

# Public School Capital Outlay and Infrastructure FY23 Priorities

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# Presentation Outline

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## 1. A Review of Recent Activity

- a) PSCOF balance trends
- b) Barriers to PSCOC awards
  - i. State and local match trends
  - ii. Construction costs
  - iii. Legislative offsets

## 2. Upcoming Priorities

- a) Reduce districts' shares of project costs
- b) Address "legislative offsets"
- c) Early childhood facility funding
- d) Career technical education facility funding
- e) School safety and security funding

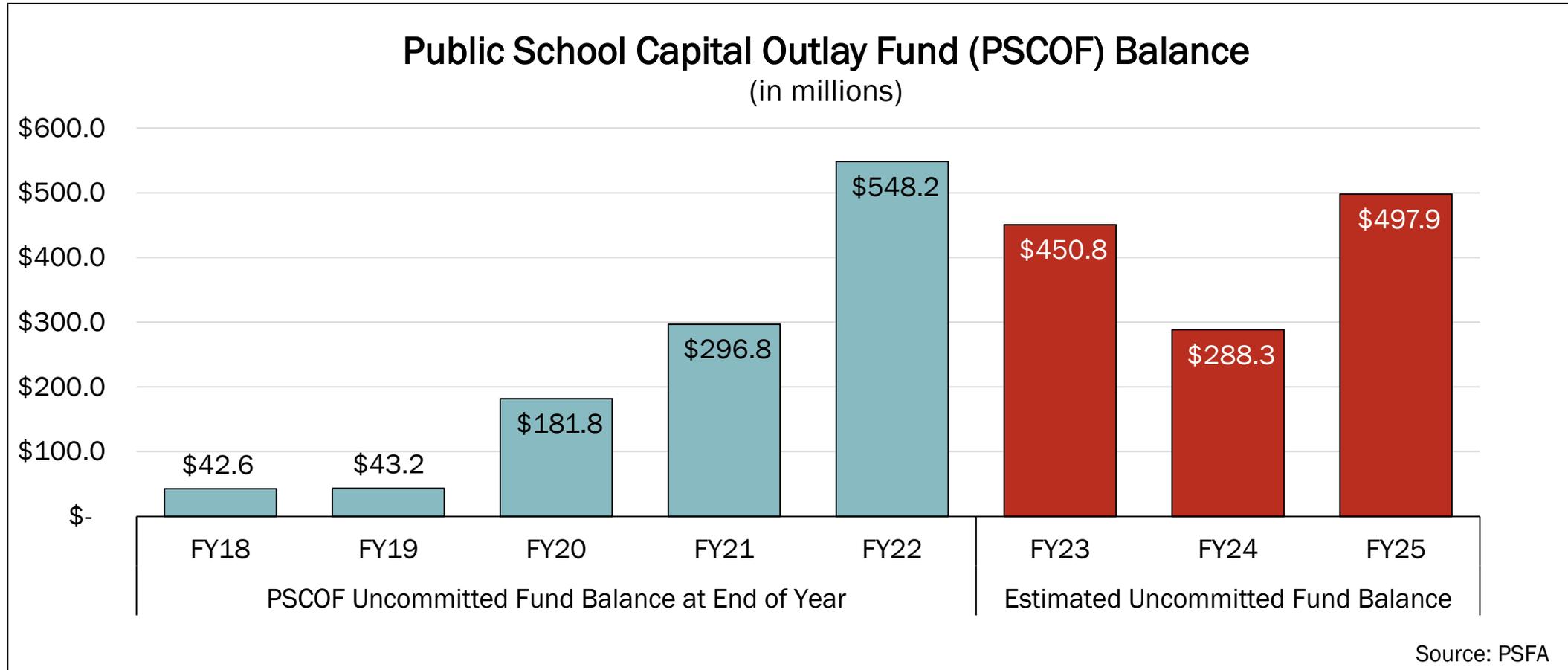
# A Review of Recent Activity

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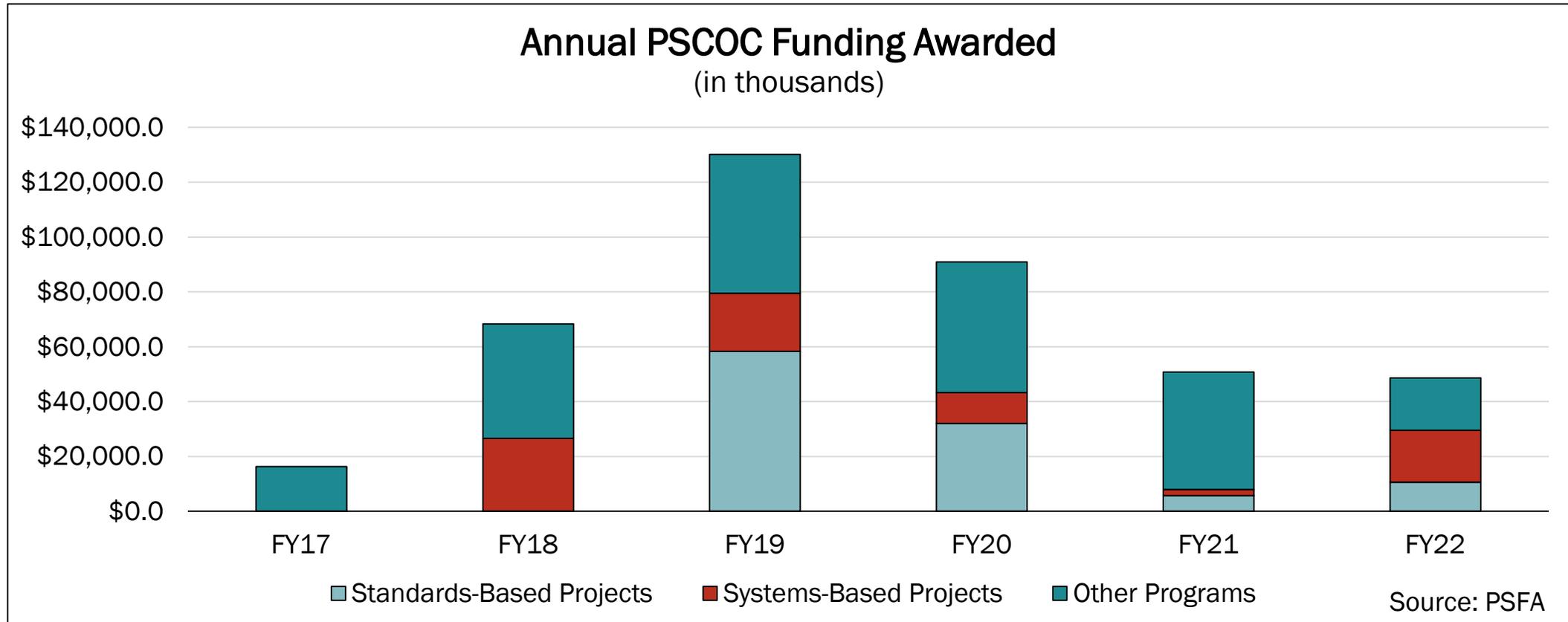


# Public School Capital Outlay Fund





# Applications for PSCOC Awards





# Phase Two State Match Formula

## [Laws 2018, Chapter 66 \(Senate Bill 30\)](#)

established a new formula to calculate the share of capital projects districts would be responsible for paying.

- The intent of the new formula was to establish greater equity among school districts in response to the *Zuni* lawsuit.
- The changes occurred at a time where PSCOF revenues were low and trending downward
- The new formula increased the local share for many districts.
- As an unintended consequence of this transition, districts are now having trouble affording their local share of projects.

	Avg. State Share	Avg. Local Share
FY18	43%	57%
(five-year phase in)		
FY23 (current)	32%	68%
FY24 (final after phase-in)	30%	70%

# Studying Phase Two Formula Assumptions

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The Phase Two Formula makes several assumptions that require further study:

Districts' "ability to pay for facilities" is assumed to be an average of 4.5 mills per year over 5 years.

But...

A 4.5 mill rate requires districts to take full advantage of SB9 (two-mill levy) and partial advantage of HB33 (up to 10 mills). Most districts only have a two-mill levy, some districts have *no* capital mill levies.

The cost of replacing facilities is equal to the total allowable gross square footage in a district times \$307.47 per square foot.

But...

The cost of construction may be greater than \$307.47 per square foot, especially in the wake of the pandemic

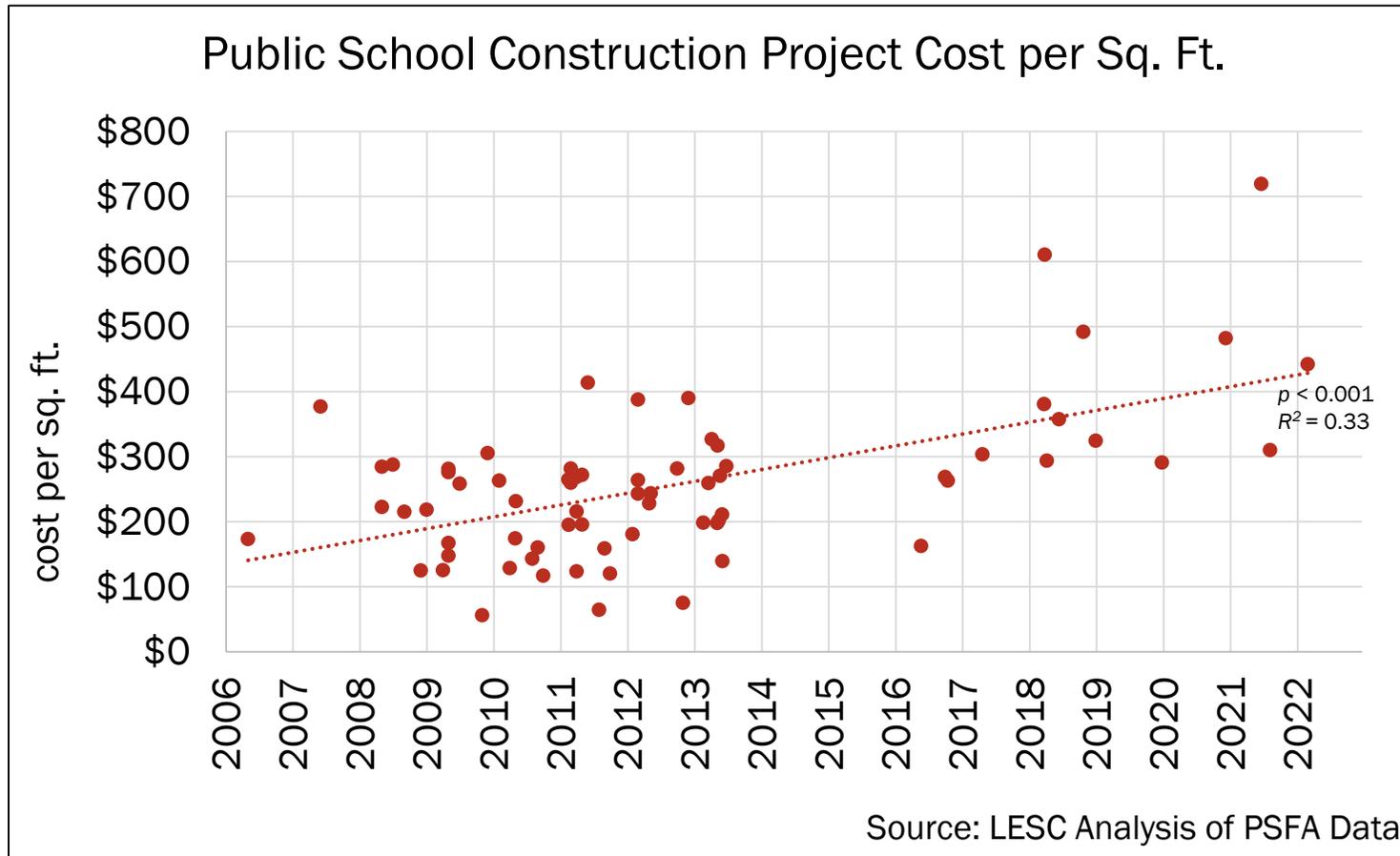
Districts will spread out the replacement of all of their facilities on a 45-year basis.

But...

Districts with long-standing deficiencies have a greater urgency for funds, requiring a larger investment immediately, not spread over 45 years



# Construction Cost Increases



A regression analysis of actual construction costs per sq. ft. over time suggests the current average cost to construct a school is about **\$425 per sq. ft.**

This is subject to many conflating factors like rurality and soil type.

The regression suggests construction prices increase by about **\$18 per sq. ft. per year.**

This model is **statistically significant** at the  $p < 0.001$  level.



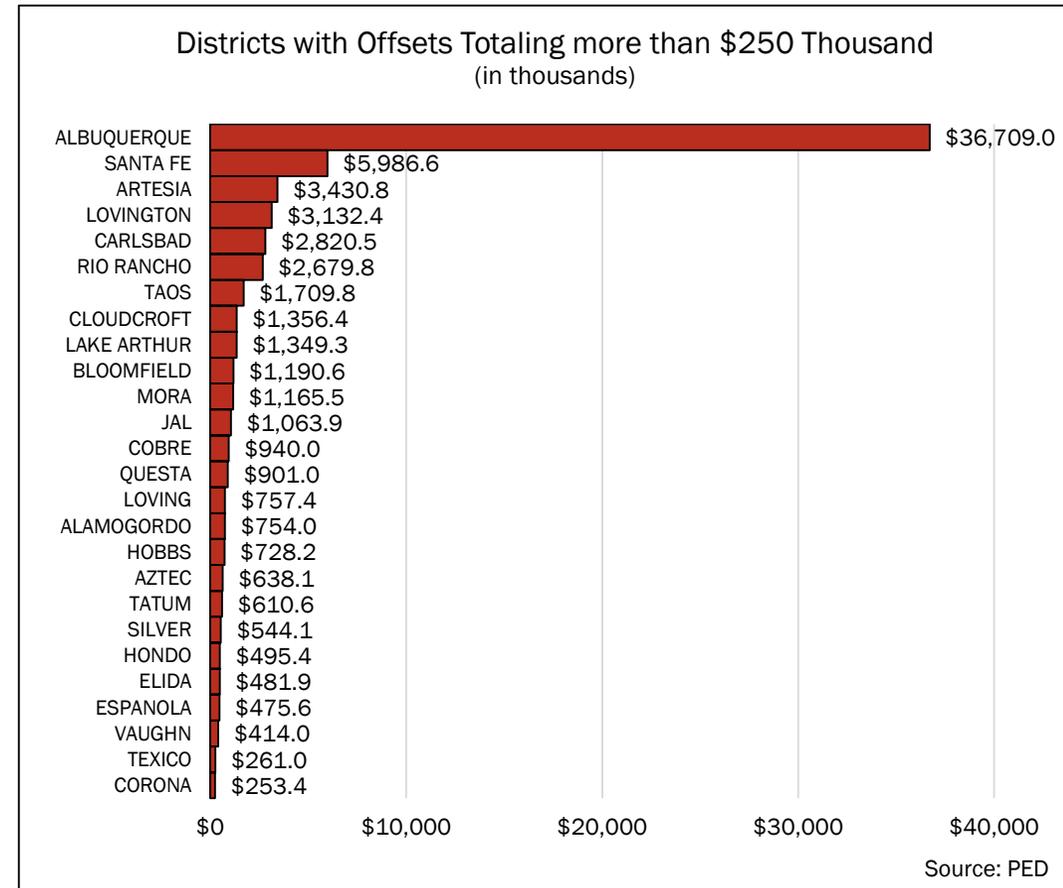
# Offsets for Direct Appropriations

[Section 22-24-5 B. \(9\) NMSA 1978](#) requires PSCOC to reduce award amounts by the amount of direct capital funding districts receive.

Legislators often give school districts direct appropriations in annual capital outlay bills, sometimes unintentionally creating an offset.

Districts have the option to refuse these appropriations, but few do so.

Offsets are cumulative and have become cost-prohibitive for some districts.



# Upcoming Priorities

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1. INCREASE DEMAND FOR PSCOC AWARDS
2. PUT PSCOF BALANCE TO WORK FOR HIGH-NEEDS SCHOOL PROJECTS



# State and Local Match Changes

Short-Term Policies (Potential PSCOC Action)	Advantages	Disadvantages
1. Partially waive local match for all school districts by a flat percentage, e.g. 20 percent.	<ul style="list-style-type: none"> <li>• Makes projects more affordable for all districts</li> </ul>	<ul style="list-style-type: none"> <li>• May not result in a large enough reduction for some projects</li> </ul>
2. Partially waive local match for school districts by a proportion of their local match (larger local matches get a greater percent reduction)	<ul style="list-style-type: none"> <li>• Makes projects more affordable for districts with large local matches</li> </ul>	<ul style="list-style-type: none"> <li>• Potentially disequalizes capital outlay system</li> </ul>
3. Partially waive local match for school districts using an estimator of local need, like enrollment, “local revenue,” or estimated construction cost.	<ul style="list-style-type: none"> <li>• Targets funding to districts with greatest need</li> </ul>	<ul style="list-style-type: none"> <li>• Temporary solution; legislative changes are needed for true solutions</li> </ul>

- In the **long-run**, the Legislature will need to consider making changes to the state and local match formula to maintain equity but increase participation in PSCOC-funded projects.
- LESL and LFC staff are working together on joint recommendations for the September meeting of the Public School Capital Outlay Oversight Task Force (PSCOOTF).



# Address Legislative Offsets

## Problem Statement:

Direct capital appropriations have created capital outlay offsets in many districts, unintentionally discentivizing districts from applying for PSCOC projects.

Policy Option	Advantages	Disadvantages
1. Status Quo – districts keep current offsets	<ul style="list-style-type: none"><li>• Equitable – some districts don't get funding from the legislature</li></ul>	<ul style="list-style-type: none"><li>• PSCOC awards may be completely inaccessible to some districts</li></ul>
2. Partially forgive offsets based on a certain methodology, such as forgiving offsets older than 5 years	<ul style="list-style-type: none"><li>• Slightly increases demand for PSCOC projects</li></ul>	<ul style="list-style-type: none"><li>• Would require offset forgiveness awards totaling approx. \$15M.</li></ul>
3. Forgive offsets completely	<ul style="list-style-type: none"><li>• Levels the playing field, greatly increases demand for PSCOC projects</li></ul>	<ul style="list-style-type: none"><li>• Potentially Inequitable – PSCOC awards may no longer be targeted to districts with greatest need.</li></ul>



# Early Childhood Facilities

## Problem Statement:

New Mexico’s early childhood education providers that are independent of public school districts, including tribal and private prekindergarten providers, do not have access to facility funding.

Policy Option	Advantages	Disadvantages	Other Considerations
1. Amend <a href="#">Section 22-24-12 NMSA 1978</a> (prekindergarten facilities initiative) to allow all early childhood providers to receive awards from PSCOC	<ul style="list-style-type: none"> <li>• Treats all early childhood providers equitably</li> </ul>	<ul style="list-style-type: none"> <li>• Impossible to determine early childhood providers’ “local match” under current law</li> <li>• Increases PSFA administrative burden</li> </ul>	<ul style="list-style-type: none"> <li>• Are there <a href="#">anti-donation clause</a> issues in providing private prekindergarten providers with public funds?</li> <li>• Should ECECD be responsible for early childhood facility funds?</li> </ul>
2. Exempt prekindergarten facilities from local match requirements and offsets	<ul style="list-style-type: none"> <li>• Greatly increases capital funding for all early childhood facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Increases state share of projects</li> </ul>	<ul style="list-style-type: none"> <li>• Should the policy treat all ECE facilities <b>equally</b>, rather than <b>equitably</b>?</li> </ul>

# Career-Technical Education Facilities



## Problem Statement:

School districts and charter schools have asked for increased funding for specialized career technical education (CTE) programs aligned with local needs.

Policy Option	Advantages	Disadvantages	Other Considerations
1. Appropriate \$50 million to PSFA to distribute to all districts and charters based on enrollment or some other factor	<ul style="list-style-type: none"><li>• Simple</li><li>• Funds available for all districts</li></ul>	<ul style="list-style-type: none"><li>• Not targeted to areas of greatest need</li><li>• Stretching funds to every district will reduce average award size</li></ul>	<ul style="list-style-type: none"><li>• Should the appropriation be exempt from offsets?</li><li>• Is \$50 million enough/too much funding?</li></ul>
2. Establish an annual “facility initiative” similar to prekindergarten program with a set aside \$50 million for CTE projects	<ul style="list-style-type: none"><li>• Able to target funds, potentially increasing average award size</li></ul>	<ul style="list-style-type: none"><li>• Districts need to apply for program</li><li>• Some districts may not receive an award</li><li>• Increases PSFA administrative burden</li></ul>	<ul style="list-style-type: none"><li>• Can districts renovate current underutilized space for CTE programs?</li></ul>



# School Safety and Security

## Problem Statement:

Education stakeholders want schools to be safe and secure, but the existing PSCOC school security program results in unused dollars each year.

Policy Option	Advantages	Disadvantages	Other Considerations
1. Reauthorize existing PSCOC school security program	<ul style="list-style-type: none"><li>• Able to target funds to districts with identified needs</li><li>• Prioritizing awards can increase the average award size</li></ul>	<ul style="list-style-type: none"><li>• Districts need to apply for program</li><li>• Low demand for current security program</li></ul>	<ul style="list-style-type: none"><li>• Should the appropriation be exempt from offsets?</li><li>• Is \$10 million enough/too much?</li><li>• Is capital funding truly the solution to keeping schools safe?</li></ul>
2. Appropriate \$10 million to PSFA or PED to distribute to districts based on enrollment or some other factor	<ul style="list-style-type: none"><li>• Simple</li><li>• Immediate awards</li><li>• Funds available for all districts</li></ul>	<ul style="list-style-type: none"><li>• Not targeted to areas of greatest need</li><li>• Stretching funds to every district will reduce average award size</li></ul>	

# Q&A

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