

FY14 PUBLIC SCHOOL CAPITAL OUTLAY AWARDS AND ISSUES

For the Public School Capital Outlay Oversight
Task Force

August 6, 2013

David Abbey, Chair, Public School Capital Outlay
Council

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PURPOSE OF PUBLIC SCHOOL CAPITAL OUTLAY ACT

- To ensure that, through a standards-based process for all school districts, the physical condition and capacity, educational suitability and technology infrastructure of all public school facilities in New Mexico meet an adequate level statewide and the design, construction and maintenance of school sites and facilities encourage, promote and maximize safe, functional and durable learning environments in order for the state to meet its educational responsibilities and for New Mexico's students to have the opportunity to achieve success.

PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL

- The council is responsible for reviewing and approving applications for funding. The Council consists of the following individuals or their designee:
 - Secretary of the Department of Finance and Administration
 - Secretary of the Public Education Department
 - Governor
 - President of the NM School Boards Association
 - Director of the Construction Industries Division of RLD
 - President of the Public Education Commission
 - Director of the Legislative Education Study Committee
 - Director of the Legislative Finance Committee
 - Director of the Legislative Council Service

SUPPLEMENTAL SEVERANCE TAX BONDS

- Section 7-27-14 - Except as otherwise specifically provided by law, the state board of finance may issue supplemental severance tax bonds with a term that does not extend beyond the fiscal year in which they are issued if the debt service on such supplemental severance tax bonds when added to the debt service previously paid or scheduled to be paid during that fiscal year on severance tax bonds and supplemental severance tax bonds does not exceed ninety-five percent of the deposits into the severance tax bonding fund during the preceding fiscal year.

HISTORY OF SSTB CAPACITY FOR PUBLIC SCHOOL CAPITAL OUTLAY

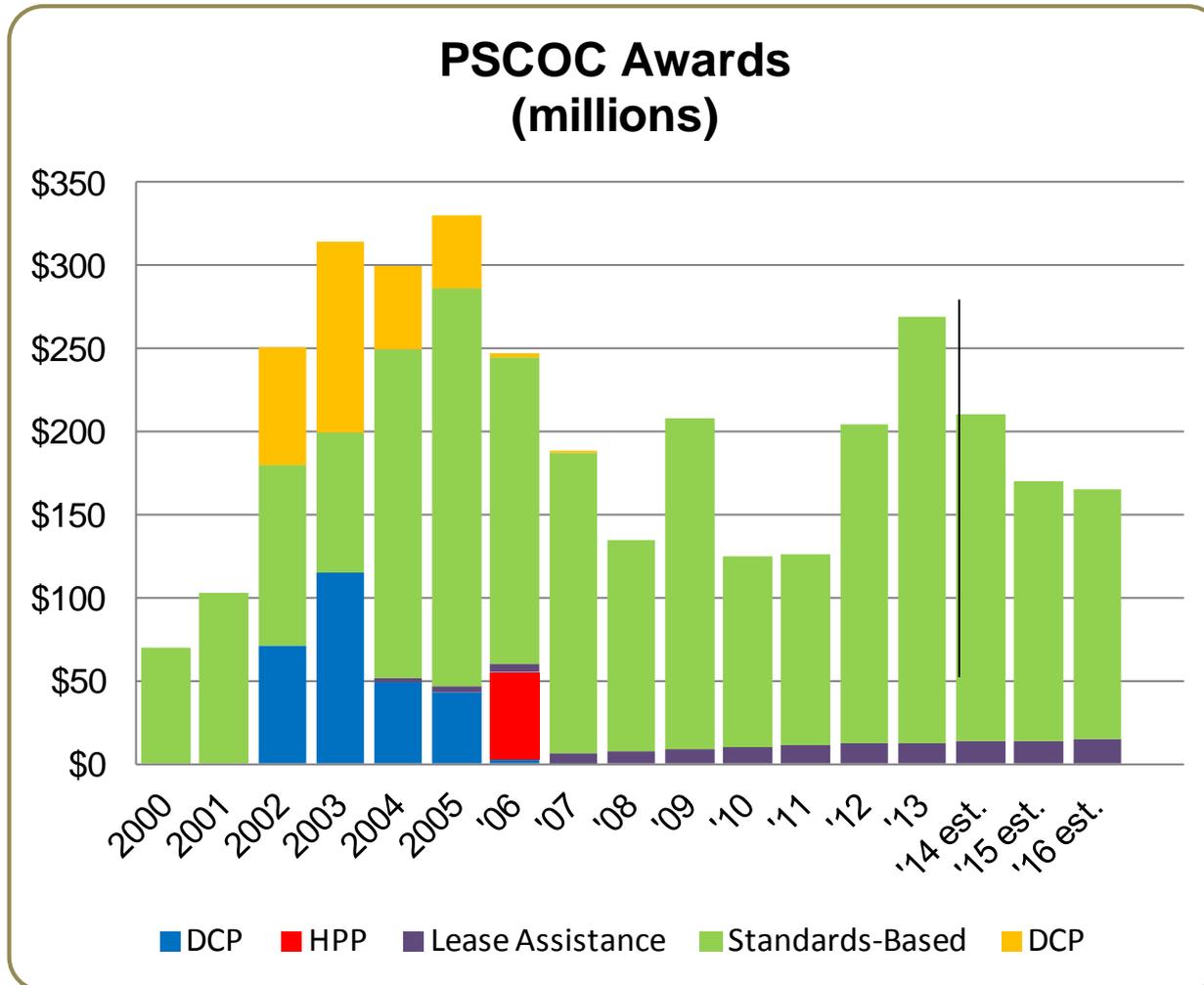
- Laws 2004, Chapter 125, Section 2 – 95% effective July 1, 2004
- Laws 2000 (2nd S.S.), Chapter 11, Section 2 - 87.5% effective April 12, 2000
- Laws 2000, Chapter 95, Section 1 – 75% effective May 17, 2000
- Laws 1999 (1st S.S.), Chapter 6, Section 7 - 62.5% effective July 1, 1999

- Based on anticipated revenues to the severance tax bonding fund of \$336.2 million, less \$142 million of set asides for debt service obligations, \$194.2 million was available for sponge issuance in June, 2013. After a \$73.8 million senior note issuance and a \$120.3 million supplemental sponge note issuance (public schools), \$83.41 was transferred to the severance tax permanent fund as of June 30. The reason debt service consumed virtually all revenue is because the 95% bonding test applied to prior year (FY12) revenues which were greater than in FY13.

PROGRAMS FUNDED FROM THE PUBLIC SCHOOL CAPITAL OUTLAY FUND

- Five-Year Facility Master Plans
- Standards-Based Construction Awards
 - Permit and Inspection Fees and Abandoned School Demolition
- Roof Repair and Replacement (statutorily sunsets in FY15)
- Lease Assistance Reimbursements

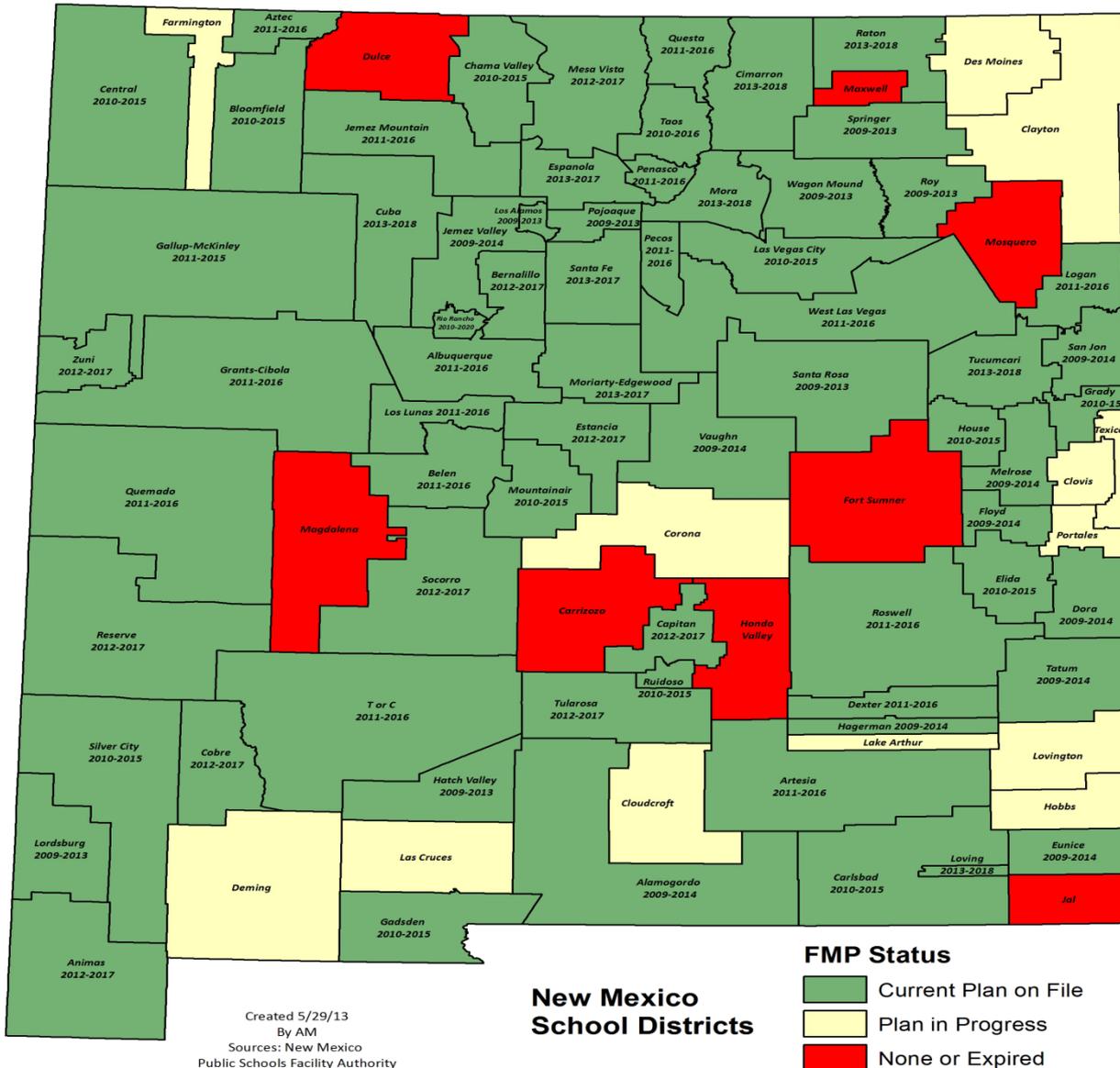
PSCOC FUNDING HISTORY



FACILITY MASTER PLAN AWARDS

- In order to be eligible for any capital outlay award, school districts and charter schools must have a current five-year facilities plan, which shall include a current preventive maintenance plan for each public school in the district.
- The Public School Capital Outlay Fund may be used to assist school districts in developing and updating required five-year facilities plans.
- Awards for FMP will follow the state/local match calculations unless:
 - the school district has an average of fewer than 600 students during the prior school year; OR
 - The school district :
 - Has fewer than an average of 1000 students during the prior school year;
 - At least 70 percent of the students are eligible for free and reduced lunch;
 - The state share of the cost is less than 50 percent; and
 - The school district has a residential property tax rate of 7 mills.

NM School District Facilities Master Plan Status

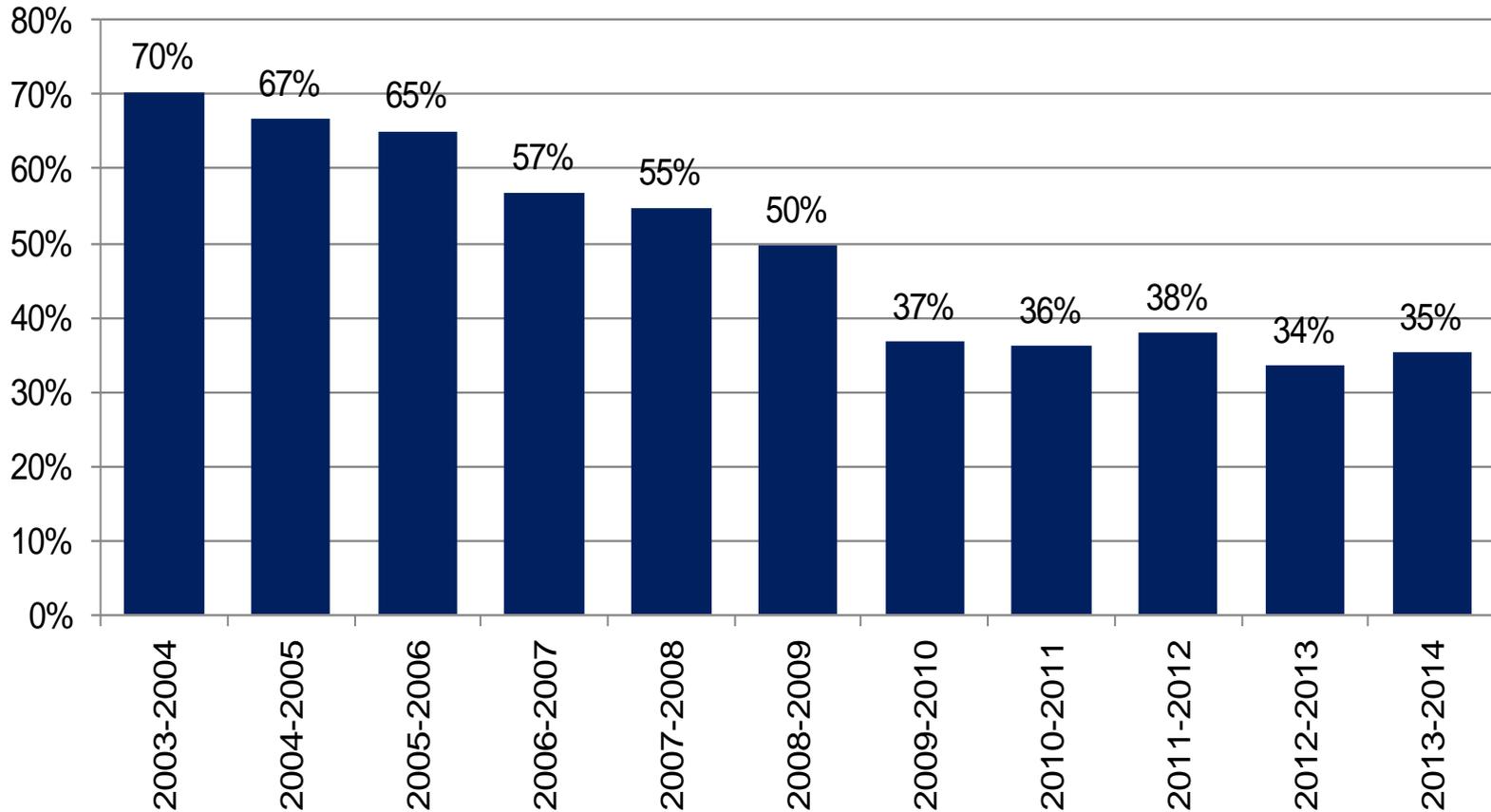


FMP awards for the 2012-2013 cycle totaled \$236 thousand for Clayton, Cloudcroft, Corona, Des Moines, Farmington, Lake Arthur, Moriarty-Edgewood, Pojoaque, Santa Rosa, Springer and Texico. District matching funds totaled \$195 thousand.

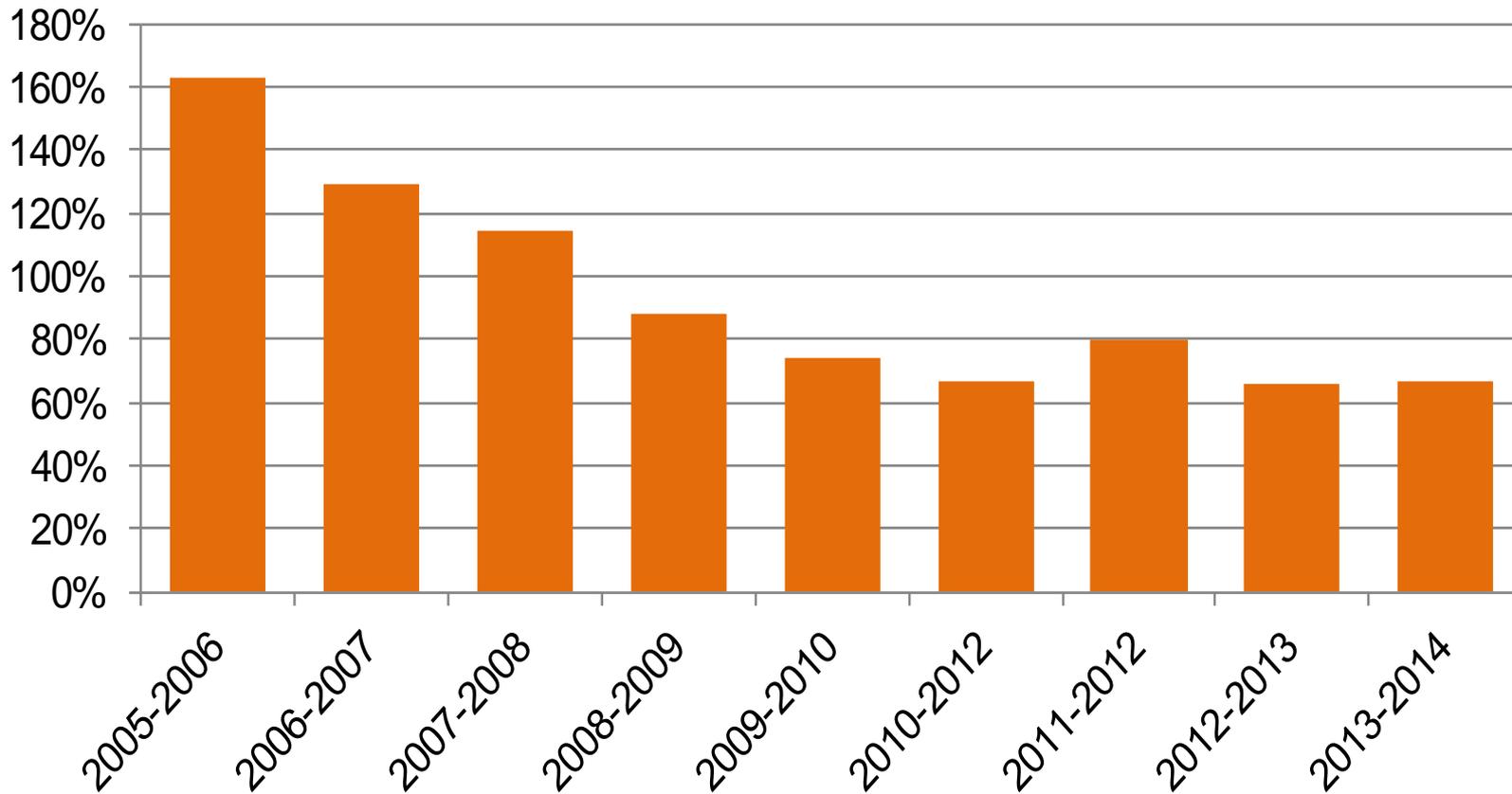
SUCCESS OF STANDARDS BASED PROGRAM

- The standards based program has been extremely successful in providing safe and adequate educational space for New Mexico students.
- Since its inception, the statewide average Facility Condition Index (FCI) has improved from 70 percent to 35 percent. The FCI measures the cost of repair divided by the cost of replacement. The FCI only measures the actual condition of the building and does not include a measure of educational adequacy nor are any of the individual building systems weighted based the importance established by the PSCOC.
- The weighted New Mexico Condition Index (wNMCI) measures both the condition of the building and educational adequacy and the individual building systems are weighted based on the importance established by the PSCOC. The wNMCI has improved from 163 percent to 20 percent.

History of Average FCI



Average wNMCI for Top 30 Schools on Ranked List



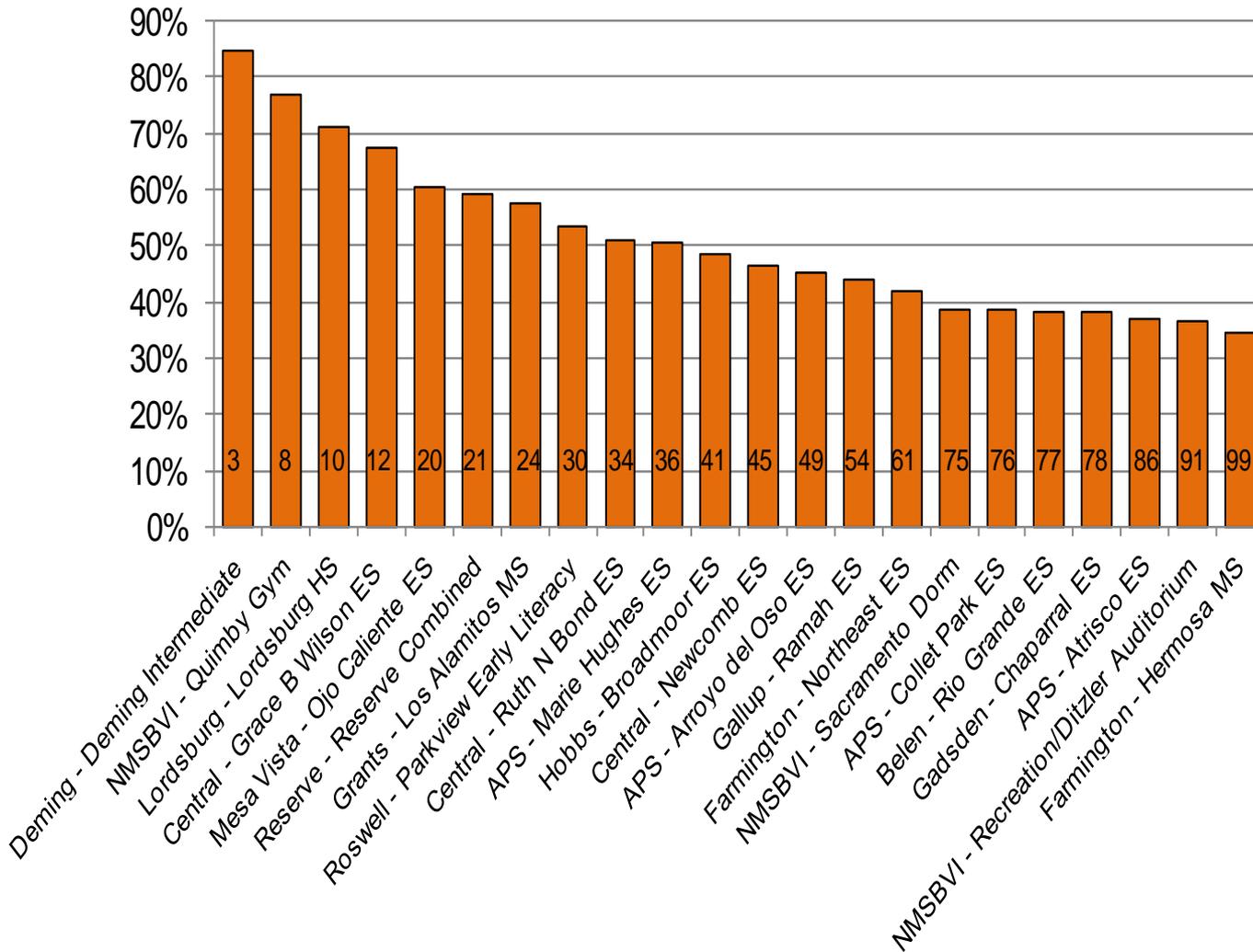
STANDARDS BASED PROGRAM

- The Council opened the application process up to the top 100 worst schools based on wNMCI ranking.
- The 100th ranked school has a wNMCI of 35 percent.
- The top 100 schools have an average wNMCI of 49 percent.
- The median wNMCI is 19 percent (half of New Mexico schools have a wNMCI of 19 percent or less).

2013-2014 STANDARDS-BASED AWARDS

NMCI Rank	Weighted NMCI	District	School	Total Project Cost	Total Project Cost To Adequacy	Local Match %	State Match %	Phase Request	Phase Request Net Local Match	Phase Request Net State Match	Potential Out-of-Cycle
36	50.63%	Albuquerque	Marie Hughes ES	\$8,475,010	\$8,475,010	45%	55%	\$847,501	\$381,375	\$466,126	\$4,195,130
49	45.34%	Albuquerque	Arroyo del Oso ES	\$1,022,122	\$1,022,122	45%	55%	\$1,022,122	\$1,022,122	\$0	\$0
76	38.53%	Albuquerque	Collet Park ES	\$5,028,217	\$5,028,217	45%	55%	\$5,028,217	\$4,243,946	\$784,271	\$0
86	37.16%	Albuquerque	Atrisco ES	\$9,854,453	\$9,854,453	45%	55%	\$985,445	\$443,450	\$541,995	\$4,877,954
77	38.40%	Belen	Rio Grande ES	\$16,027,945	\$16,027,945	37%	63%	\$100,000	\$74,000	\$26,000	\$10,034,605
45	46.27%	Central	Newcomb HS	\$11,911,896	\$11,911,896	39%	61%	\$100,000	\$39,000	\$61,000	\$7,205,257
12 & 34	67.53% & 50.87%	Central	Grace B Wilson ES & Ruth N Bond ES	\$25,000,000	\$25,000,000	39%	61%	\$100,000	\$39,000	\$61,000	\$15,189,000
3	84.78%	Deming	Deming Intermediate School	\$17,700,000	\$16,300,000	29%	71%	\$1,630,000	\$472,700	\$1,157,300	\$10,415,700
61	41.92%	Farmington	Northeast ES	\$12,700,000	\$12,700,000	40%	60%	\$1,270,000	\$508,000	\$762,000	\$6,858,000
99	34.59%	Farmington	Hermosa MS	\$10,200,000	\$10,200,000	40%	60%	\$1,020,000	\$408,000	\$612,000	\$5,508,000
78	38.23%	Gadsden	New ES	\$19,107,485	\$16,500,000	13%	87%	\$1,650,000	\$214,500	\$1,435,500	\$12,919,500
78	38.23%	Gadsden	Chaparral ES	\$14,745,046	\$14,745,046	13%	87%	\$1,474,505	\$191,686	\$1,282,819	\$11,545,371
54	44.13%	Gallup	Ramah ES	\$9,467,853	\$9,119,265	19%	81%	\$911,927	\$173,266	\$738,660	\$6,647,944
24	57.40%	Grants	Los Alamos MS	\$25,816,453	\$20,830,000	26%	74%	\$100,000	\$26,000	\$74,000	\$15,340,200
41	48.41%	Hobbs	New ES	\$16,128,870	\$16,128,870	46%	54%	\$1,612,887	\$741,928	\$870,959	\$7,838,631
41	48.41%	Hobbs	Broadmoor ES	\$14,440,157	\$14,440,157	46%	54%	\$1,444,016	\$664,247	\$779,768	\$7,017,916
10	71.33%	Lordsburg	Lordsburg HS	\$11,000,000	\$11,000,000	65%	35%	\$100,000	\$65,000	\$35,000	\$3,815,000
20	60.45%	Mesa Vista	Ojo Caliente ES	\$7,000,000	\$7,000,000	54%	46%	\$700,000	\$378,000	\$322,000	\$2,898,000
8	77.11%	NMSBVI	Quimby Gymnasium	\$1,844,015	\$1,844,015	50%	50%	\$184,402	\$92,201	\$92,201	\$829,807
75	38.58%	NMSBVI	Sacramento Dorm	\$2,294,411	\$2,294,411	50%	50%	\$229,441	\$114,721	\$114,721	\$1,032,485
91	36.68%	NMSBVI	Recreation/Ditzler Auditorium	\$4,116,993	\$4,116,993	50%	50%	\$411,699	\$205,850	\$205,850	\$1,852,647
21	59.02%	Reserve	Reserve Combined School	\$8,700,000	\$8,700,000	84%	16%	\$50,000	\$0	\$50,000	\$1,188,237
30	53.41%	Roswell	Parkview Early Literacy	\$10,500,000	\$10,500,000	28%	72%	\$1,050,000	\$322,000	\$728,000	\$6,804,000
47	46.09%	Silver-State Charter	Aldo Leopold Charter School	\$9,000,000	\$9,000,000	53%	47%	\$50,000	\$26,500	\$23,500	\$4,206,500
			24	\$272,080,926	\$262,738,400			\$22,072,161	\$10,847,491	\$11,224,670	\$148,219,884

2013-2014 Standards-Based Awards



Average
wNMCI of
Projects
51%

Estimated
Total
Standards
Based
Awards =
\$162
million

BUILDING CONDITION IN SELECT DISTRICTS

	Schools	2013-2014	
		# in Top 100*	Average wNMCI*
Gallup	35	6	19.08%
Gadsden	21	0	16.08%
Zuni	5	0	28.72%
Grants	10	1	17.37%
Rio Rancho	17	0	13.39%
*Excludes Awarded Schools			Source: PSFA

OBSERVATIONS

- Funding needed for replacement and repair is greatly diminished with the substantial lowering of the FCI.
- School districts and charter schools continue to experience persistent maintenance problems according to PSFA staff.
- The Public School Capital Outlay Act does not require districts to prioritize locally generated funding to bring facilities up to adequacy or maintain facilities before spending revenues on projects above adequacy, nor does the PSCOA encourage districts to prioritize the worst ranked facilities.

OBSERVATIONS CONT.

- A number of schools remain in poor condition and aren't participating in the standards-based program
 - Clayton: Clayton HS (39, 49.08%)
 - Floyd: Floyd Combines School (83, 37.37%)
 - Lovington: Yarbro ES (55, 43.43%)
 - Tatum: Tatum ES (26, 55.06%); Tatum Jr./Sr. HS (94, 36.13%)
- Reasons include low bonding capacity, high local match requirement, and voter resistance.

ROOFING REPAIR AND REPLACEMENT

- Up to ten million dollars (\$10,000,000) of the fund may be allocated annually by the council for expenditure in fiscal years 2010 through 2015 for a roof repair and replacement initiative with projects to be identified by the council.
- Money allocated for roof projects must be expended within two years of the allocation.
- School districts must apply annually for roofing projects, and all roofs in applications are assessed and ranked.
- The Council approves roofing projects on an established priority basis. However, for the past several years, there have been fewer than \$10 million dollars of roofing projects, and no projects have been denied.
- School districts are required to pay the local share of roof projects.

2012-2013 ROOF AWARDS

NMCI Rank	RCIA Score	District	School	Facility	Roof SF	Total Project Cost	Cost/SF	Local Match %	State Match %	Net Local Match	Net State Match
N/A	-	Mesa Vista ³	District-wide	Various	35,530	\$250,000	\$7.04	54%	46%	\$135,000	\$115,000
59	117	Gallup	Crownpoint HS	Crownpoint HS	74,472	\$1,582,530	\$21.25	19%	81%	\$300,681	\$1,281,849
392	115	Gadsden	Santa Teresa High School	STHS Vocational Building	14,360	\$287,200	\$20.00	13%	87%	\$37,336	\$249,864
563	110	Los Lunas	Katherine Gallegos ES	Main Building Entry & Gym	6,012	\$122,985	\$20.46	24%	76%	\$53,516	\$69,469
169	107	Las Vegas City	Robertson HS	Library and Media Building, Arts Building, Quintana Building,	14,107	\$298,523	\$21.16	39%	61%	\$298,523	\$0
517	106	Pecos	Pecos ES	Entire Roof	71,595	\$1,566,141	\$21.88	57%	43%	\$1,029,913	\$536,228
506	106	Tularosa	Tularosa Intermediate School	Main Building	27,863	\$535,131	\$19.21	27%	73%	\$70,485	\$464,646
14	101	Alamogordo	High Rolls ES	Old Building (1923)	7,335	\$150,000	\$20.45	34%	66%	\$900	\$149,100
241	101	Gadsden	Mesquite Elementary School	Library Media Center	18,762	\$375,240	\$20.00	13%	87%	\$48,781	\$326,459
143	99	Tularosa	Tularosa Middle School	Cafeteria	9,924	\$132,025	\$13.30	27%	73%	\$35,647	\$96,378
658	97	Grants	San Rafael ES	San Rafael ES	23,219	\$502,345	\$21.64	26%	74%	\$130,610	\$371,735
677	97	Grants	Milan ES	Milan ES-old gym&class	28,312	\$595,865	\$21.05	26%	74%	\$154,925	\$440,940
173	95	Albuquerque	Lavaland ES	Library	3,312	\$115,920	\$35.00	45%	55%	\$52,164	\$63,756
122	86	Gallup	Stagecoach ES	Stagecoach ES	61,239	\$834,206	\$13.62	19%	81%	\$158,499	\$675,707
328	86	Gallup	Navajo Pine HS	Navajo Pine HS	75,793	\$1,610,601	\$21.25	19%	81%	\$306,014	\$1,304,587
230	83	Las Cruces	Alameda ES	Alameda ES	31,979	\$603,750	\$18.88	36%	64%	\$328,950	\$274,800
64	83	Roswell	Mountain View MS	Entire Roof Repairs	61,111	\$399,750	\$6.54	28%	72%	\$111,930	\$287,820
625	82	West Las Vegas	WLV HS	Band/Shop Building	14,834	\$250,000	\$16.85	28%	72%	\$109,200	\$140,800
583	68	Silver	La Plata MS	Building Core	50,439	\$622,286	\$12.34	53%	47%	\$329,812	\$292,474
					630,198	\$10,834,498	\$18.52			\$3,692,886	\$7,141,612

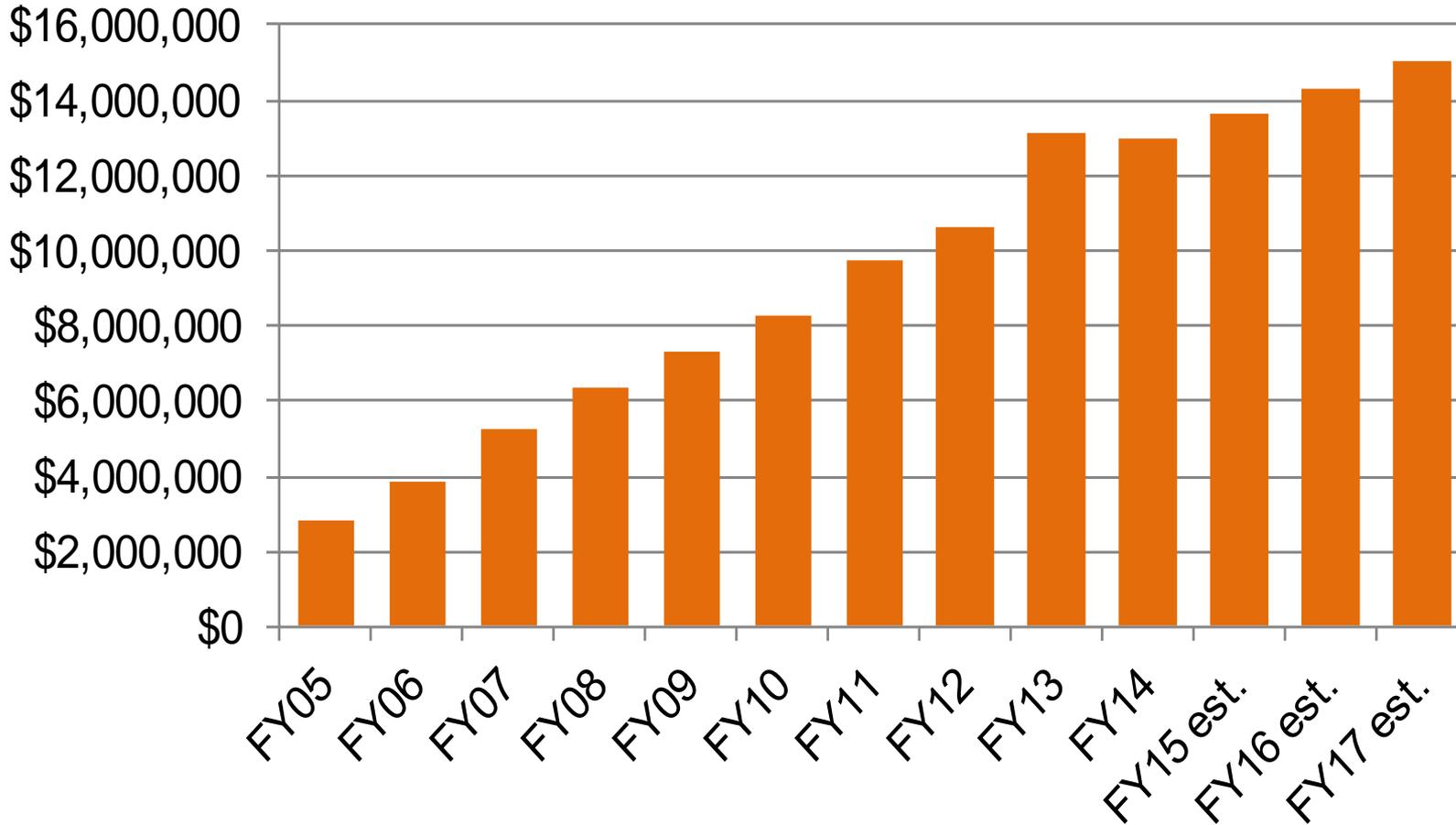
ROOF CONT.

- The Council approved an estimated \$10.8 million for 19 roofing projects.
- The state share is approximately \$7.1 million.
- Projects are in 13 school districts, with multiple projects in Gallup, Gadsden, Tularosa, and Grants.

LEASE ASSISTANCE FUNDING

- The fund may be expended annually by the council for grants to school districts for the purpose of making lease payments for classroom facilities, including facilities leased by charter schools.
- Grant amounts are the lesser of the actual lease payment owed for leasing classroom space, including space leased by a charter school from a school district OR \$700 per MEM adjusted by the CPI.
- Lease assistance funding may be used by a charter school for payments pursuant to a lease purchase agreement with Public Education Department approval.

Lease Assistance Award History



POLICY CONSIDERATIONS

- Shift funding from whole schools to either discrete buildings or systems (roofs, HVAC, electrical, etc.).
- Allocate SSTBs for other critical public school capital outlay needs depending on standards-based project needs.
 - School buses – allows catch up of partially funded years.
 - Prekindergarten classrooms – allows growth of state-funded prekindergarten program.
 - Increased maintenance funding/SB9 match – relieves pressure on operating budgets and addresses funding formula property tax equity issues.
- Allow more funding to flow to the Severance Tax Permanent Fund.
- Reallocate funding to other critical state needs, e.g. state roads, higher education.

CHARTER SCHOOL ISSUES

- Facility capital needs are growing rapidly with continued growth in the number of charter schools authorized annually.
- Some charters appear to be paying excessive lease costs and are supplementing lease expenses with operational dollars.
- Lease transactions are not always arms-length.
- Charter schools are not always taking advantage of excess district owned space.
- Lease assistance funding discourages schools and property owners from negotiating lease terms. Additionally, lease assistance funding is adjusted automatically for change in CPI, despite the market.
- State is paying lease assistance to some charter schools to lease district owned facilities, e.g. Turquoise Trail paid \$333,554 during 2012-2013 to Santa Fe School District for a district owned building.