

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

**December 1-2, 2008**  
**State Capitol, Room 307**  
**Santa Fe**

The twentieth meeting of the Public School Capital Outlay Oversight Task Force (PSCOOTF) was called to order by Representative Rick Miera, co-chair, at approximately 10:08 a.m. on Monday, December 1, 2008, in Room 307 of the State Capitol in Santa Fe.

**Present**

Rep. Rick Miera, Co-Chair  
Sen. Cynthia Nava, Co-Chair  
Sen. Vernon D. Asbill  
Cecilia J. Grimes  
Leonard Haskie  
Robbie Heyman  
Scott Hughes for Secretary Katherine B. Miller  
Dr. Anna Lamberson  
Rep. Larry A. Larrañaga  
Sen. Lynda M. Lovejoy  
Rep. Ben Lujan (Dec. 1)  
Rep. James Roger Madalena  
Kilino Marquez  
Elizabeth Marrufo  
Dr. John Mondragon  
Bud Mulcock  
Antonio Ortiz for Secretary Veronica Garcia  
Mike Phipps  
Rep. Henry Kiki Saavedra  
Ernesto Valdez (Dec. 1)

**Absent**

Sen. Timothy Z. Jennings  
Sen. Carroll H. Leavell  
Rep. W. Ken Martinez  
Sen. John Arthur Smith  
Rep. W.C. "Dub" Williams

**Advisory Members**

Sen. Stuart Ingle

(Attendance dates are noted for those members not present for the entire meeting.)

**Staff**

Sharon Ball, Legislative Council Service (LCS)

Gary Carlson, LCS Contract Drafter

Aldis Philipbar, LCS

Paula Tackett, LCS

**Guests**

The guest list is in the original meeting file.

**Monday, December 1****Update on Energy-Efficient School Projects**

Andre Larroque, buildings standards specialist, Public School Facilities Authority (PSFA), explained that, in the 2007 legislative session, Senate Bills 710 and 827 were passed, both of which included a total of \$4 million to be allocated by the Public School Capital Outlay Council (PSCOC) to develop pilot programs to help determine appropriate energy-efficient and sustainable design standards for future schools. He said that in early 2007, the PSFA developed a list of 14 active or pending projects designated for the award of this money. Mr. Larroque added that 11 of these projects were required to meet certain elevated goals related to energy-efficiency and sustainability, including achievement of a reduction of 50 percent in energy use. He explained that these goals would be accomplished primarily during the design phase by performing enhanced life-cycle cost analysis work and using energy modeling. In response to questions from the task force, Mr. Larroque explained that, of the 14 projects, three were awarded grants only for post-occupancy evaluation, training and database development because of their advanced state in design at the time the pilot study was initiated. He noted that these pilot studies are complementary to the green building concept.

In response to questions from the task force, Mr. Larroque directed members' attention to the presentation handout and its three attachments. It was pointed out that most of the projects are located in temperate areas of the state, but Mr. Larroque said that those areas were selected because they already had projects underway.

In response to additional questions and discussion, Mr. Larroque stated that four projects have been removed from the original list of 14 in response to requests from districts based upon difficulties in incorporating the program into the late stages of an advanced project schedule. An additional project had its allocation reverted because of the district's inability to pass a bond election. Summarizing, Mr. Larroque stated that \$1.625 million had been reverted from projects in the study and that \$625,000 had been reallocated based on action of the task force at its October meeting.

After task force discussion, on a motion made by Representative Larrañaga and seconded by Representative Saavedra, the task force voted unanimously to recommend reversion of the \$1 million to the general fund.

**Review of Adequacy of Current Long-Term Funding Revenue Streams for Public School**

## **Capital Outlay**

Norton Francis, chief economist, Legislative Finance Committee (LFC), discussed oil and natural gas revenues. He said that the price of oil has fallen from \$147 per barrel in July to a current level of below \$50.00 per barrel. Similarly, he said, the price of natural gas fell from \$13.00 per 1,000 cubic feet (MCF) to less than \$7.00 per MCF. He added that despite the decline in prices, the state had a strong first quarter of the year. Mr. Francis said that shut-ins, increased production from the Rockies and mild temperatures all played a role in the decrease in natural gas prices. He also discussed drilling, stating that the rig count rose significantly in summer and fall but has returned to normal levels. He said that drilling will be affected by both low prices and access to credit, both of which raise concerns about volume forecasts. In response to questions from task force members, Mr. Norton said that two years ago, the average price for a barrel of oil was a little over \$90.00 and that New Mexico was \$1.00 to \$1.50 off of the Henry Hub index.

Olivia Padilla-Jackson, director, State Board of Finance, presented the task force with information about supplemental severance tax bonds (SSTBs). She said that senior STB capacity is based on an amount that allows total senior STBs outstanding to be serviced with no more than 50 percent of the previous fiscal year's revenues. However, she said, SSTB capacity is based on an amount that allows total supplemental notes, when added to all other STB debt, to total no more than 95 percent of the prior fiscal year's revenues. She said that the current capacity is \$240.4 million. In response to questions from the task force, Ms. Padilla-Jackson said that the state has about \$1 billion in outstanding debt and \$350 million in general obligation (GO) bonds. She also said that, as of October, the state revenue was down by about \$250 million for fiscal year 2009 and an additional \$100 million to \$150 million will probably be added to that from lost oil and gas revenue.

In response to a question about dipping into the reserve or lowering the reserve from 10 percent to make up for the lost revenue, Mr. Francis said that the solution will come from a mixture of things and that it helps to have high reserves. In response to other questions, he said that PNM is not a significant consumer of natural gas and that OPEC has reduced production until mid-December. He said that the LFC would like to see a target price of \$75.00 per barrel of oil and that the LFC is updating its estimates and will present its findings on December 8, 2008.

In response to other questions asked by task force members, Mr. Heyman, PSCOOTF public member, said that there is no legislative minimum or maximum attached to what the PSCOC can award per year. He said that the State Board of Finance advises the PSCOC on capacity for the year and that the PSCOC gives awards based on that information. Ms. Tackett added that the PSCOC identifies what the need is but provides grant awards based on capacity. Ms. Padilla-Jackson said that she doubts capacity would drop very much, although she also noted that exchanging general funds for severance tax funds would reduce the amount of money available for new projects.

## **Discussion of Proposed PSCOOTF-Endorsed 2009 Legislation**

The task force discussed the following legislation for possible endorsement.

- Amend the Public School Lease Purchase Act to allow for 30-year leases; require districts to include charter schools in referenda to fund lease purchases; and make technical corrections to make the legislation more workable.
- Extend the deadline from 2010 to 2015 for charter schools to be in public buildings; and revise charter school facilities standards.
- Change lease payment criteria in the Public School Capital Outlay Act.
- Create a rural community credit; and allow for credits for specific public school facilities in remote rural areas.
- Create a program in the Public School Capital Outlay Act for grants to school districts for specified highly cost-effective projects.
- Provide exceptions for bonding of subcontractors.
- Amend the Public School Capital Improvements Act to clarify its use for the purchase or repair of maintenance equipment and for maintenance support by regional education cooperatives.
- Establish a training and licensing program for certain school district maintenance employees to do basic maintenance and parts exchange.
- Provide from the Public School Capital Outlay Fund \$2 million for lights and bleachers for certain athletic fields in rural areas.
- Amend the Public School Capital Outlay Act to limit total annual expenditures for PSFA core administrative functions to five percent.

There being no further business, the task force recessed at 3:30 p.m.

## **Tuesday, December 2**

On a motion made by Mr. Mulcock and seconded by Dr. Mondragon, the minutes of the August and October meetings of the PSCOOTF were approved.

### **Discussion of Proposed PSCOOTF-Endorsed 2009 Legislation (Continued)**

The task force continued its discussion of legislation for possible endorsement.

- Provide funding for a program for roof repair and replacement of \$10 million per year from the Public School Capital Outlay Fund.
- Require distribution of proportional SB 9 receipts to charter schools.
- Appropriate \$575,000 from the general fund for a geographic information system to be used by executive and legislative agencies.
- Amend the Public School Insurance Authority statute to allow for insurance for joint use of school buildings.
- Allow for out-of-cycle transfer of chartering authority.
- Authorize the state distribution under the Public School Capital Improvements Act to be expended in fiscal year 2010 for certain facility maintenance operating costs.
- Create a program under the Public School Capital Outlay Act for grants to school districts for building and equipping science laboratories in high schools.

The task force elected to form a subcommittee to meet the Sunday before session to

decide on legislation for PSCOOTF endorsement for the 2009 session. Ms. Tackett stated that task force members' concerns and ideas would be taken into consideration in the bill drafting. Subcommittee members include Senator Nava, Representative Miera, Senator Asbill, Senator Leavell, Representative Larrañaga, Mr. Mulcock and Mr. Phipps. The co-chairs emphasized, however, that all task force members are welcome to attend the subcommittee meeting, which is tentatively scheduled for Sunday, January 18, at 4:00 p.m. in Room 326 of the State Capitol.

There being no further business, the task force adjourned at 11:55 a.m.