MINUTES
of the
MEETING
of the
PUBLIC SCHOOL CAPITAL OUTLAY TASK FORCE

December 6-7, 2004
Room 307, State Capitol
Santa Fe

Senator Cynthia Nava called the meeting of the Public School Capital Outlay Task Force (PSCOTF) to order at 1:15 p.m. on Monday, December 6, 2004, in Room 307 of the State Capitol in Santa Fe.

PRESENT
Sen. Cynthia Nava, Co-chair
Robert Desiderio, Co-chair (December 7)
Odis Echols
Pancho Guardiola
Leonard Haskie
Robert G. Heyman
James Jimenez (December 6)
Rep. Larry A. Larranaga
Sen. Carroll H. Leavell
Kilino Marquez
Rey S. Medina
Rep. Rick Miera
Tony Monfiletto
Don Moya (Representing Veronica Garcia)
Bud Mulcock
Rep. Henry Kiki Saavedra
Norman Suazo
Mark Valdes (Representing Gary Bland)

ABSENT
Sen. Ben D. Altamirano

Advisory Member
Rep. Ben Lujan
(Attendance dates are noted for those members not present for the entire meeting.)

Guest
Rep. Luciano "Lucky" Varela

Staff
Sharon Ball, analyst, Legislative Education Study Committee (LESC)
Tim Berry, deputy director, Public School Facilities Authority (PSFA)
Bob Bittner, director of maintenance, PSFA
Bob Gorrell, director, PSFA
Liz Holmes, research assistant, Legislative Council Service (LCS)
Linda Kehoe, analyst, Legislative Finance Committee (LFC)
Antonio Ortiz, analyst, Public Education Department (PED)
Janet Peacock, analyst, LCS
Pauline Rindone, director, LESC
Paula Tackett, director, LCS
Doug Williams, researcher, LCS

Monday, December 6

Ms. Peacock explained that for the remainder of the day and the following morning, the task force would be hearing from a number of individuals involved with the public school capital outlay process about the strengths and weaknesses of the new, standards-based awards process. She noted that this first year of the new process was considered a pilot year, pending a review of its success. She reminded members that this review is in response to the statutory duty of the task force to "assist the public school capital outlay council and the public school facilities authority as they perform functions pursuant to the Public School Capital Outlay Act, particularly as they implement the statewide-based process for making grant awards".

Evaluation of Pilot Year of Standards-Based Process by Representatives from the Education Community

Tom Sullivan, executive director of the New Mexico Coalition of School Administrators introduced himself and began by saying that on behalf of all of the members of the panel, he wished to express their great appreciation to the legislature for the infusion of new money being made available for school facilities. He explained that the role of the panel, as explained by staff, is to evaluate the effectiveness of the new program and to try to identify areas for improvement. He noted that staff had provided him with a set of questions for discussion purposes. A copy of the questions is in the meeting file and was provided to the task force members.

Mr. Sullivan introduced the following members of the panel: Sue Cleveland, superintendent, Rio Rancho Schools; Jack Wiley, superintendent, Clayton Public Schools; Manuel Valdez, superintendent, Chama Valley Independent Schools; Richard Chavez, associate superintendent for support services, Gadsden Independent Schools; Jim Holloway, superintendent, Portales Municipal Schools; James Murdock, associate superintendent for finance, Silver Consolidated Schools and Robert Archuleta, superintendent, Jemez Mountain Public Schools. Mr. Sullivan explained that the panel represents a diverse sample of school districts, including geographic diversity, small and large school districts, growing districts and those losing enrollment, and rich and poor districts as measured by the state's capital outlay formula.

The following summarizes the suggestions and comments by panel members on the specific topics that they were asked to address:

Participation in the standards-based process

Of the seven districts represented, five had applied and received some funding for the 2004 grant awards, either as continuation projects and/or as standards-based projects. Two districts did not apply — Clayton, who indicated that it was not able to meet its local match, and Silver, who said that, as a very small district, it was not able to complete the application and meet all of the other requirements. Both districts indicated that they hope to apply in the future.

The difficulty of districts meeting their local match requirements was mentioned by a number of participants. Both Jemez Mountain and Chama have a 90 percent local share and their representatives spoke of their inability to come up with the large amount of funds required for their projects given this match. For Chama, Mr. Chavez said the issue is its relatively poor resident population and the level of outstanding bonds. He questioned the fairness of the formula as it applies to it. For Jemez Mountain, Mr. Archuleta said the issue is lack of ability to get voters to approve a bond, as well as its relatively small size. Both indicated that they hope the Public School Capital Outlay Council (PSCOC) will waive some of their local match requirement. Ms. Cleveland of Rio Rancho said that she felt the local match issue was mostly a transition issue. She explained that many districts, including Rio Rancho, had adopted bond ordinances prior to the new state requirements and that for the next few years, most of their money is committed. However, going forward, the districts should be able to incorporate the local match requirements into their bonding programs. She suggested that the PSCOC consider some flexibility in the local match requirements during this transition period.

In terms of the efforts of PSFA staff to explain the new program to school administrators prior to the application deadline, there was general agreement that the PSFA has made a real effort to explain things. However, many panelists felt that they still do not fully understand how the process actually works. The distinction between continuation projects and standards-based projects is one area that creates confusion.

State adequacy standards

Panelists generally supported the concept of the adequacy standards, although they raised a number of specific examples where they feel the standards need improvement. The most frequently mentioned need is in the area of special education. Also mentioned were certain federally funded programs, such as English as a second language, and pre-school programs. It was also noted that the standards seem confusing in terms of allowable gross square feet for a specific school, such as an elementary, middle or high school.

3DI assessment and statewide ranking of projects

Almost all of the panelists expressed some concern with the 3DI assessment and how it differs from their local assessment of need. In one case, a district had completed an outside, independent needs assessment and the needs from this assessment did not match up with the needs identified by 3DI. This discrepancy between the two professional assessments raised concern about the PSCOC reliance on the 3DI data, although it was acknowledged that the local

assessment was not based on the state adequacy standards. Several panelists asked the state to be more flexible in using the 3DI assessment for determining which projects are to be funded and to take better account of local needs.

The issue of how growth is accounted for in the 3DI rankings was highlighted by Ms. Cleveland of Rio Rancho as a shortcoming in the new process. She said the current methodology did not adequately reflect growth and that providing adequate space for students should have a higher ranking. She also suggested that the state consider segregating the funding for additional space from the funding for building repair and renewal. She stressed that schools must provide space for students when they show up at the door and that for districts like Rio Rancho, this has to be the highest priority.

Formula for determining state and local share of funding

The panelists understood that the state and local share calculations rely primarily on assessed value per member, and most felt that this is generally fair. The difficulties noted earlier for Chama and Jemez Mountain, however, were again raised. There was some discussion about how large commercial or industrial taxpayers in a jurisdiction can significantly raise the assessed value. Task force staff noted that the issue of how the formula affects small districts, in particular, would be discussed later in the meeting and some suggestions would be made for when the PSCOC should consider reducing the local share requirement.

Interaction with PSFA staff

The panelists generally rated their experience of working with the PSFA staff as good. The knowledge, professionalism and dedication of the construction managers (CMs) working with the various districts was praised. PSFA was also complimented on its ability to turn around documents and payments on deficiency projects in a short period of time. This was contrasted with the slower turnaround on money administered by PED. In terms of suggestions for improvement, one was the need for additional CMs so that they could spend more time with some of the districts. Another suggestion was that additional attention should be paid by PSFA to the need to have projects completed when school is set to open.

Maintenance

The question of whether their school districts have adequate resources for maintenance elicited a number of responses from the panelists, with the general conclusion being that there are never enough funds to take care of the aging buildings in most districts. Most panelists said that the principal funding source for maintenance is the two-mill levy (SB 9) and that this is augmented, to the extent possible, with operating funds. However, using operating funds for maintenance has to be weighed against using the funds for other purposes, such as increased teacher salaries and other initiatives mandated by the state. In many cases, maintenance funding is considered a lower priority.

In terms of the biggest maintenance needs, getting qualified staff and fixing leaky roofs are the two areas most frequently noted. Speaker Lujan expressed his opinion that the key to success of the new program was having the districts hire qualified, trained maintenance staff. Other members of the task force voiced their support for the need for better maintenance and

asked those present to continue working with PSFA on strengthening their maintenance programs.

Other

In closing, members of the panel again expressed their gratitude to the state for the additional funding and reiterated their support for working with the state on resolving any problems identified with the new process. Ms. Cleveland requested the state to consider some transition provisions that would help districts move from the old process to the new. In particular, she suggested that the local share amounts be adjusted to take into consideration dedicated funds from bond issues that predate the implementation date of the new process. She also suggested that the value of land and other commitments that districts have made to a project be counted as part of the local share amount. Mr. Sullivan concluded the presentation by thanking the members of the task force for giving school superintendents and their representatives the opportunity to comment on the program.

Following the presentation by the panel, staff was asked to respond to some of the issues raised by the panelists. Ms. Tackett said that a number of the issues are being addressed by the PSFA and by the task force. For example, with regard to the 3DI assessment data, the PSFA is working with the districts to clean up the data and keep it current, so that it will represent a more accurate reflection of the condition of the schools. With regard to growth factors, neither the PSFA nor the PSCOC are satisfied with the current method used to calculate growth. The task force will be asked to endorse a proposal for a student enrollment model to be developed by the Bureau of Business and Economic Research at the University of New Mexico that will look at demographic, geographic and other data to forecast student-age population by district. Also, with respect to reducing the local share for certain districts, Ms. Tackett said that staff has developed some recommendations for criteria to be used by the PSCOC in evaluating such a request. This could provide some relief, especially to small districts with large projects.

Evaluation of Pilot Year of Standards-Based Process by Other Educational Professionals

Max Luft, executive director of Cooperative Educational Services (CES), explained the services provided by CES as they relate to building facilities, particularly cooperative procurement and construction management. Mr. Luft noted the initial concern of CES about the role of PSFA, especially given the negative impact of the Arizona public school building process on Arizona's CES-like agency. Mr. Luft said that CES and PSFA have addressed their concerns about each other and that PSFA has now recognized the use of CES in the process.

In terms of issues, Mr. Luft noted the tremendous discrepancy between the condition of facilities of regular schools and charter schools. He explained that many charter schools are housed in extremely substandard facilities. Mr. Luft also spoke of the need for increased local control in the building process, including use of local architects, selection of materials and choice of contractors, and he requested that PSFA recognize vendors approved by CES. In closing, Mr. Luft agreed with earlier discussions of the task force that identified maintenance as a key factor in the success of the program.

Al Clemmons, senior vice president of George K. Baum and Co., explained that in his

current job, he represents a number of school districts on school bond issues. He also said that he had previously served as head of the Public School Finance Division of the state and had a long history of involvement in public school funding in New Mexico. Mr. Clemmons said that with the recent changes to the capital outlay process, the state has done a remarkable job of allowing access to a lot of state dollars.

Mr. Clemmons reiterated some of the concerns raised by the superintendents. He noted the difficulty for some small districts to raise funds required by a high local share and suggested that some consideration be given to excluding the extraordinary effect of centrally assessed property. He also expressed a skepticism of the validity of the 3DI rankings in setting priorities and urged consideration of ways to make the system more flexible in terms of incorporating local priorities. Finally, he agreed with the remarks of Superintendent Cleveland regarding the need for a transition period that recognizes prior bond commitments made by the districts.

Randy Manning, past president of the New Mexico School Boards Association, said that most school board members do not fully understand the new state system. He also noted that the role of local school boards is to represent the needs of the community and that, in this role, there are often conflicts between the state standards and assessment and the priorities of the school board. He noted, as examples, community support for football fields, multi-purpose gymnasiums, etc. In response to a question, Mr. Gorrell indicated that he feels that PSFA needs to do a better job of educating school board members about the new process.

Kenneth "Kip" Bobroff, professor at the UNM School of Law, said that his remarks primarily reflect his role as a parent in the Albuquerque Public School (APS) district and are focused on the treatment of growth in the current awards cycle. He said that from an equity perspective, the state process should ensure that a child in an old school in an old neighborhood has the same educational opportunity as a child in a brand-new school in a new neighborhood. The current application of growth factors, as he understands them, does not provide this equity, at least for APS. Mr. Bobroff suggested that the current high rating for space needs at selected schools using a school-by-school growth factor is out of proportion to the need. He said that APS as a district is not growing; rather, there is a shift in population within the district. He suggested that other alternatives, including transportation and redistricting, should be considered before deciding to build new schools. He asked the PSCOC to reexamine the methodology used for determining growth and the weights it applies to growth. He suggested that the district's growth rate be used in addition to school-by-school growth rates.

Mr. Bobroff noted the difficulty of obtaining good, detailed information on the new capital outlay process and suggested that the state make more documents explaining the system available to the public. He also noted the difficulty in understanding the rankings based on the 3DI assessment and suggested the need for greater transparency in the process. In terms of the 3DI assessment, he said that he feels that the APS master plan is a more sophisticated assessment of need than the 3DI assessment and expressed support for more local control in determining priorities. Finally, he discussed the issue of community growth and impact fees for public schools and said that state policy should reflect growth, not create it.

Following Mr. Bobroff's presentation, the task force recessed at 4:45 p.m. It reconvened the following morning at 9:45 a.m.

Tuesday, December 7

Evaluation of Pilot Year of Standards-Based Process by Building-Related Professionals

Lisa Martinez, director of the Construction Industries Division of the Regulation and Licensing Department and a member of the PSCOC, introduced herself and members of the morning panel. Panelists included John Horton, executive director, Associated General Contractors (AGC); Dale Dekker, architect, Dekker/Perich/Sabatini; John Petronis, president, Architectural Research Consultants; Greg Hicks, architect, Greg Hicks and Associates; Vernon Muller, State Fire Marshal's Office; and Rudy Padilla, State Fire Marshal's Office. Ms. Martinez noted that LCS staff had prepared a list of questions for contractors and architects and that she would use those to structure the presentation. Copies of the questions are in the meeting file.

The following summarizes the suggestions and comments by panel members on a variety of the specific topics that they were asked to address.

Mr. Horton responded to a number of questions addressing the involvement of the PSFA in the new process and whether the PSFA is adding value to the process. He said that contractors have experienced good coordination with PSFA. Mr. Gorrell and his staff have worked with them on developing the model contracts that will be used on deficiency projects and have kept them very informed about the new process. He said that in surveying his members about their working relationship with the PSFA, the feedback from most contractors was "glowing". He noted that one contractor had expressed some difficulties, especially related to the punch list for final completion of a project, but that, in the end, the difficulties were worked out.

Mr. Hicks concluded that the PSFA definitely adds value to the process. He said that its most important contribution is to provide construction oversight services to the three-fourths of districts that do not have access to these services. He commended the web-based project management system developed by PSFA and said that its involvement is resulting in an improvement in the actual completion of projects. He also rated the payment system as "good". Mr. Hicks noted that his firm has, however, experienced some difficulties with the new process. These revolved around disagreement over what fire code standards applied on two different school projects. Mr. Hicks said that PSFA staff is very proactive in settling the disagreements, but suggested that some clarity in the law would be helpful.

Mr. Dekker said that he has a number of concerns about the new process, mostly involving the standards and the need for flexibility for local conditions. He said that individual districts have unique values and needs and the standards should be amenable to allowing those needs to be met. He mentioned, as an example, the importance of gymnasiums in the Gallup School District to serve local community needs. He said that, in some cases, the space requirements in the standards are greater than needed, and he suggested that some discretion should be allowed in the application of the standards other than the ability to request a formal waiver from PSCOC. He said that the standards are particularly good for building new schools,

but may be unreasonable when trying to remodel or refurbish existing, old school buildings. He commented that school design is an evolutionary process and called for a continuous review of the standards to ensure that they reflect new ideas in educational suitability, technology needs, etc.

In terms of the value added by PSFA, Mr. Dekker said that the benefits primarily accrue to those districts that do not have a suitable facilities management process in place. For other districts, he said that PSFA requirements add another layer of paperwork and slow down the process to some extent. However, he said that PSFA staff is trying to work with all interested parties to keep the process moving. In response to a question about change orders, Mr. Dekker said that change orders are always a bit of a problem with low-bid contracts and that PSFA understands the need for change orders and allows some budget for contingencies.

Mr. Petronis addressed his remarks primarily to the master planning process and how it fits in to the new state process. He said that the state has done a great job so far in developing the standards and implementing the deficiencies program. However, he noted a disconnect between the long-range planning process for school districts that should extend through two bonding cycles and the year-to-year cycle of the state. He said that this results in difficulty in aligning district plans and resources with the state awards cycle. He also noted that by trying to combine the traditional FCI measure with adequacy standards, the state has come up with a questionable measure for determining priorities.

In terms of areas needing improvements, Mr. Petronis mentioned the following four:

1. The current methodology for determining growth does not adequately reflect when or where new schools are needed.
2. The combined NMCI measure is not sensible. The process should consider the need for new schools due to growth separately from the need for building repair and renewal.
3. There is a need to better integrate district master plans into the process and to develop an overall state master plan.
4. The process should allow for more local control. The role of the state should be to assist local school districts and state resources should be focused on districts needing help.

Mr. Muller and Mr. Padilla discussed the role of the State Fire Marshal's Office in inspecting schools for compliance with the fire code. Mr. Muller said that the state deficiencies correction program has resulted in a large increase in work load for his office, but that after an initial period, the office began to work closely with the PSFA and are continuing to do so. He said the office is now involved in the planning review process and is working to develop a uniform standard for public schools. He also noted that for schools in rural areas, the big issue is a lack of water supplies. Mr. Padilla also commented on the new working relationship between the State Fire Marshal's Office and PSFA and how PSFA is streamlining the work for the office.

Report from the Funding Subcommittee

Mr. Desiderio, chair of the Funding Subcommittee, presented the report and recommendations of the Funding Subcommittee. A copy of the report is in the meeting file. Mr. Desiderio said that the subcommittee looked at the most recent severance tax bonding capacity

amounts and the 3DI statewide needs assessment data and concluded that, at this time, the task force does not need to request an alternative or supplemental permanent revenue source for the program. He noted that supplemental severance tax bonding capacity is forecast to exceed $120 million a year for the next five years and that this should be sufficient to fund the program. Mr. Desiderio then asked Ms. Peacock to explain the recommendations of the subcommittee.

Ms. Peacock said that the principal recommendation of the subcommittee is that the state should continue to rely on supplemental severance tax bonds as the permanent revenue stream for the public school capital outlay process and that for the foreseeable future, these revenues should be sufficient to address the adequacy needs and to provide for a significant improvement in the condition of school facilities. However, because of the volatility and uncertainty of severance tax revenues upon which supplemental severance tax bonding capacity is based, the subcommittee is recommending that the state consider, on a year-by-year basis, using severance tax revenues that would otherwise flow to the Severance Tax Permanent Fund for supplemental severance tax bonds for public school capital outlay purposes. These funds could augment the regular revenue stream or could be dedicated to other high-priority projects. In addition, the subcommittee agreed that if projected bonding capacity falls substantially below the levels currently estimated on a longer-term basis, the need for an additional revenue source should be revisited.

Ms. Peacock explained that an additional recommendation of the subcommittee concerns the need for a permanent working capital fund for use by the PSFA. This fund is being recommended in order to allow the PSFA to maintain its current practice of paying project expenses within a ten-day period, as discussed earlier in the day by the contractors and architects on the evaluation panel. Ms. Peacock noted that the size and source of the fund has not been determined and that PSFA staff have been asked to work with DFA and LFC to work out the details. In response to a question about why the current funds could not be used in this manner, Ms. Tackett replied that it is her understanding that the State Board of Finance procedures on payment of supplemental severance tax bond proceeds works on a reimbursement basis. At the suggestion of Mr. Heyman, staff was asked to contact the State Board of Finance to see if this could be worked out without appropriating funds for a new working capital fund.

Mr. Desiderio said that the last item considered by the subcommittee was the need for additional funding for the completion of the deficiencies correction program. He explained that staff have identified a number of options for completing the deficiencies correction program. However, the data supporting these options has not been fully developed and so staff was asked to gather additional information and report back to the full task force.

Funding for the Deficiencies Correction Program

Ms. Tackett briefly reviewed the current funding and allocations for the deficiencies correction program. A copy of her handout is in the meeting file. She noted that staff have developed four options for completing the deficiencies correction program. These are:
Option 1 - complete all of the existing 2E projects
Option 2 - shift all remaining 2E deficiencies to the standards-based process
Option 3 - complete 3DI adequacy, life, safety and health needs

Option 4 - repair 2E roofs that have degraded to Level 1.

Ms. Tackett explained that a fifth option, a voluntary, standards-based roof repair and replacement program, could be coupled with Option 4 (finish 2E roofs that have degraded) or Option 2 (shift all remaining projects to the standards-based process). Under Option 5, districts with roofs in need of repair or replacement could apply and PSFA would provide an updated assessment. Roof repair would be funded without regard to the NMCI of the entire school, but roof projects would be ranked according to the relative need of repair. Staff estimated that significant cost savings would result from this option given PSFA central bidding and management. Also, such a project would have a significant positive impact on future maintenance costs.

Mr. Desiderio said that in terms of the state meeting its obligation to the courts, he feels that the existing deficiencies correction program could be considered completed following the expenditure of the roughly $270 million that has been or will soon be allocated by the PSCOC. He said that based on a table prepared by staff that shows that the state has put in over $900 million for public school capital outlay projects since fiscal year 2000, including about $250 million for serious deficiencies, it is clear that the state has taken the requirement to address past inequities seriously. Mr. Desiderio said that he favors moving forward under the standards-based process, subject to further development of information concerning roofs that have deteriorated to Level 1, and added that he thinks this option makes sense in terms of preventing further deterioration from leaking roofs across the state. He commented that if the state does not deal with the roof problems, it will be asking for additional repair costs.

In response to a question, Ms. Tackett noted that PSFA staff is currently reevaluating all of the roofs at schools identified in the original deficiencies assessment in order to determine which Level 2E roofs have deteriorated enough to meet the Level 1 category guidelines. Therefore, there is not an estimate yet of the cost of the roof options. After some discussion, task force members agreed that PSFA should continue gathering information on the roof needs and bring back to the task force at its next meeting estimates of the costs of both Option 4 and Option 5. Staff was also asked to identify if there are other stand-alone projects, such as replacement of boilers, that should be addressed separately from the overall needs identified in the NMCI ranking.

Report from the Maintenance Subcommittee

Representative Miera presented the report of the Maintenance Subcommittee. A copy of the report is in the meeting file. Representative Miera said that the task force has heard over and over about the importance of maintenance to the success of the new capital outlay process and the subcommittee continues to support the need for additional funds to be expended by the districts for maintenance. However, he noted that although the subcommittee is beginning to get information about what is being spent on maintenance, it still is not clear about what should be spent. Also, there is the question about how to convince districts to spend funds on maintenance. It is difficult for the state to mandate funding for maintenance, especially in the current environment of trying to ensure that more operational dollars are spent in the classroom.

However, the state can require that funds that it makes available through SB 9 are spent on maintenance and it can increase these funds.

Representative Miera said that the subcommittee considered the following items during its meetings this interim:

- the total expenditures on maintenance from all sources of funds;
- changes in the SB 9 millage rate and state guarantee amount;
- conversion to the National Council of Education Statistics (NCES) accounting system;
- PSFA efforts to capture maintenance information;
- the use of SB 9 funds for educational technology activities and potential new sources of revenue for educational technology; and
- New Mexico Public School Insurance Authority (NMPSIA) cooperation with the PSFA.

He noted that the report summarizes the findings of the subcommittee on these topics.

In terms of recommendations, the Maintenance Subcommittee endorsed four proposals for consideration by the task force, advanced one without recommendation and identified one for further discussion. The four recommendations are as follows:

1. a request for a nonrecurring general fund appropriation of $2,062,000 for implementation of the Facility Information Management System (FIMS) to be administered by the PSFA;
2. an increase in the SB 9 state guarantee to $60.00 per pupil effective for fiscal year 2006;
3. a shift in the direct appropriation offset from the Educational Technology Fund distribution to the capital outlay allocations; this would also involve a transfer of carry-forward educational technology offsets to capital outlay allocations; and
4. the creation and funding of a new educational technology program that would be based on the development of statewide educational technology adequacy standards and an assessment of all school districts against those standards. The program would be funded from an initial, nonrecurring general fund appropriation and a proposed one-mill statewide property tax levy earmarked for the new program to ensure that all schools have the appropriate technology infrastructure to provide a good education to all New Mexico students.

The proposal that was advanced without recommendation is to divert from the general fund the gross receipts tax revenue collected from school construction projects. This revenue could be put in a fund and distributed statewide for maintenance purposes.

Finally, an issue identified by the subcommittee, but as yet unresolved, is a method for requiring all districts to participate in the implementation and use of FIMS. Mr. Gorrell noted that currently, the only requirement is that districts that apply for a PSCOC grant must have implemented a preventive maintenance plan. However, the PSFA has no authority in terms of maintenance over districts that do not apply for state funds.

Mr. Williams briefly described the attachments to the subcommittee report that provide financial information supporting the recommendations. He noted that the cost to the state of increasing the SB 9 guarantee amount to $60.00 would be about $6 million. A one-mill property tax levy to support the educational technology initiative would raise about $32 million a year. In

response to a question about the property tax levy, Ms. Peacock noted that it would require a statewide vote at the next general election (November 2006). Thus, funds would not be available until the 2007 property tax year (fiscal year 2008). Mr. Williams reported that Dr. Kurt Steinhaus and Dr. Carmen Gonzales, chair of the Council on Technology in Education, appeared before the Maintenance Subcommittee in regard to educational technology needs and identified $21.1 million in program enhancements to the Educational Technology Fund that are needed immediately.

The task force requested staff to bring back legislative language on all of the recommendations, including the one advanced without recommendation.

Possible Other Recommendations for Discussion

Ms. Tackett, Ms. Peacock and Mr. Williams went through a list of 20 other recommendations that address issues raised during the interim task force meetings. A copy of the list is in the meeting file. Ms. Tackett noted that options are being presented for discussion and without an implication of endorsement. Unless otherwise noted, the task force has directed staff to include the recommendation in the draft legislation to be presented at the next meeting. The following items either engendered significant discussion or were eliminated from the list:

Item 6. Do not impose the offset if a direct legislative appropriation is for a project that directly contributes to a school meeting adequacy standards.

The task force agreed with an earlier recommendation of Mr. Desiderio's to not advance this proposal. It was felt that it would undermine the goal of funding projects according to their ranking of relative need.

Item 7. Adopt guidelines for when the PSCOC may reduce the local share requirement for small districts.

Mr. Williams provided a paper on district bonding capacity that addresses the issue of some school districts having insufficient bonding capacity to afford the local share of a capital outlay project. A copy of the paper is in the meeting file. He said that based on hypothetical project costs using 3DI repair costs, 26 districts could not afford the local share amount determined by the formula. He said that the recommendation is for the PSCOTF to either recommend to the PSCOC or to specify in statute guidelines for when the PSCOC should consider granting a waiver to the full local share requirement.

A number of members questioned exactly how the guidelines would be used by the PSCOC and whether this would apply to all districts, including those currently bonded to capacity, or just to small districts. Mr. Williams said that his examples indicate that the problem exists mostly for small districts, with Cuba (with an enrollment of 793) being the largest district with a potential problem.

Item 10. Apply the local-share requirement to remaining continuation projects.

The task force did not wish to pursue this option. It was felt that it would not be fair to "change the rules in the middle of the game".

Item 17. Consider changes to the lease assistance program.

Dr. Michael Kaplan, director of the Alternative Education Unit of PED, and Mr. Antonio Ortiz, director of the Capital Outlay Unit of PED, presented information on the current lease assistance program, especially as it applies to charter schools. Dr. Kaplan explained that he had submitted an application to the federal government for matching funds for lease payments for charter schools. He said that New Mexico's application has not been approved and that the federal government has raised the following issues in making its determination:

- the New Mexico program did not cover schools during their initial year;
- the appropriation was a limited amount and did not guarantee that there would be sufficient funds for new enrollment or for all schools that applied; and
- the program was limited to a five-year period and there was no assurance of state funds being available when federal funds ended.

Mr. Ortiz presented three tables showing 2005 projected annual lease payment assistance at the current amount of $300 per member, not to exceed actual expenses, and at $400 per member, not to exceed actual expenses, and $637 per member, not to exceed actual expenses. He noted that the $637 per member amount was calculated to use up the entire $4 million that is authorized for lease assistance payments. In response to a question, Mr. Ortiz said that the calculations do not include projected enrollment from new charter schools.

There was considerable discussion of the goal of the lease assistance program and whether payment amounts should be increased. It was noted, for example, that the governor is proposing using some of the $4 million not needed for lease payments for his pre-kindergarten program. Ms. Tackett reminded members that the $300 amount was calculated last year as one-half of the actual average of lease payments and it is hoped that federal funds will be available to augment it. Mr. Monfiletto reiterated an earlier request for the task force to consider amending the distribution to allow the entire $4 million to be distributed annually. He said that an increase is needed to make up for the lack of federal funds. Ms. Peacock reminded members that the current law allocates up to $4 million for lease assistance payments and that amounts not allocated stay in the Public School Capital Outlay Fund and are awarded by the PSCOC for capital outlay projects.

Items 19 and 20.

These are a series of provisions applying to charter schools that Dr. Rindone asked the task force to discuss and provide input to the LESC/PED working group. Given the late hour of the meeting, the members of the task force asked Dr. Rindone to have the work group address the issues first and then bring them back to the task force. Dr. Rindone indicated that it may be difficult for the work group to reach consensus on some of the issues, but she agreed to their request.

Adoption of Minutes from October 14, 2004 and Instructions to Staff for December 20 Meeting

The task force adopted the minutes from its October 14, 2004 meeting. For the next meeting of the task force, staff was asked to bring back draft legislation on all of the proposals on the list not specifically rejected, as well as those reflecting the recommendations of the Funding Subcommittee and the Maintenance Subcommittee. In addition, it was noted that draft legislation

addressing charter school issues will be available for the next meeting. Because of the large amount of work to be done, staff was asked to schedule the next meeting to start at 9:00 a.m. on both days.

The meeting adjourned at 3:30 p.m.