

The Status of School Conditions & Public School Capital Outlay Standards-Based Funding Capacity

June 20, 2014

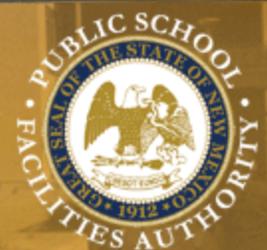
Progress Report For
Public School Capital Outlay Oversight Task Force

PRESENTERS

David Abbey, **Director, Legislative Finance Committee, PSCOC Chair**

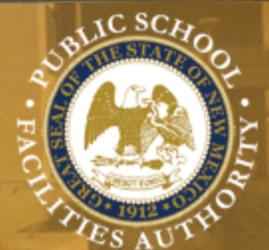
Bob Gorrell, **Executive Director, Public School Facilities Authority (PSFA)**

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

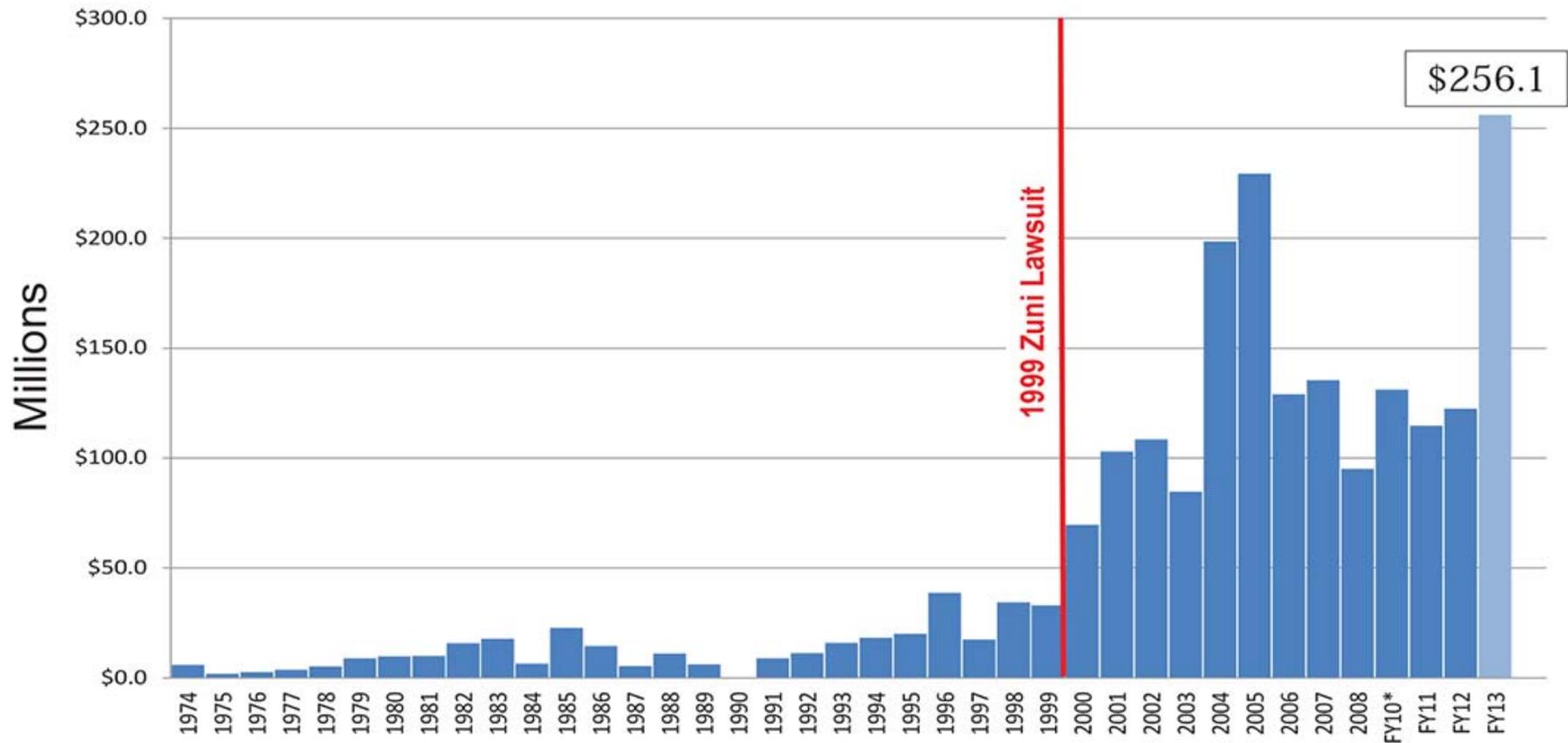


School Facilities are Important. Why?

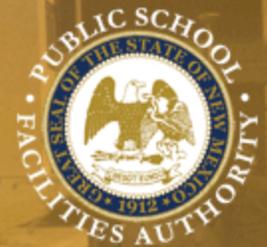
- Students who receive instruction in buildings with good environmental conditions can earn test scores that are 5–17 percent higher than scores for students in substandard buildings. SOURCE: Glen I. Earthman, *School Facility conditions and Student Academic Achievement* (Los Angeles; UCLA Institute for Democracy, Education, and Access, 2001)
- Schools with better building conditions have up to 14 percent lower student suspension rates. Ibid.
- Substandard physical environments are strongly associated with truancy and other behavior problems in students. SOURCE: Stephen Boese and John Shaw, *New York State Facilities and Student Health, Achievement, and Attendance: A Data Analysis Report* (Albany,; Healthy, Schools Network, Inc., 2005)



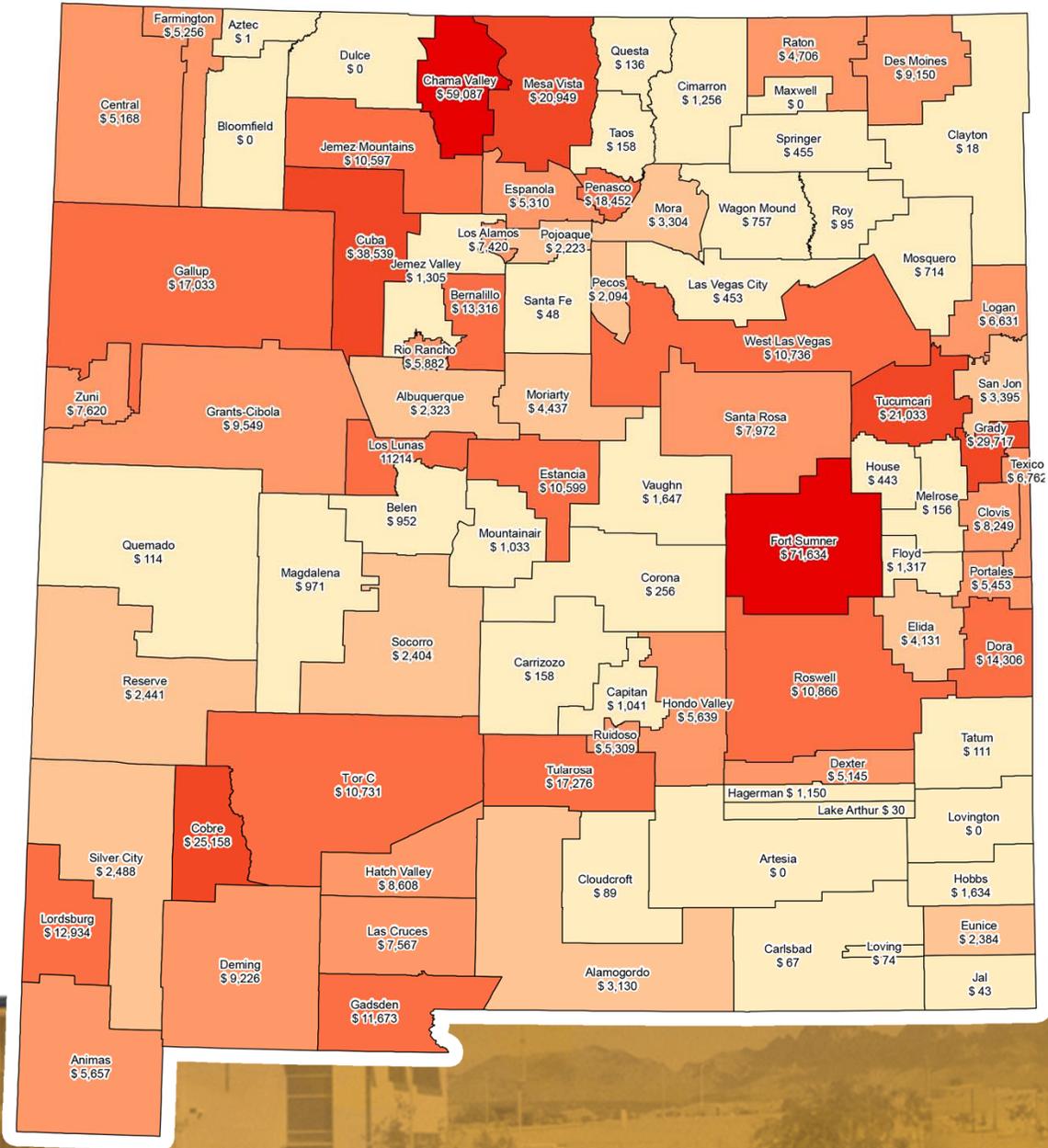
PSCOC Awards History 1974-2013



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



PSCOC Award Per Student (\$)



All School Districts

Award Amount (\$) Per Student



The PSCOC has awarded
\$1.7B (\$1,737,694,485)
 from FY05 to FY14



FCI versus wNMCI

The Weighted New Mexico Condition Index or wNMCI is a measure of the educational suitability of a facility.

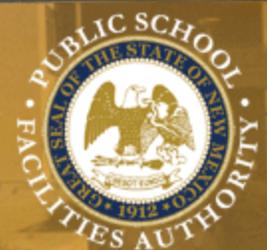
Factors affecting the measure are:

- Capacity to support school Curriculum.
- Number of Students to available space.
- Immediate Learning Environment.

FCI versus wNMCI

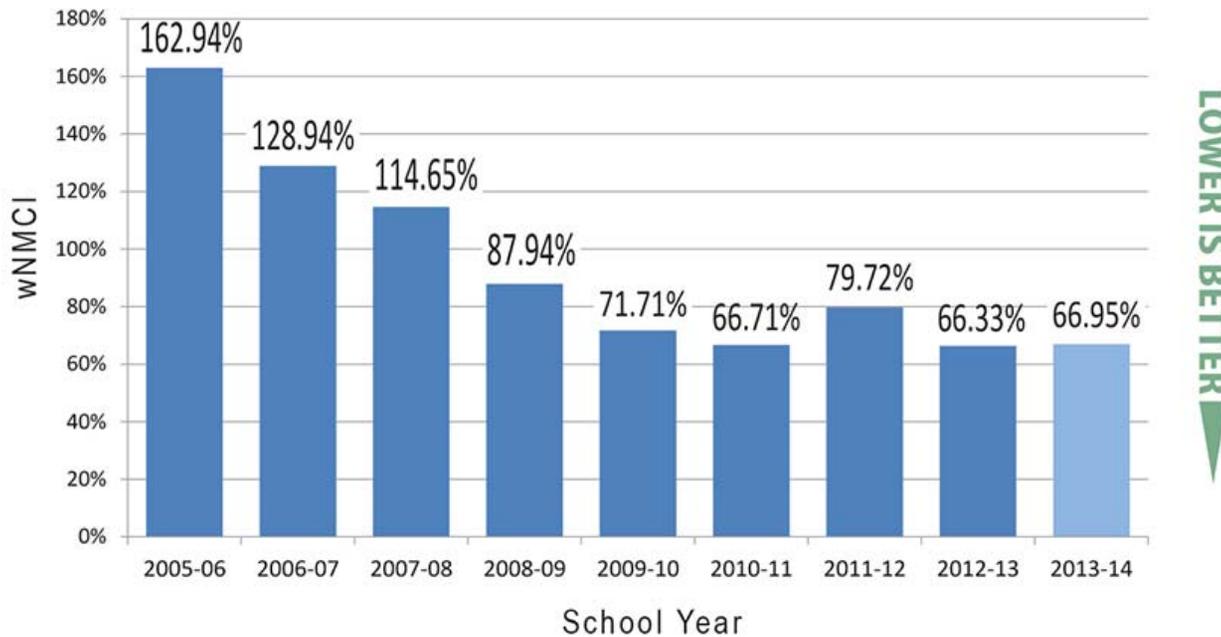
The Facility Condition Index or FCI is a measure of long term viability of a school's physical infrastructure – its bricks and mortar.

- Old facilities that have clean, dry, and conditioned classrooms might have a satisfactory wNMCI score but a poor FCI score.
- Newer facilities that are overcrowded, or have leaking roofs might have a satisfactory FCI score but a poor wNMCI score, because they cannot support learning.



FCI vs. wNMCI – Top 30 wNMCI

Average Weighted NM Condition Index
(wNMCI** For Top 30 Schools on Ranked List)



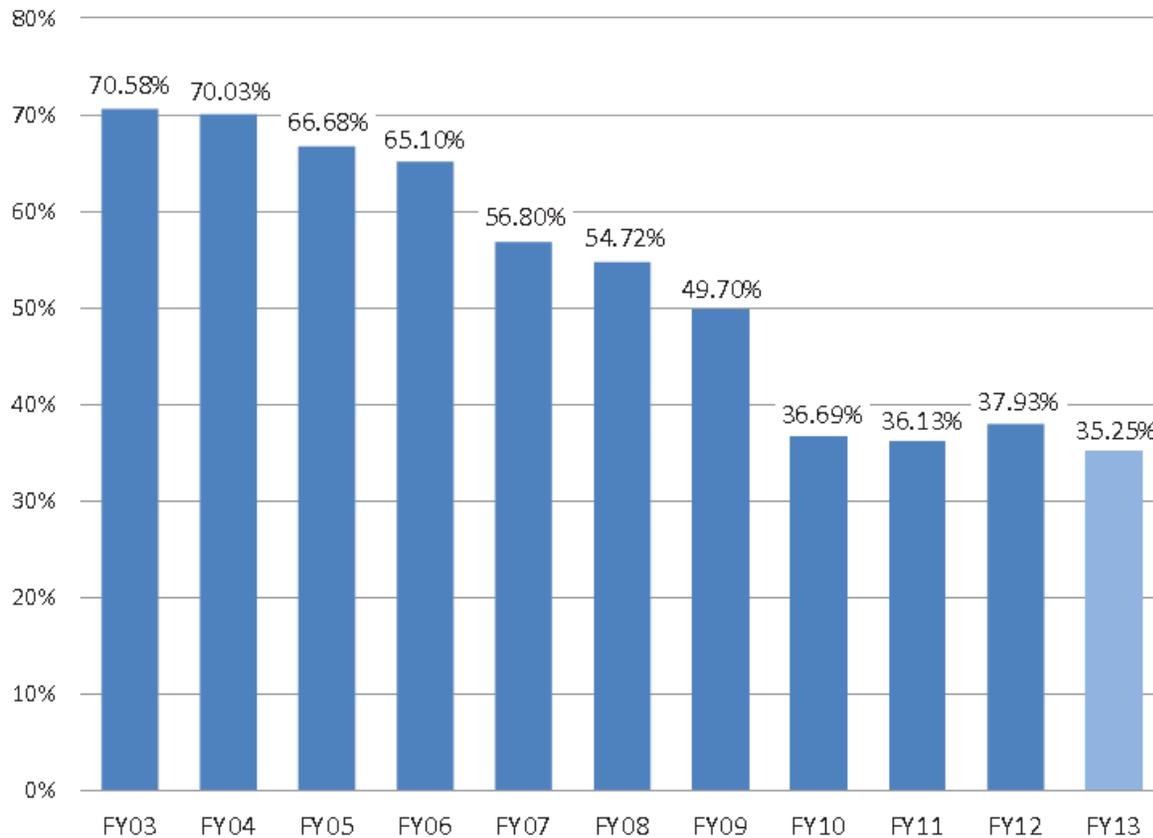
The wNMCI is a measurement, not just of the physical condition of the school but also of whether the physical environment meets the educational needs of the students. The wNMCI is also weighted for the urgency of the need for repair or improvement.

**wNMCI = FCI + Facility's ability to support educational functions.



FCI vs. wNMCI – Avg. Statewide FCI

Facilities Condition Index (FCI)



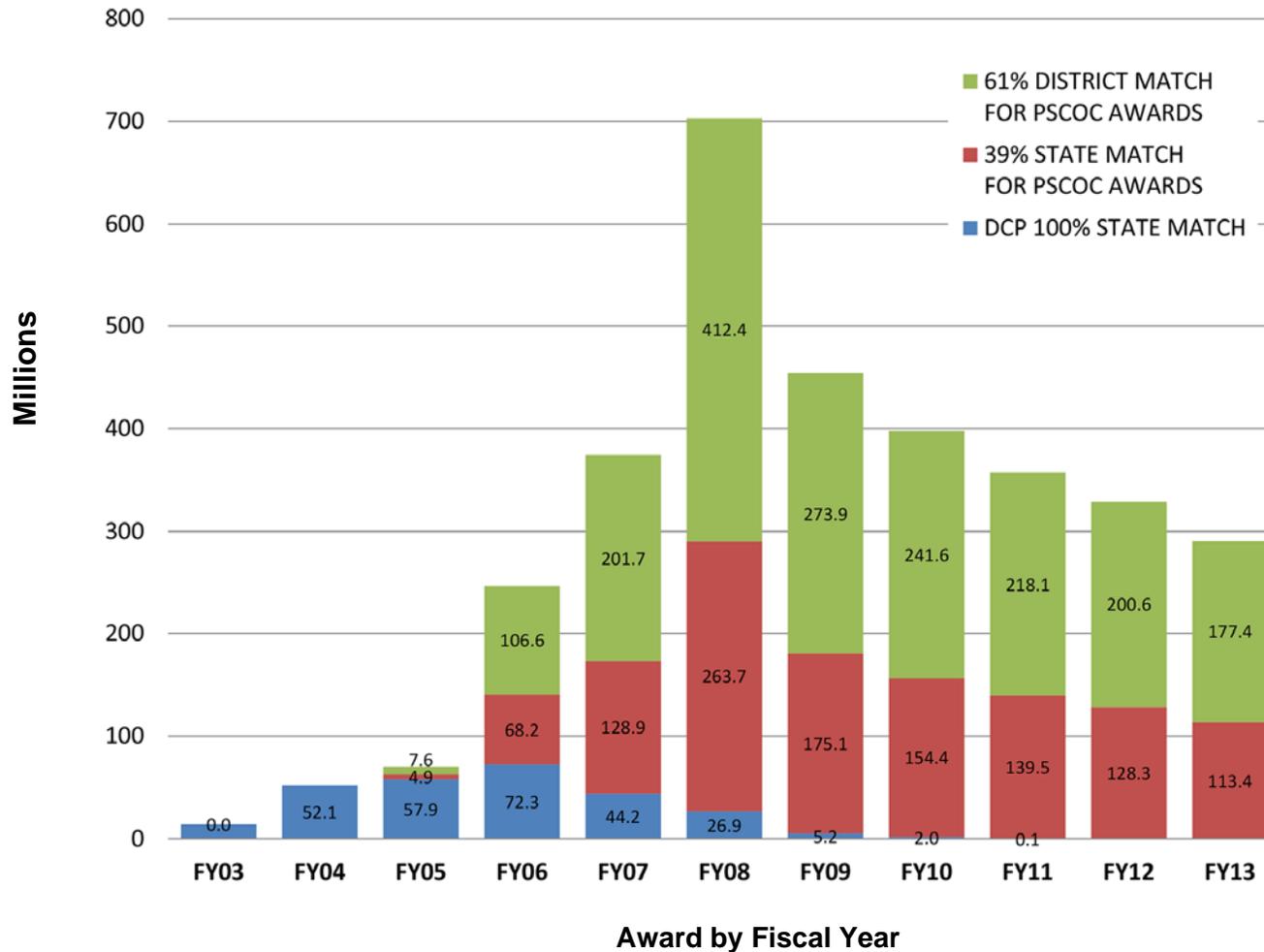
The Standards-Based programs success over the last 10 years has caused the range of scores between the worst schools and the best schools to shorten. And, the facilities conditions are becoming more homogenous.

LOWER IS BETTER

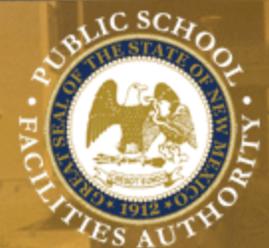
Partnering with New Mexico's communities to provide quality, sustainable school facilities for our students and educators.



PSCOC/District K-12 Spending



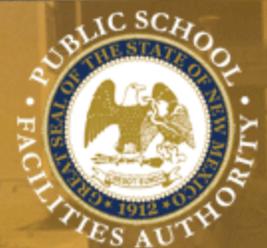
Partnering with New Mexico's communities to provide quality, sustainable school facilities for our students and educators.



Conflicting Pressures on Funding

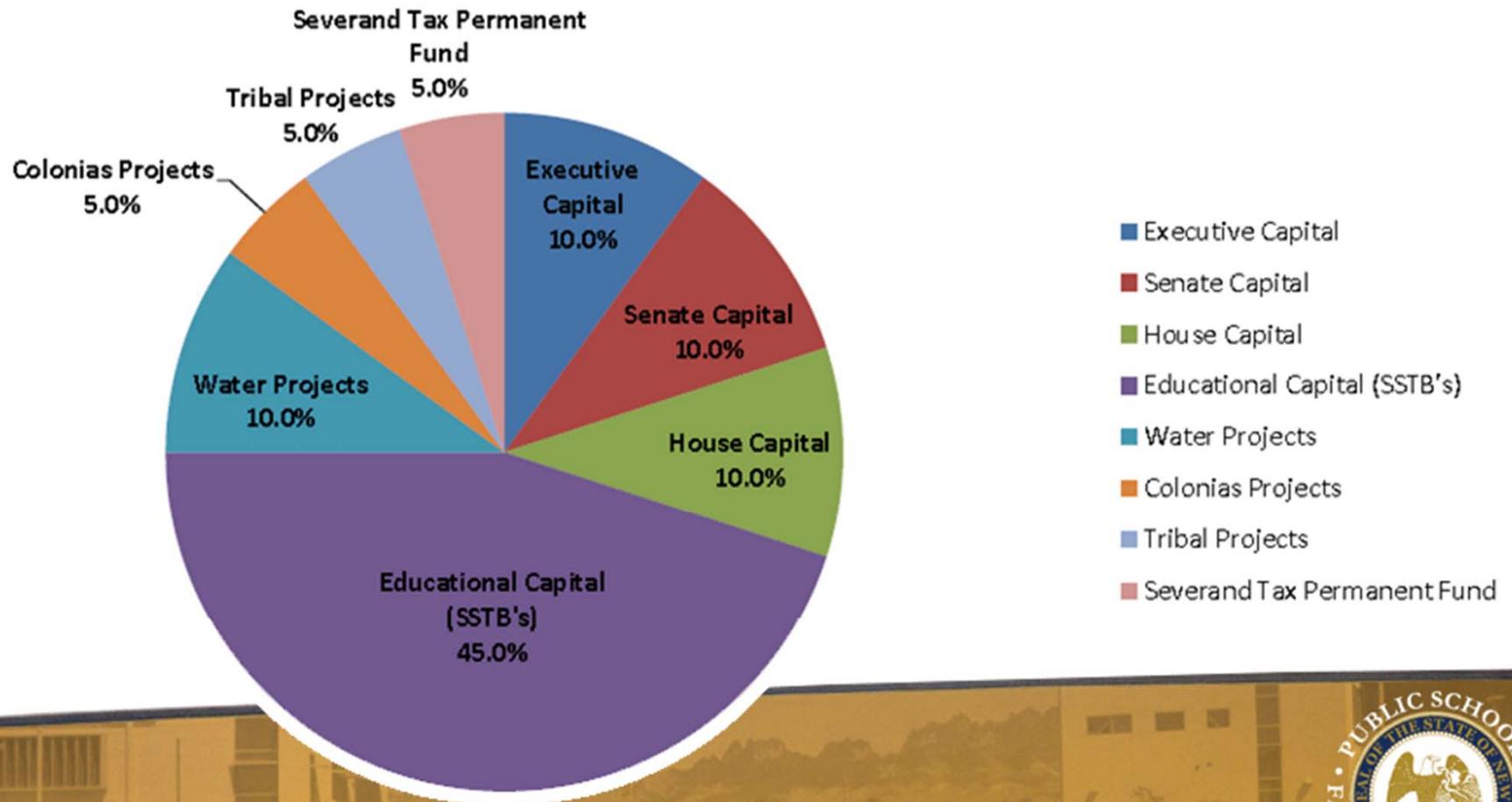
- There are 60 million square feet of school facilities valued at over \$17 billion. Assuming a functional life of 30 years before renewal, PSFA estimates that \$567 million in annual expenditures would be necessary if we were to regularly replace all facilities.
- On the other hand, PSFA calculates that with proper renewal spending, and good maintenance, \$360 million in annual spending (state + local funds) will be sufficient to maintain the FCI at around 35 percent. This assumes a continued state share of approximately \$150 million annually.
- However, over time, funding needed for public school capital outlay could gradually be decreased with proper long range planning, improvements in maintenance, and right sizing schools. Drastic improvements in the overall average conditions of school facilities have been made over the past decade. Funding needed for replacement and repair may be diminished.
- **Other policy considerations related to SSTBs include:**
 - Allowing more funding to flow to the severance tax permanent fund.
 - Other statewide capital needs are not being met and SSTBs could be intercepted to meet those needs.

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



State Share Funding

Severance Tax Bond Proceeds Distributions: (Senior & Supplemental Bonds)



State Share Funding

*Sources and Uses of Funds
Bonding Capacity Available for Authorization
December 2013 Estimate*

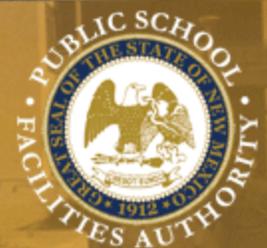
Sources of Funds (millions)	FY14	FY15	FY16	FY17	FY18	Five-Year
General Obligation Bonds	167.0	-	190.0	-	190.0	547.0
Severance Tax Bonds	199.2	194.2	194.2	194.2	194.2	976.0
Severance Tax Notes	85.5	107.7	86.0	68.1	56.3	403.6
Subtotal Senior STBs	284.7	301.9	280.2	262.3	250.5	1,379.6
Supplemental Severance Tax Bonds	-	-	-	-	-	-
Supplemental Severance Tax Notes	175.2	205.8	203.8	198.9	193.7	977.3
Subtotal Supplemental STBs	175.2	205.8	203.8	198.9	193.7	977.3
Total Sources of Funds	\$626.9	\$507.7	\$674.1	\$461.1	\$634.2	\$2,903.9
Uses of Funds (millions)	FY14	FY15	FY16	FY17	FY18	Five-Year
GOB Projects Approved by Referendum	167.0	-	190.0	-	190.0	547.0
Authorized but Unissued STB Projects*	38.0	-	-	-	-	38.0
Series 2013S- C Funded Projects	5.0					
10% Water Projects	28.5	30.2	28.0	26.2	25.0	138.0
5% Colonias Projects	14.2	15.1	14.0	13.1	12.5	69.0
5% Tribal Projects	14.2	15.1	14.0	13.1	12.5	69.0
New Senior STB Statewide Capital Projects	184.8	241.5	224.2	209.8	200.4	1,060.7
Education Capital	175.2	205.8	203.8	198.9	193.7	977.3
Total Uses of Funds	\$626.9	\$507.7	\$674.1	\$461.1	\$634.2	\$2,903.9

*Includes projects authorized in Laws 2012 and 2013 that have not yet met requirements for project funding.

Current PSCOC Uses of SSTB Proceeds (Education Capital):

PROGRAM / USE (in millions)	FY14	FY15	FY16	FY17	FY18	5 yr. Total
Capital Improvements Act (SB-9)	\$20.00	\$20.20	\$20.40	\$20.60	\$20.80	\$102.00
Lease Payment Assistance Awards	\$13.00	\$13.60	\$14.30	\$15.00	\$15.80	\$71.70
Master Plan Assistance Awards	\$0.50	\$0.40	\$0.40	\$0.40	\$0.40	\$2.10
PSFA Operating Budget	\$5.60	\$5.90	\$5.90	\$5.90	\$5.90	\$29.20
CID / OSFM Inspections	\$0.00	\$0.30	\$0.30	\$0.30	\$0.30	\$1.20
SB159 2014 - Ed Tech Infrastructure Deficiencies Correction	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$50.00
HB55 2014 - PED Appropriations	\$14.90	\$0.00	\$0.00	\$0.00	\$0.00	\$14.90
HB55 2014 - NMSBVI Appropriations	\$8.30	\$0.00	\$0.00	\$0.00	\$0.00	\$8.30
HB55 2014 - NMSD Appropriations	\$7.00	\$0.00	\$0.00	\$0.00	\$0.00	\$7.00
Balance Available for PSCOC Standards-Based Projects	\$95.90	\$155.40	\$152.50	\$146.70	\$140.50	\$691.00
TOTAL	\$175.20	\$205.80	\$203.80	\$198.90	\$193.70	\$977.40

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



Sustaining our Facilities Requires...

- **Good Planning**

Efficient capital spending decisions must include calculated best return on investment mix of this spending. This requires significant pre-planning and feasibility studies.

- **Good Maintenance**

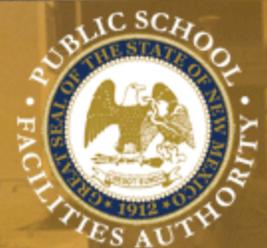
PSFA estimate that if FMAR scores were 70% or better, the annual potential for avoided capital cost is about \$27M.

- **Right Sizing**

Maintenance and facility operations costs are directly related to the gross total square footage of our schools. Since the late 40's, school facilities have tended to increase their size about 1% per year. Reversing this trend can be done by carefully analyzing exactly what is needed to support education.

Sustaining Facilities Condition

- The wNMCI has been used very efficiently for PSCOC spending decisions. The wNMCI works very well for targeting the worst of the worse “whole school” facilities not educationally adequate. Lesser functioning schools are fewer, and the statewide average FCI has reduced from 70% to about 35%.
- To sustain the FCI at 35% and lower operational costs, a different funding approach, not directly tied to educational adequacy, could be very effective. One that would fund partial renewal (modernization) by replacing certain building systems and removing unnecessary square footage.



Outstanding PSCOC Issues

- **Broadband**
- **Charter School Facilities**
- **Level of Permanent Fund Transfer**
- **District Planning**
- **Adequate Facilities Maintenance**



Questions or Comments?

Well planned, well built, and well maintained schools
are *less* expensive to operate, leaving *more*
available funds for academics.

For more information please call **505-843-6272**
Or visit our website **www.NMPSFA.org**

THANK YOU!