), Section 20, Public Education Department Projects:**

*“The following amounts are appropriated from the general fund to the public education department for expenditure in fiscal years 2019 through 2023, unless otherwise provided in Section 1 of this act, for the following purposes:*

- *Two hundred fifty thousand dollars (\$250,000) to plan, design, renovate and construct classrooms and instructional spaces for middle and high school students in the Des Moines municipal school district in Union county;”*

## **Benefits of this Appropriation**

- Allowed the school district to move forward out-of-cycle with a structural study and planning work to determine what should be done with their existing buildings.
- Funded all of this work, without a local match

## **Appropriation to Offset Balance Calculation Methodology**

- $\$250,000 \times 50\% \text{ (Top 150 Rank)} \times 86\% \text{ (FY 20 Local Share)} = \$107,500$

## **Implications of this Appropriation on Future Capital Projects**

- Offset balance must be repaid before receiving grant assistance through various programs under the Public School Capital Outlay Act (PSCOA)



# Appropriations and Offset Example 2

## Albuquerque Public Schools

- APS received 166 direct legislative appropriations during the 2019 Legislative Session.

## Benefits of these Appropriations

- Funds projects regardless of facility rank (condition) and without a local match

## Appropriation to Offset Balance Calculation Methodology

- Top 150 Ranked Schools:  $\$5,886,943 \times 50\% \times 55\%$  (FY 20 Local Share) =  $\$1,619,909$
- Not Top 150 Ranked Schools:  $\$13,056,492 \times 55\%$  (FY 20 Local Share) =  $\$7,181,070$
- Total Offsets from 2019 Legislative Session =  $\$8,799,980$

## Implications of these Appropriation on Future Capital Projects

- Offset balance must be repaid before receiving grant assistance through various programs under the Public School Capital Outlay Act (PSCOA)

## APS Direct Appropriations by Project Type

Site	IT	FF&E	Security/Public Address System	Specialty Classrooms	Playgrounds	Site - Athletics
41	41	21	16	11	8	8
Libraries	Transportation	Gym/Weight rooms	Classroom/Portable Refurb	Pre-K	HVAC	Restrooms
7	4	4	2	1	1	1

# Key Issues Regarding Offsets

- Offsets are a vital factor in ensuring state funding is distributed equitably and uniformly to all districts throughout the state.
- Without offsets, large districts would gather more funding through direct appropriations while also being eligible to receive state funding through the PSCOA programs, cumulatively accessing more of the finite state funding than smaller districts that receive fewer direct appropriations.
- The “future debt obligation” resulting from offsets encourages school districts to carefully consider the benefits and downsides of accepting direct appropriations for projects that might be lower on their list of prioritized capital needs.
- The most significant effect of the offset is not to reduce total funds that the district receives, but instead to potentially reduce funds available for higher priority needs, in the event that the direct appropriation was for a lower-priority project than projects for which the district had applied for PSCOC award funding. In this case, the higher priority projects would have funding levels reduced by the amount of the offset.

# Local Match Reductions (Waivers)

- The PSCOC council *may* adjust the amount of local share otherwise required if it determines that a school district has made a good-faith effort to use all of its local capital funding resources.

## Capital Funding Waiver Criteria - 22-24-5 (B)(11)

### Option 1: All Districts

If the school district has insufficient bonding capacity over the next 4 years and the mill levy is equal to or greater than **10.0** the district is eligible, **OR**

### Option 2: Small Districts

if the MEM count is equal to or less than **800** and  
 the percent of free or reduced fee lunch is equal to or greater than **70%** and  
 the state share is less than **50%** and  
 the mill levy is equal to or greater than **7.00** the district is eligible, **OR**

If the school district has an enrollment growth rate over the previous school year of at least **2.5%** and  
 pursuant to its 5-year FMP, will be building a new school within the next **2 years** and

### Option 3: Growth Districts

the mill levy is equal to or greater than **10.0** the district is eligible

*\*Mill Levy - sum of all rates imposed by resolution of the local school board plus rates set to pay interest and principal on outstanding school district general obligation bond*

# How to Request a Local Match Reduction

- If a district meets the statutory requirements outlined on the previous slide, the district can request consideration for a local match reduction
- During the application process for an award, the district notifies PSFA of their request for a local match reduction
- PSFA sends a template “Statement of Financial Position” to the district
- District works with PSFA to complete the Statement of Financial Position
- Completed Statement of Financial Position is reviewed by PED
- PSCOC uses the Statement of Financial Position to determine whether the district has “local resources” that could be used to fund the project and whether the district has made prudent use of its finances
- PSCOC determines whether to approve a local match reduction for the applicant district, as well as the amount of the local match reduction

# History of Local Match Reductions Granted

District	School	Project	Local Match % at Award	Local Match	Waiver Amount	Local Match After Waiver	Initial Award Year
Chama Valley	Escalante HS	New school	90%	\$13,053,702	\$9,333,702	\$3,720,000	2006
Chama Valley	Tierra Amarilla ES	New school	90%	\$6,542,276	\$4,686,484	\$1,855,792	2007
Cobre	Snell MS	Renovate school	45%	\$5,148,024	\$2,448,024	\$2,700,000	2006
Cuba	Cuba ES	Renovate school	21%	\$1,665,161	\$1,329,277	\$335,884	2006
Des Moines	Combined School	Roof	54%	\$447,879	\$234,777	\$213,102	2007
Fort Sumner	Combined School	Renovate school	49%	\$8,040,027	\$4,799,063	\$3,240,964	2008
Fort Sumner	Combined School	Roof	51%	\$566,507	\$388,947	\$177,560	2007
Grady	Combined School	Renovate school	21%	\$703,835	\$380,000	\$323,835	2007
Hondo Valley	Combined School	Roof	68%	\$653,241	\$459,251	\$193,990	2007
Logan	Combined School	Roof	52%	\$51,578	\$39,578	\$12,000	2007
Lordsburg	Lordsburg HS, ES, MS	Renovate schools	65%	\$10,888,270	\$8,580,770	\$2,307,500	2014
Lordsburg	Lordsburg HS	Roof	53%	\$407,100	\$407,100	\$0	2007
Mesa Vista	Ojo Caliente ES	Renovate school	54%	\$4,966,987	\$666,987	\$4,300,000	2014
Mesa Vista	El Rito ES	Renovate school	43%	\$4,037,309	\$1,836,848	\$2,200,461	2008
NMSD	Delgado Hall	Renovate school	100%	\$266,350	\$133,175	\$133,175	2015
Penasco	Penasco JH	Renovate school	24%	\$1,786,654	\$746,654	\$1,040,000	2009
Reserve	Combined School	Renovate, replace	84%	\$12,624,270	\$12,014,224	\$610,046	2014
<b>Totals</b>				<b>\$71,849,170</b>	<b>\$48,484,861</b>	<b>\$23,364,309</b>	

*Excludes local match reductions for facility master plan grant assistance*

# Key Issues Regarding Local Match Reduction

- Increases the uses (state share) from the Public School Capital Outlay Fund
- Overall process may be complex and lengthy
  - Statement of Financial Position must be complete and correctly filled out
  - PSFA, in consultation with PED, must review the statement of financial position to ensure that the district has made a good-faith effort to use all of its local capital funding resources in a prudent manner
- May assist districts to complete worthwhile projects that may not be possible otherwise due to limited local resources
  - Reserve – passed a \$2.4M bond, first in over 20 years, to complete renovation/replacement of the K-12 Combined School. Total estimated project cost to adequacy at time of construction was \$14.8M, with an 84% required local match. With a local match reduction, the Combined School was successfully upgraded and right-sized with an over 30,000 square foot reduction post-project.
  - Lordsburg – had an estimated \$2.0M in available bonding capacity at the time of construction to renovate/replace/consolidate/dispose facilities in the District. Total estimated project cost to adequacy at time of construction was \$13.0M, with a 65% required local match. With a local match reduction, all schools within the District were successfully right-sized with an over 23,000 square foot reduction post-project.

## Local Match Advances - 6.27.3 NMAC

- In addition to considering an adjustment of the local share, the Council may consider granting a local share advance if the Council determines that a need exists to complete the project in a timely manner and the school district affirms its willingness and ability to repay the advance within 48 months of the granting of the advance.

# Current List of Advances in Repayment

Initial Award Year	District	School	Outstanding Balance	Repayment Schedule	
				FY20	FY21
2007	Jemez Mountain	Gallinas Campus	\$88,259	\$50,000	\$38,259
2013	Capitan	Capitan ES, HS	\$4,292,728	\$500,000	\$3,792,728
2015	Cloudcroft	Cloudcroft HS	\$250,896	\$250,896	
2014	Mesa Vista	Ojo Caliente ES	\$440,910		\$440,910
2018	Santa Rosa	Anton Chico ES,MS	\$150,000		\$150,000
<b>Totals</b>			<b>\$5,222,793</b>	<b>\$800,896</b>	<b>\$4,421,897</b>



# Key Issues Regarding Advances

- May be effective in allowing Districts to move expeditiously with a project
- Slow repayment
- Difficult to enforce repayment
- Difficult to manage repayment plans
- Some are dependent on future bond elections, which may be subject to failure of the election and do not serve as a guarantee of repayment

# Questions

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Thank You!