

# Evolution of the Standards-Based School Capital Outlay Process and Continuing Requests for PSCOC Program Expansion

## Public School Capital Outlay Oversight Task Force

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1:00 PM

*Presenters:*

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# Agenda

- Public School Capital Funding and the Adequacy Standards
- Adequacy Standards and the Standards-Based Process
- Adequacy Standards and PSCOC Funding Participation
- Current PSCOC Programs and Adequacy Standards Process
- Questions
- Appendix
  - Capital Outlay Funding Formula
  - Direct Legislative Appropriations
  - Local Match Reductions

# Public School Capital Funding Before Standards

1. **Local General Obligation Bonds (GO Bonds)**
2. **Public School Buildings Act (HB 33)**
  - Voters allow their district to impose a tax of up to 10 mills for 6 years
  - New construction, renovation, building system replacement, building maintenance, technology upgrades, furnishings, and activity buses
3. **Public School Capital Improvements Act (SB 9)**
  - Voters allow their district to impose a tax of up to 2 mills for 6 years
  - State of NM guarantees a minimum level of funding (program guarantee) based on a formula
  - New construction, renovation, building system replacement, building maintenance, technology upgrades, furnishings, and activity buses
  - Each district prioritizes its capital needs
4. **Public School Capital Outlay Act (Critical Capital Outlay)**
  - 1975 – 2003
  - State funding was awarded to school districts through the Public Education Department (PED) and the Public School Capital Outlay Council (PSCOC)
  - Potential capital projects were presented to the PSCOC by the school district
  - PSCOC awarded capital funding to successful districts
  - Limited amount of funding for a large number of applicants

# Public School Capital Funding After Standards

1. **Local General Obligation Bonds (GO Bonds)**
2. **Public School Buildings Act (HB 33)**
3. **Public School Capital Improvements Act (SB 9)**
4. **Public School Capital Outlay Act (Standards-Based Program)**
  - 2004 – Present
  - Public School Capital Outlay Act amended to create new Adequacy Standards Based funding program
  - Amendment to the Public School Capital Outlay Fund
    - Supplemental Severance Tax Bond proceeds
    - Larger fund than previous Critical Capital Outlay
  - Creation of the Public School Capital Outlay Oversight Taskforce and the Public School Facilities Authority
  - Statewide Adequacy Standards written into NM Administrative Code (NMAC)

## Creation of the Standards Based Process

Between 1999-2004, in response to the Zuni lawsuit and the need to create a uniform system for capital improvements, the State formulated a new “Standards-Based” capital funding program by:

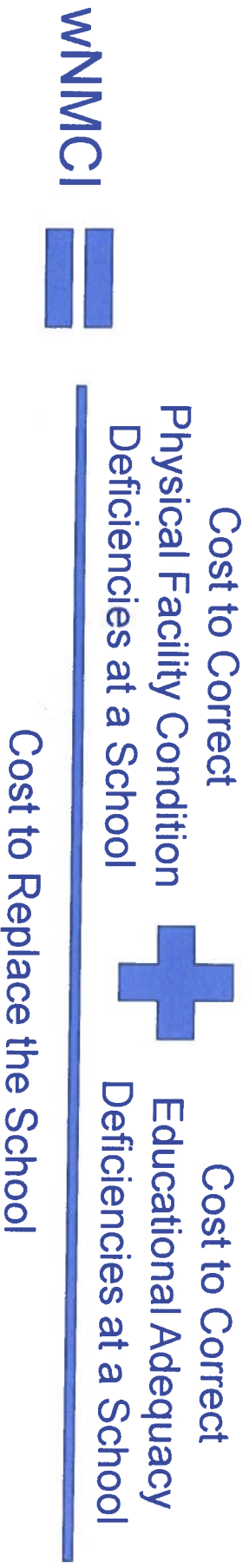
- 1. Assigning the source for the Public School Capital Outlay Fund, supplemental severance tax bond proceeds**
- 2. Formulating the Phase 1 State/Local match calculation**
- 3. Designating the administrative and oversight bodies**
  - Public School Capital Outlay Oversight Task Force (PSCOOTF)
  - Public School Capital Outlay Council (PSCOC)
  - Public School Facilities Authority (PSFA)
- 4. Creating the Statewide Adequacy Standards**
  - Minimum space and performance requirements used to evaluate every school and generate the prioritized statewide ranking of all schools

# Development of Statewide Adequacy Standards

- **Developed in response to Zuni lawsuit (1999)**
  - District Court ruled that public school capital outlay funding was violating the State Constitution that guarantees establishment and maintenance of a “uniform system of free public schools sufficient for the education of all children of school age”
  - Court ordered the State to “establish and implement a uniform funding system for capital improvements and for correcting past inequities”
- **1999 – 2001 PSCOC develops draft “Facility Adequacy Standards”**
- **2002 - PSCOC adopts first version of the Adequacy Standards**
  - Establish the minimum acceptable level of physical condition and enrollment capacity of school buildings
  - Provide a measuring stick to evaluate any existing or proposed public school building
  - Defined minimum sizes of select space types, based on PED Standards for Excellence
- **2002 – 2004 Statewide Assessments and Ranking of Schools**
- **2004 – First Standards-Based funding awards, based on the statewide ranking**

# Purpose of Statewide Adequacy Standards

- Adequacy Standards are used to uniformly measure all existing public school buildings in NM
  - Assess every school against the same set of minimum requirements in the Adequacy Standards to create a prioritized, ranked list of all schools in NM
  - Schools with the most deficiencies (relative to the minimum requirements in the Adequacy Standards and physical condition) are identified as having the greatest capital needs
  - Schools with the greatest needs are prioritized to receive State funding first
  - New schools should be designed to exceed the minimum requirements in the Standards
- Identify deficiencies, assign a cost to correct the deficiencies, calculate the Weighted New Mexico Condition Index score (WNMCI), and rank school facilities



# PED Standards for Excellence and Adequacy Standards

PED Standards for Excellence define the core educational curriculum for all public school students, the Adequacy Standards define the minimum space requirements to provide this education:

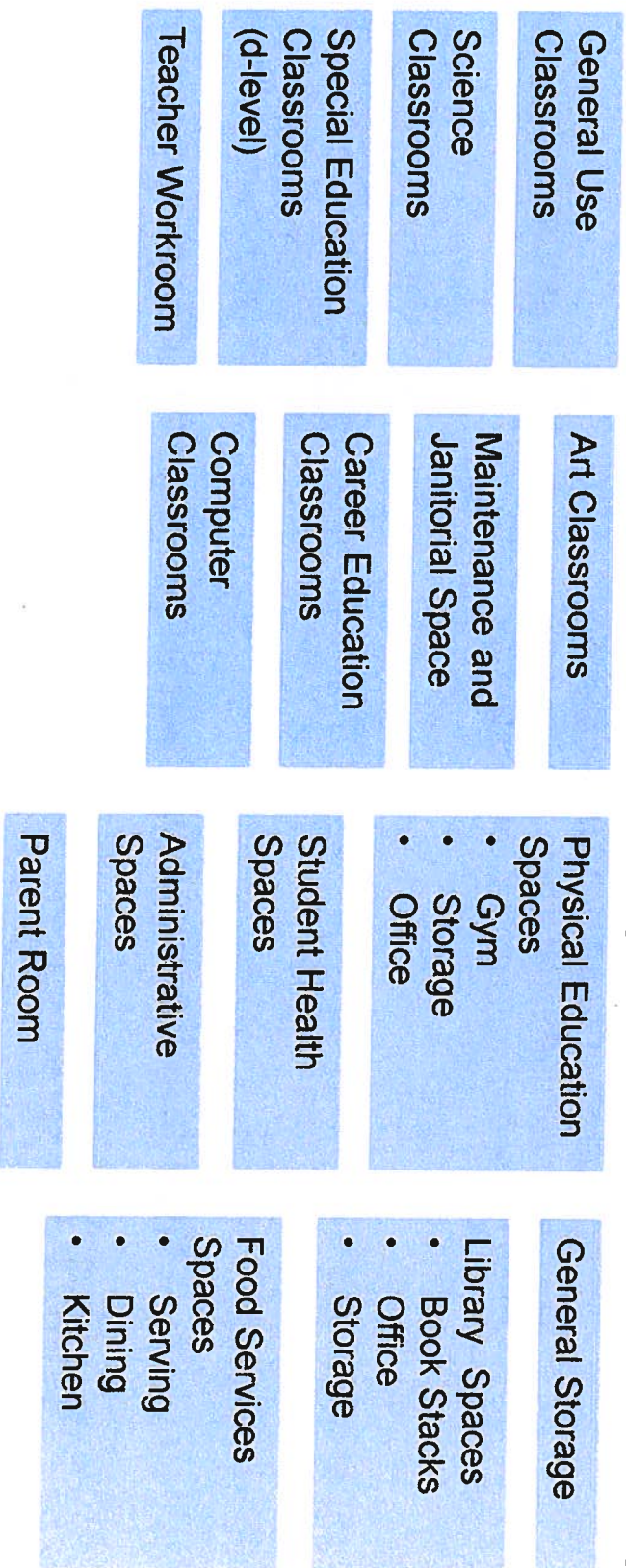
1. General Provisions
2. Arts Education
3. Career & Technical Ed
4. English Language Arts
5. English Language Development
6. Health Education
7. Mathematics
8. Modern, Classical and Native Languages
9. Physical Education
10. Science
11. Social Studies



# History of “to Adequacy”

- PSCOC participation has been defined by shorthand phrases such as “funding to replace the existing school to adequacy”
- Implication is that funding is limited to the minimum requirements defined by the adequacy standards
- PSCOC participates in square footage and space types that are not defined by the Standards

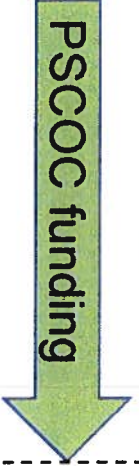
## ■ Space types with defined minimum requirements in the Standards:



# Minimum Requirements vs Funding Limit

- PSCOC funding is not limited to the minimum requirements

Minimum net square footage defined by the Standards



*Misconception: PSCOC funding is limited to the minimum space types and minimum total net square feet defined by the Standards*

- PSCOC funding extends to include the unique educational space needs of each individual school as well as necessary building support spaces

Minimum net square footage defined by the Standards

Minimum NSF



Building support spaces

30% NSF



Unique, undefined educational program needs

20 - 40% NSF



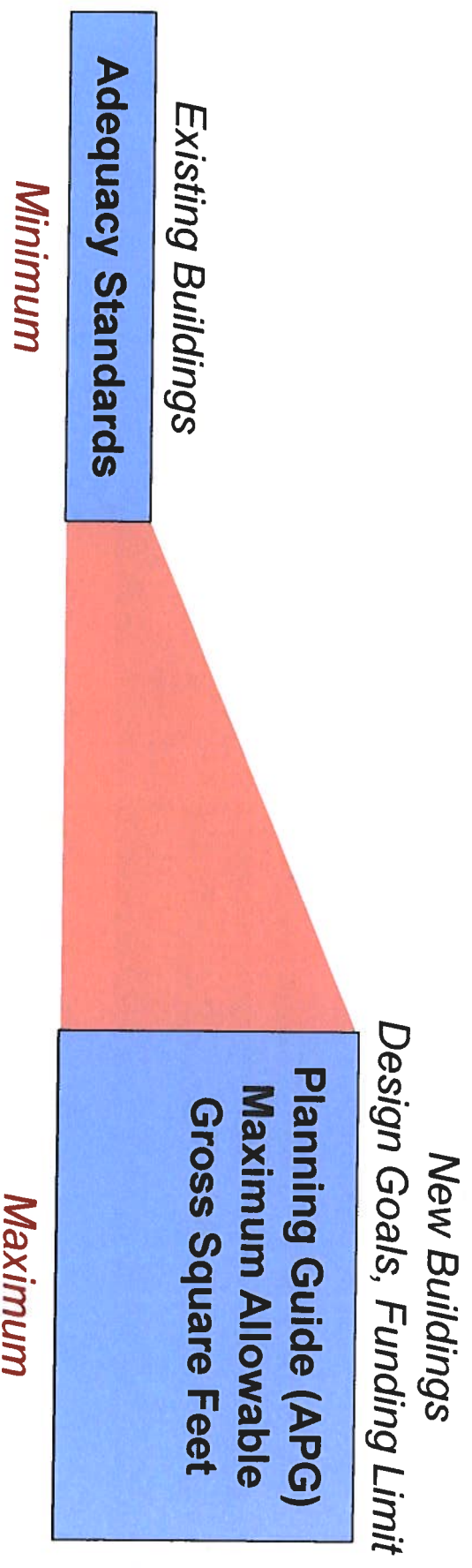
Maximum Allowable Gross Square Feet

PSCOC funding



# Adequacy Planning Guide and the Gross Square Feet Calculator

- Illustrated, best practices guide
- Based on national and local school planning criteria
- Performance criteria, estimated project size and cost
- Defines the limit of state funding participation
- Adequacy Standards Minimum **+** 30% tare **+** 20-40% Unassigned GSF





# Spaces Eligible for PSCOC Funding

Fundable Spaces Defined in the Standards	Fundable Spaces <u>Not</u> Defined in the Standards
General use classrooms	Special education classrooms (gifted, b, and c-level)
Science classrooms	Special education pullout spaces
Special education classrooms (d-level)	OT / PT spaces
Art classrooms	Cultural and language classrooms
Career education classrooms	ROTC spaces
Computer classrooms	Special program music classrooms
Physical education (gym, locker rooms, office, storage)	Office spaces for additional counselors, therapists, etc.
Library spaces (book stacks, office, storage)	Security spaces (SRO office and secure storage)
Food service spaces (serving, dining, kitchen)	Technology infrastructure spaces
Administration spaces	Teacher / Team collaboration spaces
Student health spaces	Family and community sciences classrooms
Teacher workroom	Specialized labs for robotics, maker spaces, etc.
Parent room	Mock courtrooms
Teacher housing	Daycare (Educational or Life Skills)
	Alternate PE spaces
	Maintenance shops

# Spaces and FFE Ineligible for Funding

## Spaces

- **Athletic Sports Facilities**
  - Stadiums
  - Swimming pools
  - Baseball and softball fields
  - Soccer fields
  - Tennis courts
- **Performing Arts Facilities**
  - Auditoriums
  - Stages
- **School Support Facilities**
  - Bus compounds and garages
  - School board offices
  - Equipment and tool sheds
  - District administration offices
- **Non-School Facilities**
  - School-based health centers
  - Recreation centers
  - Senior citizen centers

## Furnishings, Fixtures & Equipment

- **Furnishings**
  - Shade structures on playgrounds
  - Furniture in teacher breakrooms
- **Fixtures**
  - Sinks in general education classrooms
  - Site lighting for athletic facilities and athletic facility parking areas
- **Equipment**
  - Refrigerators and microwaves in teacher break rooms
  - End user technology equipment and devices

## Evolving Limits of State Funding Participation

- Adequacy Planning Guide further defines the limits of State funding for particular items, such as:
  - Site features
  - Furnishings and equipment
  - Types of building systems
  - Fields and play areas for physical education
- Early years of the Standards-based program, PSCOC prioritized projects for educational building spaces when many schools needed critical educational adequacy corrections
- Consideration is now given to a broader range of space types and site features, especially when justified by educational program needs
- “Above adequacy” or “outside of adequacy” refers to spaces and items not eligible for funding because they are not related to the educational standards or can not be justified based on a unique educational program need

# Standards-Based Awards Made in FY 2005

- 39 new awards for schools in 22 school districts
- \$247 M total project cost
  - \$130 M State, \$110 M Local, \$7 M Direct Appropriations
- State prioritized critical, educational space needs, funding minimum building spaces defined in the Adequacy Standards
- Typical award description
  - \$4.6 M: “Construct classroom and restroom additions; construct support spaces; renovate and make other site improvements”
  - \$4.2 M: “Improvements to meet NM Statewide Adequacy Standards”
  - \$7.0 M: “Construct new high school facilities with the exception of athletic facilities”
  - \$10.5 M: “Construct new high school to replace existing inadequate facilities and portables”
  - \$16.6 M: “Complete construction of new high school facilities”

# Changes to the Adequacy Standards

## Primary drivers of change to the Adequacy Standards include:

1. Direction from PSCOC
2. PSFA research for quality improvement
3. Requests from school districts
4. Legislative action creating new funding programs

## Timeline of Major Updates to the Standards:

<b>1999-2001</b> First draft Adequacy Standards	<b>2002</b> Adequacy Standards adopted into NMAC	<b>2003</b> Adequacy Standards reference guide created	<b>2005</b> Adequacy Standards updated	<b>2007</b> Adequacy Standards updated Adequacy Planning Guide incorporated Gross square feet guidelines incorporated	<b>2010</b> Standards updated Adequacy Planning Guide updated Gross square feet calculator incorporated	<b>2012</b> Standards updated Adequacy Planning Guide updated	<b>2019</b> Proposed updates to the Standards under consideration Gross square feet calculator updated
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# Summary of Adequacy Standards Updates

- “The New Mexico public school statewide adequacy standards are dynamic and the council plans to review them regularly and change them as time and circumstances require.” (6.27.30.2 NMAC)

Year	Site Features	Building Spaces
2002	Parking, Play Area/Playground for ES, Hard Surface Play Area and Play Field for MS and HS, Fencing for K-6 only	Special Ed not included, 3000 and 5000 NSF minimum Career Ed at MS and HS, cafeteria minimum 10-15 NSF per student
2005	Minor technical changes	Special Ed classroom requirement added, Career Ed reduced to 3 and 4 NSF per student, Cafeteria minimum set at 15 NSF per student, Student health minimum and maximum size defined
2007	Added Hard Surface Play Area and Play Field for ES, MS and HS, Fencing for All Grade Levels	Classroom storage minimum NSF added to minimum classroom NSF, Art classroom minimum NSF increased from 2.5 to 4 NSF per student, Career Ed minimum size reduced to 650 NSF, Cafeteria sized for no more than 3 turns, Student health maximum size eliminated
2010	Minor technical changes	Special Ed kitchenette requirement added
2012	Minor technical changes	Minor technical changes

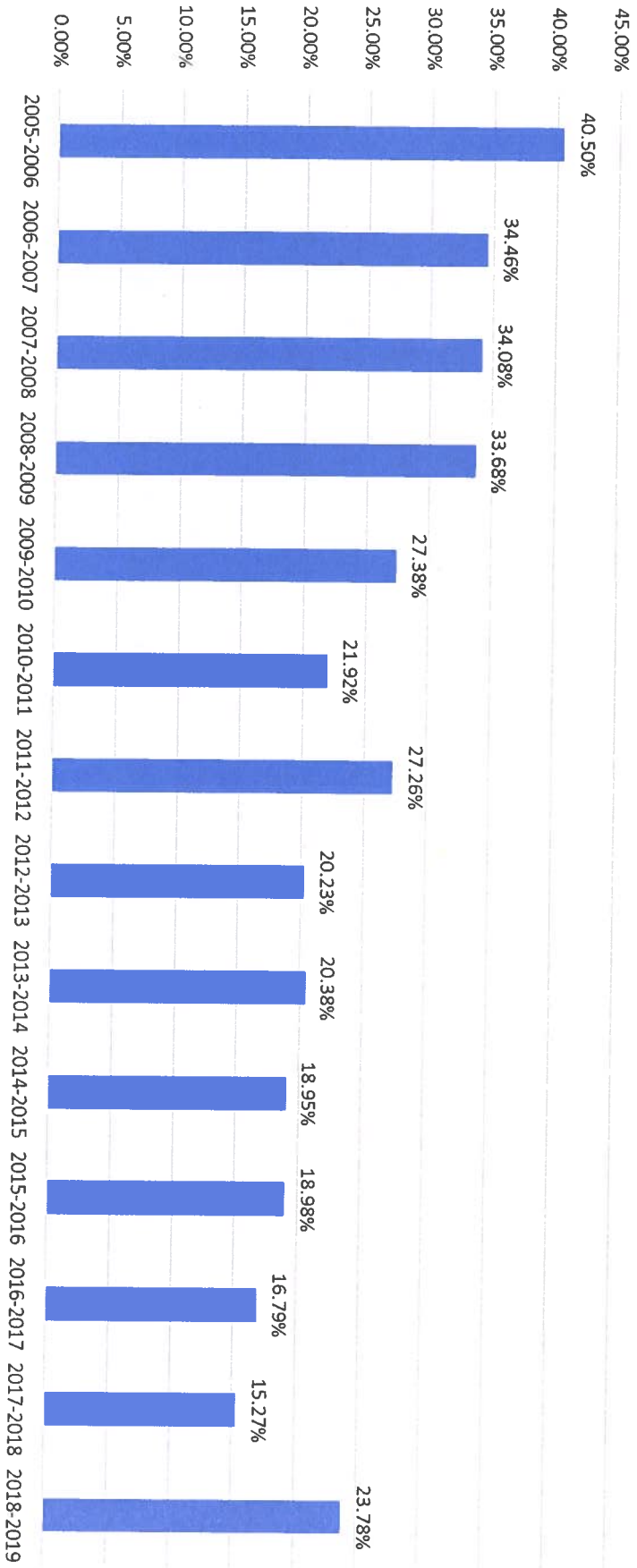
# Current Work with the Adequacy Standards

- Senate Bill 230 (2019 Session) calls on PSCOC/PSFA to integrate minimum requirements for Pre K into the Adequacy Standards
- PSFA held statewide Adequacy Standards workshops in 2018
  - PSFA gathered additional input from an online survey of districts
- Updates suggested by the workshops and the survey include
  - Security
  - Special Education
  - Career / Vocational Education
  - Technology Infrastructure
  - Pre K
- PSFA has drafted proposed changes to the Standards and will gather public comment on the proposed changes in August and September 2019
- Senate Bill 280 appropriated funding for projects in school districts that receive federal impact aid for tribal lands
  - \$10 M for teacher housing
  - \$24 M for “outside of adequacy” projects

# Improved Facility Conditions with Standards

- In 2005, 37 schools had wNMCI scores higher than 100%
- Highest wNMCI scores were 358%, 273%, 253%, 247% and 218%
- wNMCI score above 60% is a rough indicator for whole school replacement
- Scores above 100% generally result from severe over-crowding

Statewide Average wNMCI



# PSCOC Funding Programs in FY 2019

## 1) Standards-Based, Large Projects (2004)

- Current statewide average wNMCI 23.07%
  - Only 3 schools have wNMCI higher than 60%
- 2) Systems, Small Projects (2017)
  - 3) School Security (2018)
  - 4) Broadband Deficiencies Correction (2014)
  - 5) Pre-Kindergarten Classroom Facilities (2018)
  - 6) Facilities Master Plan (2003)
  - 7) Lease Assistance (2005)
  - 8) Teacher Housing & Outside of Adequacy (2019)

Program	# of Awards	Total Estimated Project Cost	FY19 Local Match	FY19 State Match
<b>Standards-Based</b>	<b>11</b>	<b>\$210,682,081</b>	<b>\$12,498,095</b>	<b>\$13,219,670</b>
Systems-Based	24	\$25,853,947	\$10,073,414	\$15,780,533
School Security	210	\$30,396,545	\$14,269,498	\$16,000,000
Teacher Housing	3	\$10,000,000	-	\$10,000,000
<b>TOTAL</b>	<b>248</b>	<b>\$276,932,573</b>	<b>\$36,841,007</b>	<b>\$55,000,203</b>

Future Local Match	Future State Match
<b>\$48,341,420</b>	<b>\$136,622,896</b>
TBD	TBD
N/A	N/A
N/A	N/A
<b>\$48,341,420</b>	<b>\$136,622,896</b>

# Questions

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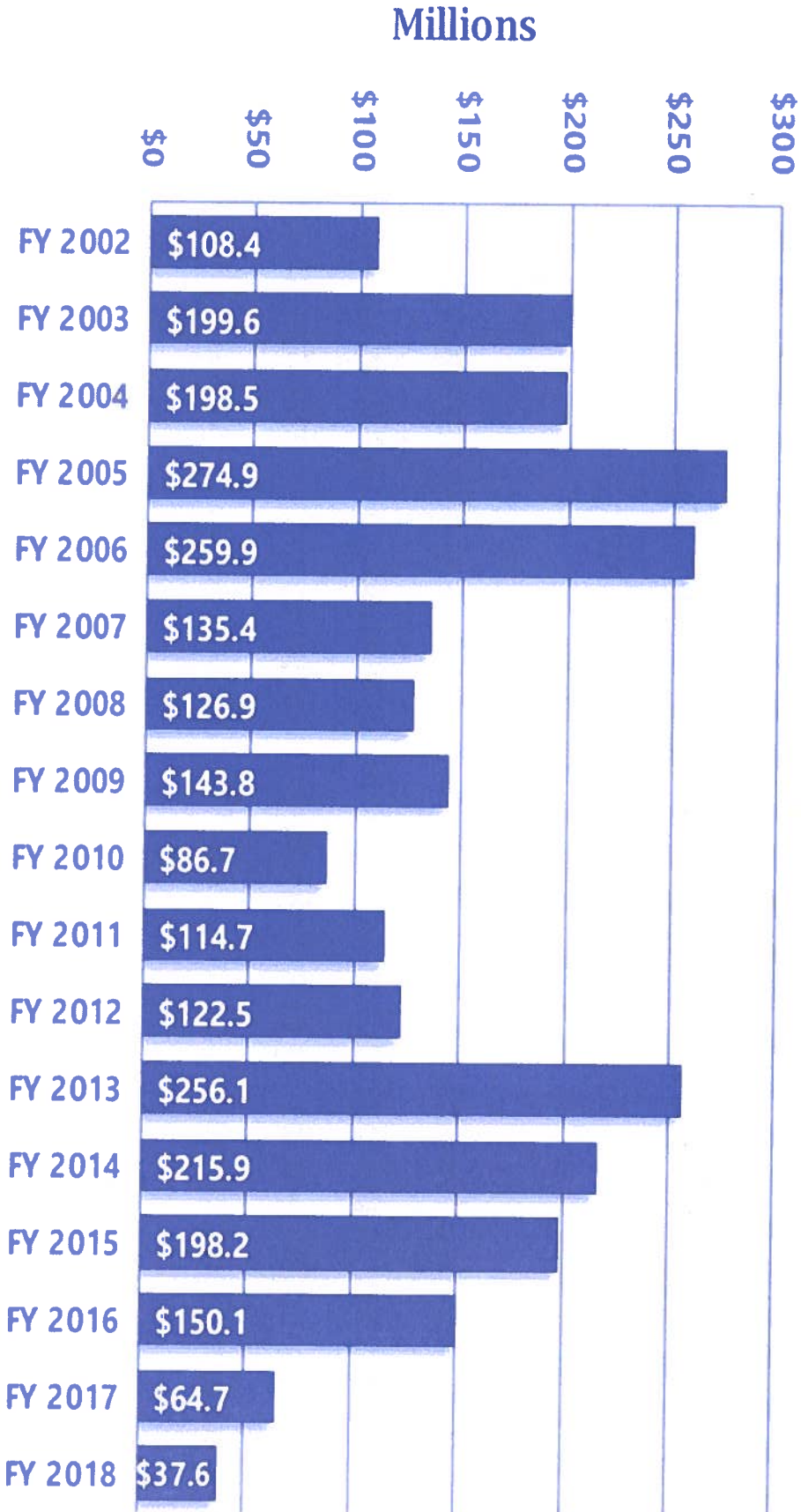
**Thank You!**

# Appendix

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# PSCOC Standards-Based Funding Awards History



# History of the State/Local Funding Formula

## **2001 Legislature**

- Responding to the court order from the Zuni Lawsuit, to “establish and implement a uniform funding system for capital improvements... and for correcting past inequities”
- Created the Deficiencies Correction Program (DCP) to identify and correct serious life, health, safety deficiencies in schools statewide, these projects were 100% state funded

## **2003 Legislature**

- Concern that additional state funding through DCP would not change less wealthy districts’ bonding capacity, while allowing wealthy districts to build superior facilities
- Enacted state / local share funding formula
  - Availability of school district revenues from both bond levies and direct mill levies
  - Relative property tax wealth, measured by assessed property tax valuation per student
- Total mill levy applicable to residential property of the district



# Phase 1 Funding Formula FY 2005 – FY 2023

- The phase 1 formula, used since the inception of the standards-based program, is determined by three main components:
  - land valuations
  - membership
  - amount of residential mills a school district has imposed
- The chart below reflects how the state share percentage may change if one of the components within the formula changes. The chart only reflects the results if only one of the components changes. The results may differ if changes occur to more than one of the factors.

	LAND VALUATIONS		MEMBERSHIP		RESIDENTIAL TAX MILL LEVIES	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
DISTRICT SHARE	↑	↓	↓	↑	↓	↑
STATE SHARE	↓	↑	↑	↓	↑	↓

# Transition from Phase 1 to Phase 2 Formula

## **2015 Bureau of Business and Economic Research (BBER) at UNM**

- Contracted by the Public School Capital Outlay Oversight Task Force (PSCOOTF)
- Conducted a detailed assessment of the funding formula
- “While the formula is being correctly applied, there are reasonable concerns that the formula does not make the most effective use of state resources and does not provide predictability necessary for long-term planning.”
- BBER study identified 2 problematic factors in the funding formula:
  1. Property tax valuation may not be the best measure of a district’s ability to pay and property tax valuations are subject to significant fluctuations
  2. Does not account for differences in the per student facility construction and maintenance costs

# Phase 2 Funding Formula History

## **2018 Legislature: Senate Bill 30 (SB 30 / aSFI#1 / aHEC)**

- Changes the proportion of state and local funding to potentially allow the state to fund more projects each year
- New formula adjusts the state and local match to more accurately reflect each school district's ability to pay for public school capital outlay projects
- Gradual Phase-in from existing formula (Phase 1) to new formula (Phase 2)

<b>FY19</b>	100% of phase one formula
<b>FY20</b>	80% of phase one formula and 20% of phase two formula
<b>FY21</b>	60% of phase one formula and 40% of phase two formula
<b>FY22</b>	40% of phase one formula and 60% of phase two formula
<b>FY23</b>	20% of phase one formula and 80% of phase two formula
<b>FY24</b>	100% of phase two formula
- Current: average state share is 43%, average local share is 57%
- FY24 and thereafter: average state share 37%, average local share 63% (estimated)

# Phase 2 Formula Calculation

## Based on 3 calculations:

1. Sum of the final prior 5 years net taxable value for a school district multiplied by 0.0009
2. Maximum allowable gross square foot per student multiplied by the replacement cost per square foot (\$/SF), divided by 45
3. Result of calculation 1 divided by the result of calculation 2

## If / then statements based on the final value of calculation 3:

- If the result is a value equal to or greater than one, the phase two formula value (state match) is 0%, rounded up to a 6% minimum
- If the final result is greater than 0.090 but less than 1, the phase two formula value (state match) is 1 minus the unweighted local match
- If the result is less than 0.090, the phase two formula value (state match) is weighted to account for population density, using the most current tract level population estimates published by the US Census Bureau, increasing the state match for rural districts
  - 0-15 people per square mile = additional 12% state
  - 16-50 people per square mile = additional 6% state
  - More than 50 people per square = 0% additional state

# Phase 2 Formula Definitions and Sources

The values in the phase 2 formula are derived from the following:

- Net Taxable Value: sum of the prior 5 years residential, non-residential, and oil, gas, copper assessed valuations as reported by PED
- 0.0009: available year-to-year debt service revenue, if a district is fully indebted
- Maximum Allowable Gross Square Feet per Student: value calculated by PSFA, based on the minimum required spaces described by the Adequacy Standards and the best practices in the Adequacy Planning Guide
- Replacement Cost per Square Foot: average dollar value per square foot to replace a school, based on actual project costs
- 45: annualized amortization of a facility (number of years of expected life span)
- Density Factor: number of people per square mile, from US Census data

# Direct Appropriations and Offsets

## What is an offset?

- The law says that the 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.*”

## 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.
- The offset applies to all PSCOC award allocations after January 2003, including funds appropriated through another government entity which pass directly to the school district and the amounts do not sunset or expire. The Public Education Department (PED) tracks offsets for all districts.

### **See Handouts:**

- How Direct Legislative Appropriations Offset a School District’s PSCOC Award Funding – A Simple Overview
- Total Offsets for 2018-2019 Award Cycle

# Direct Appropriation and Offset Example

**Example:** During the 2019 legislature, school district “A” receives a direct legislative appropriation to fund construction of a new fieldhouse next to their football field. The legislative appropriation directs \$1,000,000 toward the project. Two years later, in 2021, school district “A” applies for and receives a PSCOC Pre K award for a project at their elementary school in the amount of \$500,000. This school district has a state/local match of 60/40. How will the direct appropriation impact their PSCOC award?

School District “A” Appropriation and Offset Example	
Direct legislative appropriation	\$1,000,000
PSCOC award to the district	\$500,000
District “A” local match percentage	40%
Offset reduction in district’s PSCOC award allocation (\$1 M x 40%)	\$400,000
School district’s net PSCOC award amount (\$500,000 - \$400,000)	\$100,000
Total State funds received by the district (Direct appropriation + PSCOC award)	\$1,100,000

Notes:

- 1) Public Education Department tracks offsets for all districts.
- 2) Any capital funding allocated to a specific school district(s) by the legislature is counted for offsets.
- 3) Direct appropriations allocated since 2004 are tracked by PED and the amounts do not sunset or expire.

# 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