

State of New Mexico
LEGISLATIVE EDUCATION STUDY COMMITTEE

REPRESENTATIVES

Rick Miera, Vice Chair
Joni Marie Gutierrez
Dianne Miller Hamilton
Mimi Stewart
Thomas E. Swisstack
W. C. "Dub" Williams

ADVISORY

Ray Begaye
William "Ed" Boykin
Kandy Cordova
Roberto J. Gonzales
Jimmie C. Hall
John A. Heaton
Harriet I. Ruiz
Sheryl M. Williams Stapleton
Richard D. Vigil
Teresa A. Zanetti

State Capitol North, 325 Don Gaspar, Suite 200
Santa Fe, New Mexico 87501
PH: (505) 986-4591 FAX: (505) 986-4338
<http://legis.state.nm.us/lcs/lesc/lescdefault.asp>



SENATORS

Cynthia Nava, Chair
Gay G. Kernan
Mary Kay Papen
William E. Sharer

ADVISORY

Vernon D. Asbill
Mark Boitano
Carlos R. Cisneros
Dianna J. Duran
Mary Jane M. Garcia
John Pinto
Leonard Tsosie

D. Pauline Rindone, Ph.D., Director
Frances R. Maestas, Deputy Director

October 17, 2006

MEMORANDUM

TO: Legislative Education Study Committee

FR: Frances R. Maestas

RE: STAFF BRIEF: PUBLIC SCHOOL CAPITAL OUTLAY: ANNUAL REPORT

The 2006 Interim Workplan of the Legislative Education Study Committee (LESC) includes a report from the Public School Capital Outlay Council (PSCOC) on its FY 07 grant awards under the standards-based process, including the awards for the local share advance program for "qualified high priority projects" and the awards for the lease payment assistance program.

Issues:

- At its September 2006 meeting, the PSCOC announced the following awards to public school capital projects for school year 2006-2007:
 - approximately \$112.6 million in awards for 20 capital outlay projects in 17 school districts under the provisions of the standards-based process. The standards-based program is based on the PSCOC-adopted statewide adequacy standards that include acceptable standards for the physical condition and capacity of a building, its educational suitability, and the need for technological infrastructure (see Background);
 - approximately \$5.2 million in PSCOC grants for 63 schools and charter schools in 23 school districts for the purpose of making lease payments for classroom facilities. In 2006, the Legislature appropriated \$7.5 million in order to fully fund the grant assistance at \$600 per student (see Background); and
 - over \$16.4 million for roof repairs and replacement under the standards-based process for 46 projects in 23 school districts statewide. Current law specifies that allocation for roof repairs and replacement must be expended prior to September 1, 2008.

- At its meeting, the PSCOC also received a status report from the Public School Facilities Authority (PSFA) staff indicating that since the program’s inception in 2001, approximately \$290.5 million has been allocated to school districts for 376 deficiency correction program projects statewide, including a program to assist with the implementation of full-day kindergarten and 43 roof projects. Current law specifies that allocations for deficiency correction projects must be expended by June 1, 2007.
- In 2006, the Legislature established a program for “qualified high priority projects” and appropriated an additional \$90.0 million from the General Fund to fund the program (see Background). According to PSFA, the following school districts qualified for advances under this program:

**Summary of Allocations for
Qualified High Priority Projects**

Project	Amount Allocated
Northwest High School, APS	
Local Share Match Advance:	\$35,047,592
Additional State Match Advance:	\$13,348,560
Southwest High School, APS	
Local Share Match Advance:	\$17,402,325
Additional State Match Advance:	\$2,173,625
New northeast elementary, RRPS	
State Match Advance:	\$10,775,119
New high school, LCPS	
State Match Advance:	\$11,252,779
Total	\$90,000,000

- Any eligible district receiving an advance from this program must repay the advance, including any legislative direct appropriations, prior the allocation of future PSCOC project awards and must use its local resources to bring otherwise PSCOC-eligible projects up to the required adequacy standards until its share is paid.

Background:

- Often called “critical capital outlay,” the *Public School Capital Outlay Act* provides for state funding of critical capital outlay needs that cannot be met by school districts after they have exhausted other sources of funding.
- Beginning in 2005, the PSCOC made awards to school districts under provisions of the new standards-based awards process enacted by the 2003 and 2004 legislatures that made all school districts eligible to apply for PSCOC grant assistance regardless of bonded indebtedness. Other provisions base need on acceptable standards for the physical condition and capacity of a building, its educational suitability, and need for technological infrastructure and provides priority consideration to the greatest public school facility needs throughout the state.

- The components of the PSCOC standards-based process include:
 - the use of the New Mexico Condition Index (NMCI), based on nine weighted categories, that ranks every public school facility in terms of relative need, from greatest to least. (Since FY 05, the PSCOC has limited funding to projects ranked in the top 100 on the NMCI based on the availability of funds);
 - a formula for funding school district capital outlay expenditures, based upon district wealth and local effort, that provides for an average 50 percent share for all districts and a minimum state share of 10 percent; and
 - an offset methodology for dealing with the disequalizing effects of direct legislative appropriations based on a district's state share of PSCOC-approved capital outlay funding (a district must accept or reject a direct appropriation).
- To assist the PSCOC in making its final award decisions, the process includes a review of applications; site visits by staffs of the PSFA, the Legislative Finance Committee, the LESC, and the Public Education Department; districts' formal presentations before the PSCOC; measuring applications against state adequacy standards, and the recommendations of the PSCOC Awards Subcommittee.
- In 2005, the Legislature amended several statutes to continue the development and implementation of the state's public school capital outlay program, which include:
 - establishing a three-year averaging process to smooth year-to-year changes in the determination of the ratio between the state share and the local share for project grant awards from the PSCOC;
 - eliminating the offset to the Educational Technology Fund distribution for direct legislative appropriations; however, these direct appropriations will still apply against PSCOC grant awards;
 - increasing the SB 9 state guarantee amount from \$50 to \$60 per mill per unit beginning with FY 06;
 - completing in school year 2005-2006 the deficiencies correction program that began in 2001 and establishing a roof repair and replacement program to be administered by the PSCOC through the PSFA. Under this provision, districts may use their SB 9 dollars to meet local match requirements for the roof repair and replacement initiative. Another provision specifies that allocations for roof repairs and replacement must be expended prior to September 1, 2008;
 - appropriating approximately \$1.6 million to PSFA for FY 05 through FY 07 to develop and implement a facility information management system (FIMS). According to PSFA, FIMS will provide school districts with web-based software to more effectively execute their facility maintenance and utility management programs and also provide a means for the state to implement a uniform, statewide facility information management system; and

- increasing the amount of funding available to districts and charter schools for facility lease payments from a maximum of \$300 per student to \$600 per student beginning in school year 2005-2006.
- In 2006, the Legislature again amended current law to address the major capital outlay needs of school districts and charter schools, including:
 - requiring all school districts, whether or not the district is applying for PSCOC funds, to develop a five-year facilities master plan that includes any charter schools in the school district before the PSFA can approve any school construction;
 - raising the statutory limits on the amount of cash balance that a school district or charter school may retain before the state takes credit for some or all of its remaining cash balance and allowing the Secretary of Public Education to waive all or a portion of the cash balance credit if a school district's excess cash balance is needed to provide the local match required under the *Public School Capital Outlay Act* or to recoup an amount paid as the district's share for "qualified high priority projects";
 - creating the New School Development Fund to provide for certain one-time costs associated with the first year of operation of a new school (no money was appropriated to the fund for FY 07);
 - extending the lease payment assistance program through 2010 and increasing funding for the program from \$4.0 million to \$7.5 million to fully fund the assistance amount of \$600 per student;
 - appropriating approximately \$2.5 million (for FY 06 to FY 08) to continue the implementation of the statewide FIMS and \$300,000 for the indoor air quality program in public schools; and
 - appropriating \$90.0 million from the General Fund for expenditure in FY 06 through FY 10 and creating a local share advance program designed to provide immediate financing for "qualified high priority projects" (if dollars have been specifically appropriated for this purpose) but requiring the district to pay its share of funding under this program, including any direct appropriation offsets, prior to the allocation of future PSCOC project awards and to use its local resources to bring otherwise PSCOC-eligible projects up to the required adequacy standards until the district's share is paid. Under this program, a project may be designated a "qualified high priority project" and, if the school district so requests, be eligible for advances to pay both the state share and all or a portion of the district share subject to funding being available. The program also allows up to two projects within a school district to be designated "qualified high priority projects" and eligible for local share match advances from the PSCOC if:
 - it is determined by the council that the facilities for which a local match advance is applied for is/are located in a "high growth area";
 - the facilities were approved for a grant award in the FY 04-FY 05 or the FY 05-FY 06 award cycles but the school district, as of July 1, 2006, has not obtained funding for the district share and the local match advance are for awards in the same award cycle;
 - there are no other outstanding local match balances owed;
 - both are designated by the PSCOC to be in a high growth area; and
 - the project will be complete within 36 months of qualification/award.

Presenters:

Ms. Catherine M. Smith, Chair, PSCOC, will provide an update on the activities of the PSCOC and the FY 07 PSCOC awards; and Mr. Robert Gorrell, Director, PSFA, will be available to answer questions.

Questions the committee may wish to consider:

1. How much has the Albuquerque Public Schools (APS) received from previous PSCOC awards for the construction of the Northwest High School and Southwest High School? What is the grand total of PSCOC awards to APS for the construction of these two facilities?
2. Under what conditions will school districts that receive dollars for “qualified high priority projects” be able to apply for future PSCOC awards?
3. With regard to direct legislative appropriations to a school district, what is the total amount that remains unspent statewide? Which districts have the highest unspent appropriations?
4. What effect, if any, will this program have on insurance rates of school districts statewide?
5. In total, the Legislature has appropriated \$4.1 million for the implementation of FIMS. How many school districts are using FIMS? When will all school districts be “on board”?
6. In FY 06, the Legislature appropriated \$300,000 for an indoor air quality program in public schools? How are these dollars being expended and when will the project be completed?