

November 3, 2023

# Public School Capital Outlay Oversight Task Force

Capital Outlay Funding Formula Considerations  
& Waiver Discussion

STATE OF NEW MEXICO  PUBLIC SCHOOL FACILITIES AUTHORITY

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



# Agenda

- Capital Outlay Funding Formula (State/Local Match)
- 2023 Senate Bill 131
- Local Match Reduction (Waiver)
  - Need
  - Statute
  - Issues
  - Case Studies
  - Potential Solutions

# History of the State/Local Funding Formula

## **2001 Legislature**

- Responding to the court order from the Zuni Lawsuit, to “establish and implement a uniform funding system for capital improvements... and for correcting past inequities”
- Created the Deficiencies Correction Program (DCP) to identify and correct serious life, health, safety deficiencies in schools statewide, these projects were 100% state funded

## **2003 Legislature**

- Concern that additional state funding through DCP would not change less wealthy districts’ bonding capacity, while allowing wealthy districts to build superior facilities
- Enacted state / local share funding formula
- Availability of school district revenues from both bond levies and direct mill levies
- Relative property tax wealth, measured by assessed property tax valuation per student
- Total mill levy applicable to residential property of the district

# State / Local Match – Phase 2 Formula

## 2018 Legislature: Senate Bill 30 (SB 30 / aSFI#1 / aHEC)

- Changed the proportion of state and local funding to potentially allow the state to fund more projects by intentionally increasing the local match and decreased the state match
- Gradual Phase-in from existing formula (Phase 1) to new formula (Phase 2)

FY19	100% of phase one formula
FY20	80% of phase one formula and 20% of phase two formula
FY21	60% of phase one formula and 40% of phase two formula
FY22	40% of phase one formula and 60% of phase two formula
FY23	20% of phase one formula and 80% of phase two formula
FY24	100% of phase two formula

- Overall, the transition has resulted in higher local matches and lower state matches

# 2023 Senate Bill 131

- Temporarily Reduces Local Match in Fiscal Year 2024 – 2026:
  - Standards and Systems-based awards:
    - By 1/3 for school districts with more than 200 MEM
    - By ½ for school districts with less than 200 MEM
  - Pre-Kindergarten awards:
    - By ½ for all districts
- Eliminates Offsets (legislative appropriations)
- Allows time for thorough study of the State / Local Match Formula, and develop possible solutions to modify or replace the formula.

# Local Match Reduction Need

- Many districts cannot afford their local match for current or potential projects due to their bonding capacity and available funds.
- The SB131 decrease to the local matches helped some districts afford their local match. However, for many districts, the reduction was not sufficient enough to make potential projects affordable.
- If a school is eligible for and needs a \$30M project, with a local match of \$10M, but can only bond for \$2M, a local match reduction is necessary for the application/project to move forward.
- If a district cannot afford the local match, they can request the PSCOC grant a local match reduction (waiver) to fund *the portion of the local match they cannot support*.
  - Districts must meet statute criteria prior to requesting the local match reduction.
  - *Districts are expected to fund the maximum amount they can afford.*

# Local Match Reductions - Statute

Per Section 22-24-5 (B)(9):

- The PSCOC council **may** adjust the amount of local share otherwise required if it determines that a school district has made a good-faith effort to use all of its local capital funding resources. Before making any adjustment to the local share, the council shall consider whether:

Option 1: All Districts	If the school district has insufficient bonding capacity over the next 4 years and the mill levy is equal to or greater than	10.0	the district is eligible, <b>OR</b>
Option 2: Small Districts	if the MEM count is equal to or less than	800	and
	the percent of free or reduced fee lunch is equal to or greater than	70%	and
	the state share is less than	50%	and
	the mill levy is equal to or greater than	7.00	the district is eligible, <b>OR</b>
Option 3: Growth Districts	If the school district has an enrollment growth rate over the previous school year of at least	2.5%	and
	pursuant to its 5-year FMP, will be building a new school within the next	2 years	and
	the mill levy is equal to or greater than	10.0	the district is eligible

*\*Mill Levy - sum of all rates imposed by resolution of the local school board plus rates set to pay interest and principal on outstanding school district general obligation bond*

# Local Match Reductions - Issues

- It is difficult for some districts to meet the statute criteria
  - Particularly for Option 2: Small Districts (MEM  $\leq$  800)
    - Free / Reduced Lunch  $\geq$  70%
      - This percentage changes annually, districts report it is difficult to get the federal forms returned, and 2023 Senate Bill 4 provided for free lunch for all NM schools and students
    - State share  $\leq$  50%
      - Changes annually, district shift out of the threshold, despite not being able to afford projects
    - If a district does not meet one of these requirements, they must achieve a Mil Levy of  $\geq$  10 (option 1), rather than  $\geq$  7 (option 2), which is much harder to achieve for small districts
  - District must bond above their means to meet the Mil Levy requirements



# District Case Studies

## ANIMAS

District has a history of not passing bonds

Current Ranking:  
Animas MS/HS – 20  
Animas ES – 27

Year	District Average FCI	State Match	Local Match
2012-2013	60.68%	58%	42%
2013-2014	62.52%	53%	47%
2014-2015	62.52%	46%	54%
2015-2016	64.50%	38%	62%
2016-2017	50.00%	35%	65%
2017-2018	50.38%	35%	65%
2018-2019	69.01%	36%	64%
2019-2020	68.99%	41%	59%
2020-2021	71.03%	43%	57%
2021-2022	72.61%	45%	55%
2022-2023	73.11%	50%	50%
2023-2024		49%	51%
*SB131		74%*	26% *

Not eligible for a Local Match Reduction

<b>Option 1</b>	Bonding Capacity	\$2M
	Mill Levy ≥ 10	2.38
<b>Option 2</b>	MEM Count ≤ 800	144
	Free or Reduced Lunch ≥ 70%	57%
	State Share ≤ 50%	49% 74%
	Mill Levy ≥ 7.00	2.38
<b>Option 3</b>	Enrollment Growth Rate ≥ 2.50%	8.55%
	New School Next 2 Years	No
	Mill Levy ≥ 10	2.38

## MELROSE

Main Building is 99 years old and needs extensive repairs / upgrades.  
A replacement school is needed.

Current Ranking:  
Melrose Combo - 62

Not eligible for a Local Match Reduction

Year	District Average FCI	State Match	Local Match
2012-2013	49.51%	67%	33%
2013-2014	52.92%	64%	36%
2014-2015	52.91%	63%	37%
2015-2016	54.92%	61%	39%
2016-2017	55.71%	61%	39%
2017-2018	55.71%	59%	41%
2018-2019	74.82%	59%	41%
2019-2020	74.43%	63%	37%
2020-2021	76.87%	67%	33%
2021-2022	78.27%	70%	30%
2022-2023	74.91%	64%	36%
2023-2024		69%	31%
*SB131		80%*	20% *

<b>Option 1</b>	Bonding Capacity	\$1.9M
	Mill Levy ≥ 10	6.31
<b>Option 2</b>	MEM Count ≤ 800	268
	Free or Reduced Lunch ≥ 70%	37%
	State Share ≤ 50%	69% 80%
	Mill Levy ≥ 7.00	6.31
<b>Option 3</b>	Enrollment Growth Rate ≥ 2.50%	-8.56%
	New School Next 2 Years	No
	Mill Levy ≥ 10	6.31

# District Case Studies

## PECOS

Year	District Average FCI	State Match	Local Match
2012-2013	24.05%	46%	54%
2013-2014	30.99%	43%	57%
2014-2015	31.00%	41%	59%
2015-2016	35.32%	41%	59%
2016-2017	17.08%	39%	61%
2017-2018	29.26%	38%	62%
2018-2019	51.87%	37%	63%
2019-2020	54.95%	31%	69%
2020-2021	57.66%	31%	69%
2021-2022	60.00%	14%	86%
2022-2023	60.51%	7%	93%
2023-2024		6%	94%
*SB131		37%*	63% *

Current Ranking:  
Pecos MS / HS – 66

Not eligible for a  
Local Match  
Reduction

<b>Option 1</b>	Bonding Capacity	\$4.62
	Mill Levy ≥ 10	2.38
<b>Option 2</b>	MEM Count ≤ 800	482
	Free or Reduced Lunch ≥ 70%	67%
	State Share ≤ 50%	6% 37%
	Mill Levy ≥ 7.00	4.62
<b>Option 3</b>	Enrollment Growth Rate ≥ 2.50%	-0.39%
	New School Next 2 Years	4.62
	Mill Levy ≥ 10	2.38

## PENASCO

Year	District Average FCI	State Match	Local Match
2012-2013	26.72%	72%	28%
2013-2014	32.35%	69%	31%
2014-2015	32.34%	67%	33%
2015-2016	34.65%	64%	36%
2016-2017	36.41%	61%	39%
2017-2018	36.41%	58%	42%
2018-2019	55.37%	55%	45%
2019-2020	57.87%	57%	43%
2020-2021	59.88%	60%	40%
2021-2022	62.17%	60%	40%
2022-2023	62.47%	60%	40%
2023-2024		56%	44%
*SB131		71%*	29% *

May Bond Election  
failed by 13 votes.

Current Ranking:  
Penasco ES – 2  
Penasco HS – 11  
Penasco MS - 32

Not eligible for a  
Local Match  
Reduction

<b>Option 1</b>	Bonding Capacity	\$2.3M
	Mill Levy ≥ 10	5.66
<b>Option 2</b>	MEM Count ≤ 800	319
	Free or Reduced Lunch ≥ 70%	69%
	State Share ≤ 50%	56% 71%
	Mill Levy ≥ 7.00	5.66
<b>Option 3</b>	Enrollment Growth Rate ≥ 2.50%	2.48%
	New School Next 2 Years	No
	Mill Levy ≥ 10	5.66

# District Case Studies

## ROY

Year	District Average FCI	State Match	Local Match
2012-2013	28.11%	46%	54%
2013-2014	32.03%	39%	61%
2014-2015	32.02%	39%	61%
2015-2016	28.11%	45%	55%
2016-2017	29.34%	47%	53%
2017-2018	29.43%	47%	53%
2018-2019	55.89%	46%	54%
2019-2020	56.68%	56%	44%
2020-2021	60.16%	68%	32%
2021-2022	62.58%	74%	26%
2022-2023	62.85%	82%	18%
2023-2024		87%	13%
*SB131		94%*	6%*

Current Ranking:  
Roy Combo - 13

Not eligible for a  
Local Match  
Reduction

<b>Option 1</b>	Bonding Capacity	\$312K
	Mill Levy $\geq$ 10	7.29
<b>Option 2</b>	MEM Count $\leq$ 800	53
	Free or Reduced Lunch $\geq$ 70%	55%
	State Share $\leq$ 50%	87% 94%
	Mill Levy $\geq$ 7.00	7.29
<b>Option 3</b>	Enrollment Growth Rate $\geq$ 2.50%	36.54%
	New School Next 2 Years	No
	Mill Levy $\geq$ 10	7.29

## SAN JON

Previously funded –  
Systems-based ;  
however, school  
needs to be right-  
sized and replaced  
to meet the needs  
of the district.


Year	District Average FCI	State Match	Local Match
2012-2013	44.45%	73%	27%
2013-2014	41.21%	69%	31%
2014-2015	41.23%	67%	33%
2015-2016	44.45%	70%	30%
2016-2017	39.96%	70%	30%
2017-2018	33.08%	70%	30%
2018-2019	58.05%	68%	32%
2019-2020	61.14%	70%	30%
2020-2021	61.14% (Systems)	73%	27%
2021-2022	61.14% (Systems)	72%	28%
2022-2023	61.14% (Systems)	72%	28%
2023-2024		79%	21%
*SB131		89%*	11%*

Not eligible for a  
Local Match  
Reduction

<b>Option 1</b>	Bonding Capacity	\$247K
	Mill Levy $\geq$ 10	7.56
<b>Option 2</b>	MEM Count $\leq$ 800	107
	Free or Reduced Lunch $\geq$ 70%	63%
	State Share $\leq$ 50%	79% 89%
	Mill Levy $\geq$ 7.00	7.56
<b>Option 3</b>	Enrollment Growth Rate $\geq$ 2.50%	0.90%
	New School Next 2 Years	No
	Mill Levy $\geq$ 10	7.56

# Potential Statute Solutions

- Amend Section 22-24-5 (B)(9)(b) to remove the free and reduced lunch criteria and remove the state match criteria:
  - (b) the school district: 1) has fewer than an average of eight hundred full-time-equivalent students on the second and third reporting dates of the prior school year; 2) ~~has at least seventy percent of its students eligible for free or reduced fee lunch;~~ 3) ~~has a share of the total project cost, as calculated pursuant to provisions of this section, that would be greater than fifty percent;~~ and 4) for all educational purposes, has a residential property tax rate of at least seven dollars (\$7.00) on each one thousand dollars (\$1,000) of taxable value, as measured by the sum of all rates imposed by resolution of the local school board plus rates set to pay interest and principal on outstanding school district general obligation bonds; or

Option 1: All Districts	If the school district has insufficient bonding capacity over the next 4 years and the mill levy is equal to or greater than	10.0	the district is eligible, OR
Option 2: Small Districts	if the MEM count is equal to or less than	800	and
	 <del>the percent of free or reduced fee lunch is equal to or greater than</del>	<del>70%</del>	and
	<del>the state share is less than</del>	<del>50%</del>	and
Option 3: Growth Districts	If the school district has an enrollment growth rate over the previous school year of at least	2.5%	and
	pursuant to its 5-year FMP, will be building a new school within the next	2 years	and
	the mill levy is equal to or greater than	10.0	the district is eligible

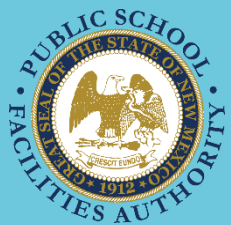
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# Thank you!



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