

**MINUTES
of the
SIXTIETH MEETING
of the
PUBLIC SCHOOL CAPITAL OUTLAY OVERSIGHT TASK FORCE**

**June 13, 2017
State Capitol, Room 307
Santa Fe**

The sixtieth meeting of the Public School Capital Outlay Oversight Task Force (PSCOOTF) was called to order by Representative Stephanie Garcia Richard, chair, on June 13, 2017 at 10:04 a.m. in Room 307 at the State Capitol in Santa Fe.

Present

Rep. Stephanie Garcia Richard, Chair
Sen. William P. Soules, Vice Chair
Antonio Ortiz for Deputy Secretary Paul
Aguilar, Public Education Department
Dr. Carl Foster
Reinaldo Garcia
Sen. Mary Kay Papen
Mike Phipps
Rep. Dennis J. Roch
Secretary Duffy Rodriguez, Department of
Finance and Administration
Sen. Benny Shendo, Jr.
Rep. James E. Smith
Sen. John Arthur Smith

Advisory Members

Rep. Harry Garcia
Sen. Daniel A. Ivey-Soto
Sen. Mimi Stewart

Absent

Sen. Craig W. Brandt
Rep. Brian Egolf
Kirk Hartom
Sen. Stuart Ingle
Rep. Patricia A. Lundstrom
T.J. Parks
Rep. G. Andrés Romero
Stan Rounds

Rep. Eliseo Lee Alcon
Rep. D. Wonda Johnson
Sen. Gay G. Kernan
Sen. Howie C. Morales
Sen. Cliff R. Pirtle
Sen. Sander Rue
Sen. Bill Tallman
Sen. Pat Woods

Staff

Raúl E. Burciaga, Director, Legislative Council Service (LCS)
Sharon Ball, Researcher III/Drafter, LCS
Jeff Eaton, Legislative Fiscal Analyst, LCS
Michelle Jaschke, Researcher, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts are in the meeting file.

Tuesday, June 13

Public School Capital Outlay Council (PSCOC) and Public School Facilities Authority (PSFA) Fiscal Year (FY) 2016 Annual Report

David Abbey, director, Legislative Finance Committee, and chair, PSCOC, and Rocky Kearney, deputy director, PSFA, co-presented the PSFA 2016 annual report to the task force. The presenters provided two additional handouts to the task force: "Public School Facilities Assessment Database Ranking Methodology" and "Facility Maintenance Assessment Report (FMAR) 5-Year Baseline".

Mr. Abbey presented highlights from the annual report. He noted that the PSCOC uses a metric called the Facilities Condition Index (FCI) to prioritize the needs of school facilities. Noting that the lower the score the better the facilities' condition, Mr. Abbey told members that the statewide average FCI score has improved from approximately 70 percent in 2003, when the standards-based process was implemented, to an average of 32.1 percent for FY 2016. He noted that the PSCOC anticipates ending FY 2017 with a state average FCI of 32.7 percent. A lower FCI indicates improvement in overall facility condition.

Mr. Abbey went on to explain that the FMAR score in FY 2015 increased by 4.79 percentage points, from an initial score in FY 2013 of 60 to 64.79 in FY 2015. He noted that a higher FMAR score is indicative of improved facility maintenance.

The PSCOC awarded \$150.1 million in state match funding in FY 2016. Prior years (FY 2011 through FY 2015) ranged between \$114.7 million in FY 2011 to a high of \$256.1 million in FY 2013. It is estimated that to maintain the FCI over the next six years, an average of \$433 million would need to be invested annually. The state share of this amount is \$168 million per year over the next six years. At lower funding levels, degradation exceeds renovation/repair, and the overall facilities condition starts to decline. PSCOC funding from supplemental severance tax bond (SSTB) revenue is currently forecast to range between \$110.9 million in FY 2019 to \$137.4 million in FY 2021. In addition to new project match funding awards, the uses of the PSCOC revenues include the PSFA operating budget, lease assistance awards and transfers to the Public Education Department for Public School Capital Improvements Act (SB 9) distributions and funding for transportation and instructional materials (a detailed list is on page 8 of the handout).

The presenters concluded by suggesting several possible strategic issues for task force consideration in the 2017 interim or in later years:

- charter school facilities issues, including lease assistance;
- consideration of adjustments to the state-local match capital funding formula, including possibilities in Senate Bill (SB) 147 (2017 regular session), which was vetoed by the governor;
- improving the maintenance of public schools to protect the state's considerable investment in public school facilities;
- the effect of the sunset of the broadband deficiencies correction program and possible responses; and
- establishing a pilot systems-based awards cycle.

In response to a member's question about the status of the *Zuni* lawsuit, Rachel Gudgel, director, Legislative Education Study Committee, and Ms. Ball responded that, currently, the lawsuit is still open and scheduled hearings have been postponed and not rescheduled.

In response to discussion and questions about whether teacherages are included as facilities eligible for PSCOC awards and the issue's relevance to the litigants' issues, Mr. Abbey explained that teacherages are eligible facilities but that their financing may be an issue.

In response to discussion and questions about the way in which a pilot of a systems-based awards cycle might be designed and implemented, Mr. Kearney explained that the system could possibly be based on points applied to weighting criteria and development of a ranking methodology so that the state-local share match funding would apply in the way it currently does to standards-based awards. Mr. Kearney said that the application deadline has just passed for this awards cycle, and four school districts applied for systems grants. He said that he would bring back more information to the task force as the process is developed and implemented.

During continued discussion, a member commented that the pilot phase of the systems-based awards cycle is currently experimental and has no sunset clause in statute. Another member noted that a possible modification of the application requirements might be not to require the systems-based projects to be in a school district facility master plan.

Representative Garcia Richard thanked the presenters, noting that progress needs to continue.

Brief Review: PSCOOTF 2016 Interim and the 2017 Session

Ms. Ball provided the task force with information on the 2016 interim activities in the 2016 interim final report and two bills endorsed by the task force for the 2017 regular session. Neither of the endorsed bills passed.

Mr. Eaton presented SB 147 (2017 regular session), which was sponsored by Senator Stewart. The bill proposed phasing in several changes to the current state-local match formula, including incorporation of state-local share adjustments for higher construction costs experienced in low-population school districts; incorporation of a moving average in calculating school

district property valuation; incorporation of a school district's facility space needs to adequacy; and a phase-in period from the current formula to the new formula over several years to allow school districts to adjust and respond to the formula changes gradually.

In response to task force members' discussion and questions, Mr. Eaton explained that the measure was not vetted in time to be considered for endorsement by the PSCOOTF but that the changes incorporated recommendations from an analysis contracted by the PSCOOTF through the LCS and performed by the University of New Mexico Bureau of Business and Economic Research. In response to additional discussion and questions, Senator Stewart noted that the bill passed both chambers with only one amendment. She said that the governor vetoed the bill, indicating in her veto message her concern that the task force had not studied and endorsed the bill during the 2016 interim.

Proposed 2017 Interim Work Plan and Meeting Schedule

Mr. Burciaga presented the interim work plan and meeting schedule. During the task force discussion, Ms. Ball reviewed proposed work plan discussion items, including hearing testimony about school districts' disposal of unused or unusable facilities. Ms. Ball noted that proposed work plan Items 4 and 7 are duplicates and suggested striking one or the other in the approval motion.

During the discussion, members suggested adding the current state-local share funding formula, continued monitoring of the systems-based awards cycle process, examining issues related to the lease purchase of charter schools and charter schools' leasing facilities from charter school foundations created solely for that purpose. Upon a motion duly made and seconded, the 2017 interim work plan and meeting schedule were approved with suggested changes.

Adjournment

There being no further business before the task force, the meeting adjourned at 11:48 a.m.