

STATE OF NEW MEXICO

PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL

PUBLIC SCHOOL FACILITIES AUTHORITY



2010 ANNUAL REPORT

State of New Mexico
Public School Capital Outlay Council
Public School Facilities Authority

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December 31, 2010

Standards-based public school capital outlay decreased by 26 percent in 2010 over 2009. In response to fiscal conditions, the Public School Capital Outlay Council funded no new schools. Funds were awarded for projects already in construction and for project design.

2010 PSCOC awards totaled \$96.9 million to 154 school construction, facilities and facilities planning needs throughout New Mexico, including:

- \$86.7 million in standards-based and roof awards to 50 projects in 27 districts;
- \$9.7 million for facility leasing assistance to 80 charters and 6 public schools in 21 districts;
- \$522,402 in facility master planning awards to 12 school districts and 6 charter schools;
- Five new/replacement schools entered service this year, seven schools came online with major renovations, thirty-one schools completed new roofs.

A key performance measure for public school building condition is the average facilities condition index (FCI). FCI has improved by 46 percent since 2003, but the rate of improvement has slowed, and in 2010 began to reverse due to funding constraints. Average FCI was 70.3 percent in 2003, and is currently 37.9 percent. 60 percent is the FCI juncture point for replacing schools; meaning that the most acute school facilities needs across the state have now been addressed, but the overall condition of facilities is not yet where it needs to be.

Public school capital outlay is the state benchmark on "*just-in-time-funding*," with 81 percent of project funds under contract within 15 months from date of award—a 326 percent improvement since 2006, and an 11 percent improvement since last year. Effective master planning and project development are leading to "*right-sizing*" schools, with an attendant reduction in proliferation of space and costs; while preventive maintenance plans and other state maintenance initiatives are helping maximize facilities longevity.

All in all, this program has been making good progress. On behalf of my colleagues on the PSCOC, I acknowledge and thank New Mexico's legislators, executive and educators, along with PSFA and other state staff, who have given their talent, good will and support in delivering better school facilities more rapidly and cost-effectively.

Cordially,

David Abbey

A handwritten signature in blue ink that reads "David Abbey". The signature is written in a cursive style and is positioned to the right of the printed name.



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“This whole process is being managed with transparency and accountability.

The bottom line is that school buildings throughout

New Mexico have improved dramatically over the past few years...”

—Joe Guillen, Page 12

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MAJOR NEW SCHOOL PROJECTS IN 2010

Working closely with the Governor and the Legislature, the PSCOC awarded \$96.9 million during 2010 to 154 school construction, facilities and facility planning needs throughout New Mexico.



Bernalillo



Milan



Tierra Amarilla



Tucumcari

NEW/REPLACEMENT SCHOOLS ENTERING SERVICE THIS YEAR: FIVE

SCHOOL	DISTRICT	SCHOOL	DISTRICT
New Bernalillo Elementary	Bernalillo Public Schools	Lindsey Steiner Elementary	Portales Municipal Schools
Tierra Amarilla Elementary	Chama Valley Schools	Tucumcari High School*	Tucumcari Public Schools
Milan Elementary	Grants-Cibola County Schools	<i>(*2/3 replacement 1/3 major renovation)</i>	

SCHOOLS WITH A MAJOR RENOVATION OR ADDITION: SEVEN

SCHOOL	DISTRICT	SCHOOL	DISTRICT
Moreno Valley High School	Cimarron Municipal Schools	Miyamura High School	Gallup-McKinley Schools
Cuba High School	Cuba Independent Schools	Berrendo Middle School	Roswell Schools
McKinley Elementary	Farmington Municipal Schools	Anansi Charter School	Taos Municipal Schools
Ft. Sumner MS/High School	Ft. Sumner Municipal Schools		

SCHOOLS WITH A NEW ROOF: THIRTY-ONE

SCHOOL	DISTRICT	SCHOOL	DISTRICT
Ernie Pyle Middle School	Albuquerque Public Schools	Sierra Vista Elementary	Las Vegas City Schools
MacArthur Elementary	Albuquerque Public Schools	Central Elementary	Lordsburg Schools
ABQ High School Gym	Albuquerque Public Schools	Los Lunas Elementary	Los Lunas Public Schools
McKinley Middle School	Albuquerque Public Schools	Moriarty High School	Moriarty-Edgewood Schools
Naschitti Elementary	Central Consolidated Schools	Peñasco Elementary	Peñasco Schools
Clovis High School	Clovis Municipal Schools	Peñasco High School	Peñasco Schools
Estancia High School	Estancia Municipal Schools	Mountain View Middle School	Rio Rancho Public Schools
Roosevelt Elementary	Gallup-McKinley Schools	Mountain View Middle School	Roswell Schools
Gallup Middle School	Gallup-McKinley Schools	Mesa Middle School	Roswell Schools
JFK Middle School	Gallup-McKinley Schools	Sierra Vista Primary Elementary	Ruidoso Municipal Schools
Rocky View Middle School	Gallup-McKinley Schools	Santa Rosa High School (Locker)	Santa Rosa Schools
Juan de Onate Elementary	Gallup-McKinley Schools	Santa Rosa High School (West)	Santa Rosa Schools
Grants High School	Grants-Cibola Schools	Ranchos de Taos Elementary	Taos Municipal Schools
Los Alamos Middle	Grants-Cibola Schools	Tularosa Middle School (Gym)	Tularosa Municipal Schools
Mesa View Elementary	Grants-Cibola Schools	West Las Vegas Middle School	West Las Vegas Schools
Oñate High School	Las Cruces Public Schools		

LINDSEY STEINER ELEMENTARY SCHOOL

“We need great maintenance to keep all our new school facilities in great condition. Maintenance staffs have a vital role in this, and it’s an honor to recognize these talented professionals...” — Speaker of the House Ben Lujan

2010 BEN LUJAN MAINTENANCE ACHIEVEMENT AWARDS

Speaker of the House Ben Lujan, on behalf of the New Mexico Legislature, and PSFA’s Maintenance Division awarded 27 Ben Lujan Maintenance Achievement Awards to individuals and school districts that have demonstrated progress in developing effective maintenance management practices.



Bob Gorrell of PSFA, Myra Atencio and Armando Arellano of Aztec Municipal Schools, and Speaker Ben Lujan

GOLD— For making significant progress in their maintenance management practices through demonstrated teamwork. The district is developing effective preventive maintenance processes that are progressing toward well-maintained facilities. You have improved the educational environment for students and staff and are working to extend the life of your school facilities. The continued improvement of your program is necessary to further enhance the quality of your facilities.

SILVER— For continuing to develop effective maintenance management practices through demonstrated teamwork. The district is effectively implementing and building their preventive maintenance program. Your continued development and commitment will provide improved educational environments for students and staff and will help protect the investment in school facilities.

BRONZE— For beginning the development of effective maintenance management practices and establishing a sustainable maintenance program. Your continued efforts in team development and preventive maintenance are necessary to further enhance the educational environment for students and staff.

INDIVIDUAL— Recognition for skills and commitment to facility maintenance operations. Resourcefulness and dedication to students and staff, yielding improved facilities and an enhanced learning process.

SCHOOL DISTRICT GOLD AWARDS: TEN

DISTRICT	DISTRICT	DISTRICT	DISTRICT
Los Lunas Schools	Aztec Municipal Schools	Peñasco Independent Schools	Gadsden Independent Schools
Silver Consolidated Schools	Wagon Mound Public Schools	NM School for the Deaf	Albuquerque Public Schools
Las Cruces Public Schools	Rio Rancho Public Schools		

SCHOOL DISTRICT SILVER AWARDS: SEVEN

DISTRICT	DISTRICT	DISTRICT	DISTRICT
Clovis Municipal Schools	Los Alamos Public Schools	Española Public Schools	Central Consolidated Schools
Carlsbad Municipal Schools	Pecos Independent Schools	Farmington Municipal Schools	

INDIVIDUAL AWARDS: SIXTEEN

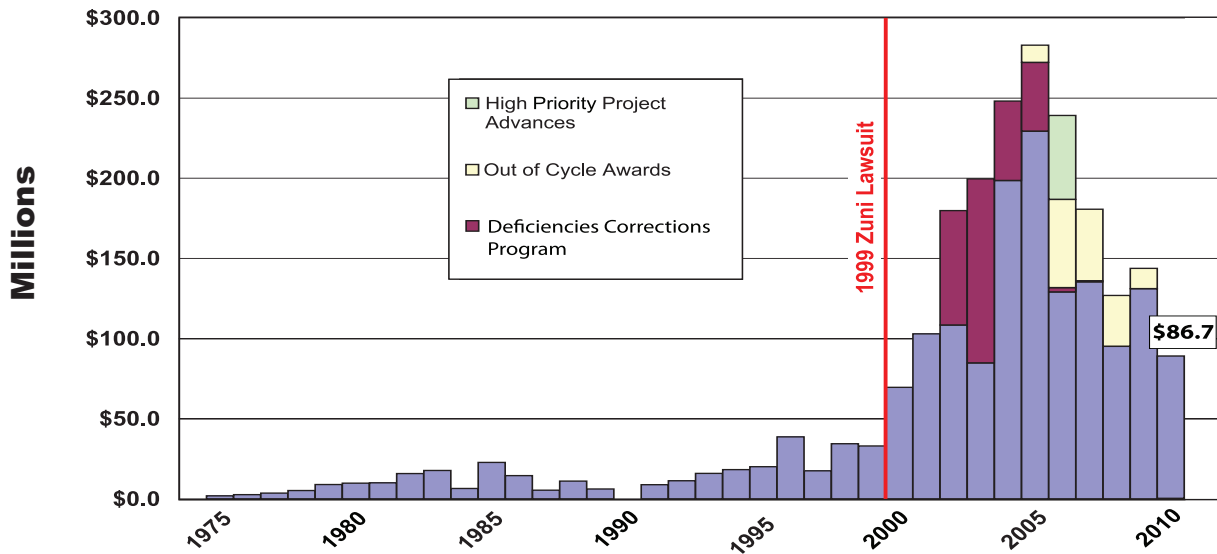
RECIPIENT	DISTRICT	RECIPIENT	DISTRICT
Myra Atencio	Aztec Municipal Schools	Eugene Bieker	Clovis Municipal Schools
Nina Bixler	Aztec Municipal Schools	Henry Corder	Clovis Municipal Schools
Karen Hamlett	Aztec Municipal Schools	Mark Robertson	Clovis Municipal Schools
Johnny Jacquez	Aztec Municipal Schools	Gabe Guerra	Las Cruces Public Schools
Jana Smith	Aztec Municipal Schools	Anthony Archuleta	Los Alamos Public Schools
MJ Ward	Aztec Municipal Schools	Maintenance Admin Team	Los Lunas Public Schools
Armando Arellano	Aztec Municipal Schools	Jonathan Torres	Pecos Independent Schools
Sheba Joe	Central Consolidated Schools	Barry K. Ward	Silver Consolidated Schools



BERNALILLO

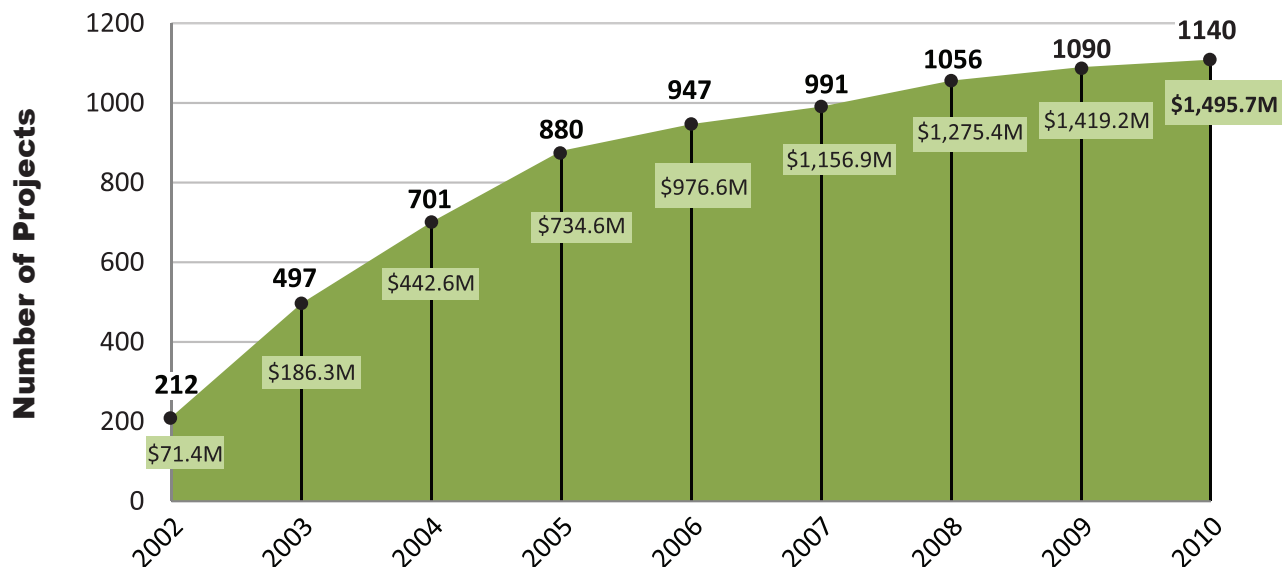
FINANCIAL AND OPERATIONAL DATA

PSCOC AWARDS HISTORY 1975-2010 (IN MILLIONS)



In 2010, Standards-based capital outlay awards totaled \$86.7 million to 50 school construction projects in 27 school districts. Overall award funding decreased by 26 percent over 2009.

CUMULATIVE PSCOC/PSFA PROJECTS & FUNDING

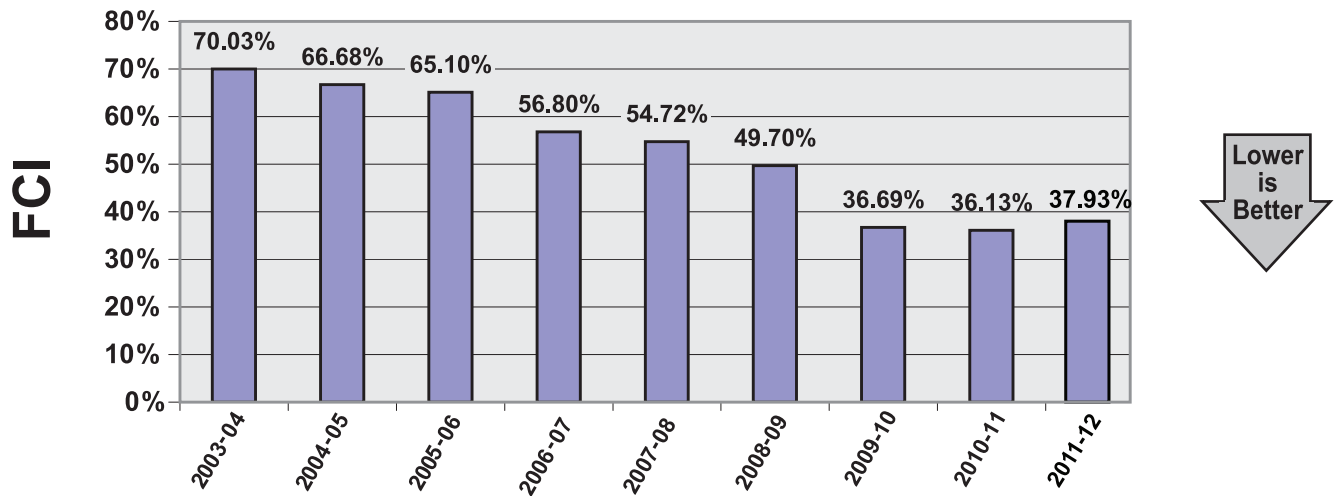


The PSCOC has provided funding and project assistance to 1,109 school facilities projects throughout New Mexico, since the New Mexico Deficiencies Correction Unit was established in 2001. Corresponding total project funding is just under \$1.5 billion (Deficiencies Correction and Standards-based funding only).

"We appreciate the assistance provided by the PSCOC and PSFA for the new Lindsey Steiner Elementary School. It's well designed and energy efficient, providing an excellent learning environment..." — Superintendent Randy Fowler, Portales Municipal Schools

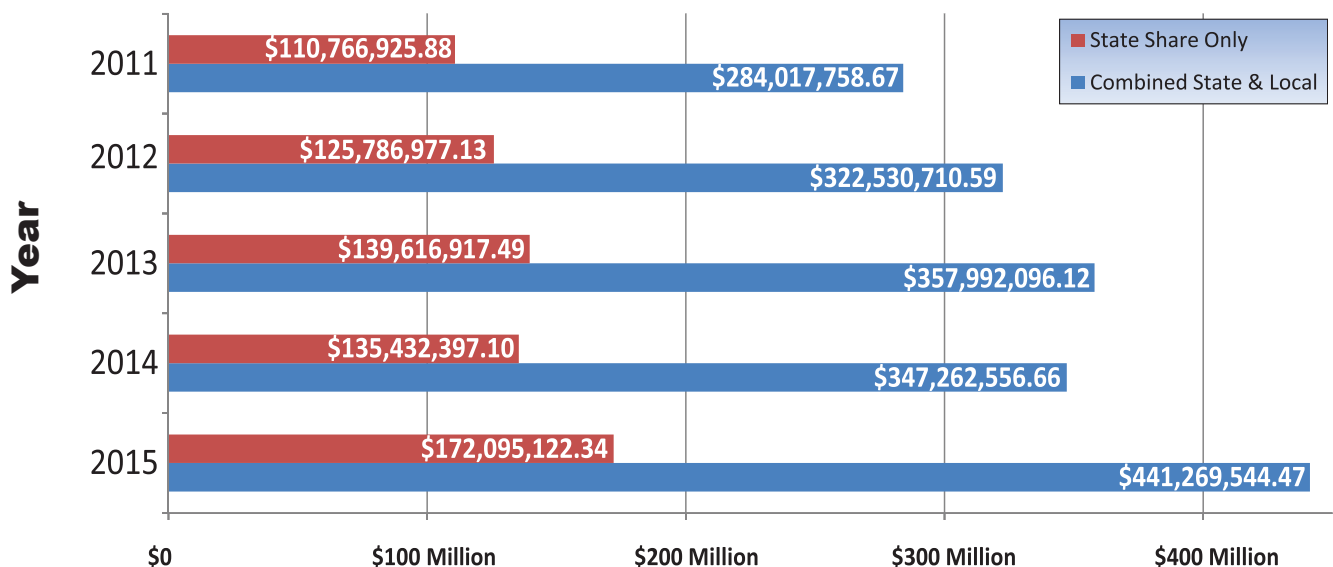
FINANCIAL AND OPERATIONAL DATA

NEW MEXICO AVERAGE FACILITIES CONDITION INDEX (FCI) FOR SCHOOL BUILDINGS



A key performance measure for public school building condition is the average facilities condition index (FCI). FCI has improved by 46 percent since 2003, but the rate of improvement has slowed, and in 2010 began to reverse due to funding constraints. (FCI indicates the level of repair needed for a facility. If a building costs \$100,000 and has an FCI of 37 percent, that building needs \$37,000 in repairs). Despite significant progress, school facilities in New Mexico remain in less than ideal condition.

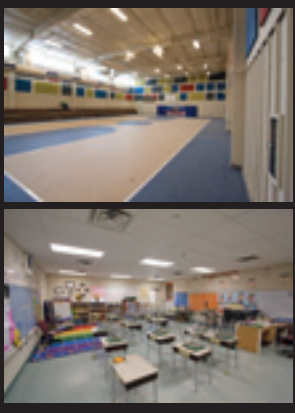
STATE AND LOCAL FUNDS REQUIRED TO MAINTAIN THE CURRENT FCI



Current unfunded public school facilities needs total \$4.05 billion. To maintain an FCI of 37.9%, over the next 5 years, an average of \$343 million annually would need to be invested in school facilities—state funding currently represents 39% of school construction, so funds from the state would need to be about \$134 million per annum. At lower funding levels, degradation exceeds renovation/repair and facilities decline.

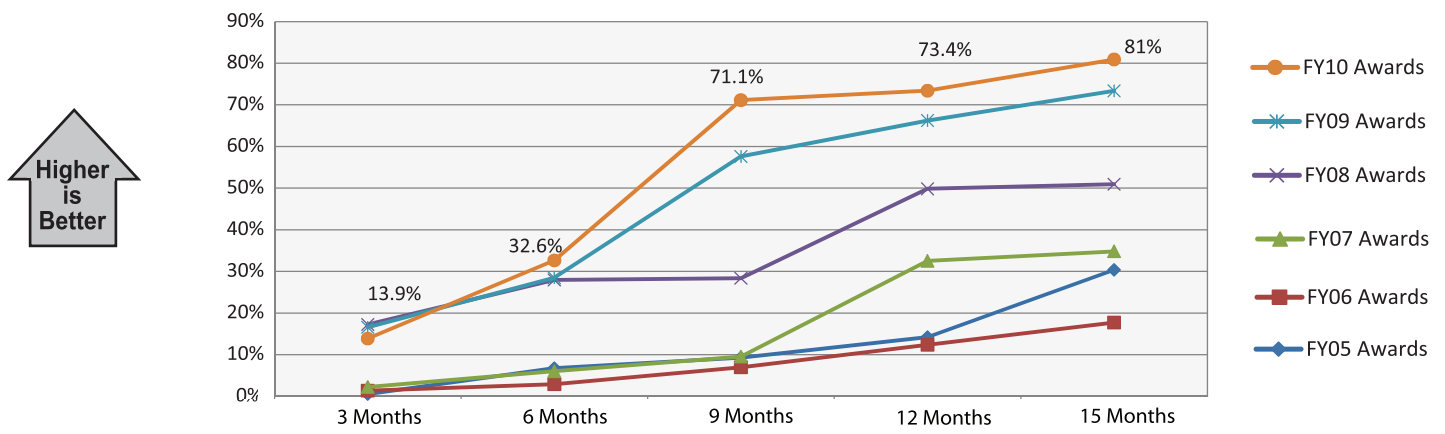


"We celebrate the vision and dedication of the New Mexico Legislature to improve school facilities, which will improve the quality of life for all New Mexicans." —Kilino Marquez, Superintendent, Grants-Cibola County Schools



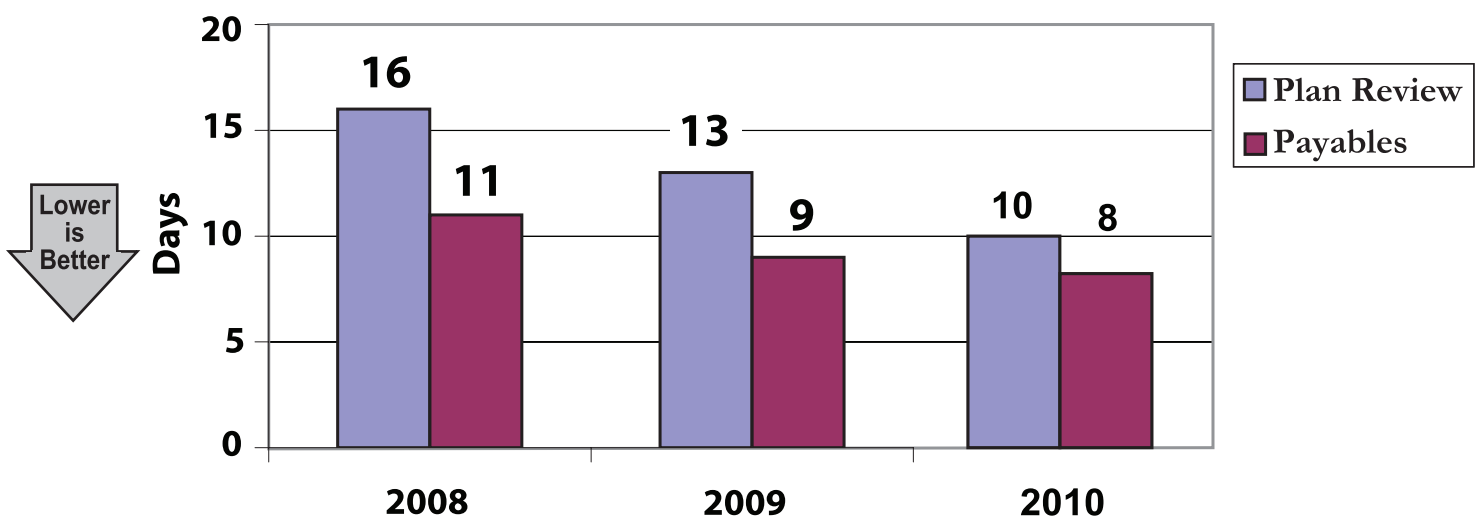
FINANCIAL AND OPERATIONAL DATA

PERCENT OF AWARD DOLLARS UNDER CONTRACT FROM TIME OF AWARD



Public school capital outlay is the state benchmark on *"just-in-time-funding,"* with 81% of project funds under contract within 15 months from date of award—a 326% improvement since 2006, and an 11% improvement since last year.

PSFA PLAN REVIEW AND PAYABLES TURNAROUND TIME



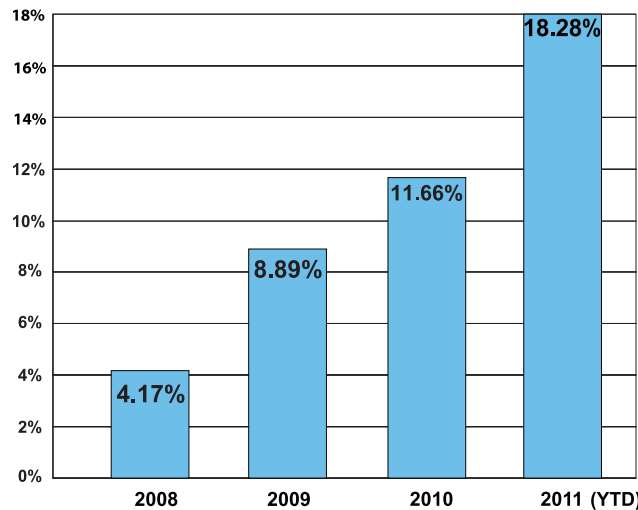
Average plan review turnaround times improved by 23 percent in 2010 and are currently at 10 days.
 Average payables turnaround times improved by 11 percent in 2010 and are currently at 8 days.
 PSFA seeks to continually decrease these two critical customer satisfaction measures.

“FIMS reports were invaluable when FEMA showed up to review all the damage from the freeze that APS incurred. In a matter of seconds detailed reports were printed and handed to the FEMA inspectors. FEMA told us that compared to city, county, district and federal courts, APS was the most organized and made their review of damage very easy.”

—Marty Saiz, Structural Manager, Albuquerque Public Schools

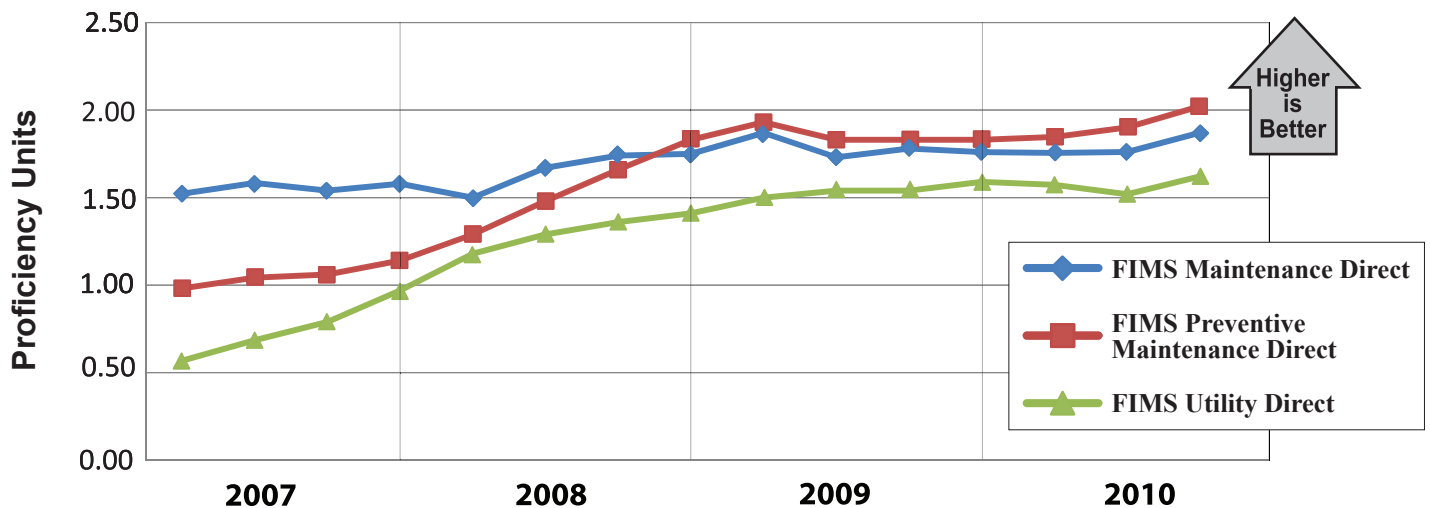
FINANCIAL AND OPERATIONAL DATA

DISTRICT PREVENTIVE MAINTENANCE AS A PERCENT OF TOTAL MAINTENANCE EXPENDITURES (FISCAL YEAR DATA)



District investment in preventive maintenance as a percent of total maintenance expenditures is now at 18.28 percent—a 54% improvement over 2009. Studies indicate that \$1 invested in preventive building maintenance can eliminate up to \$4 in maintenance expenditures overall. *SOURCE: Pacific Partners Consulting, Oregon University and others.*

SCHOOL DISTRICT FIMS PROFICIENCY PROGRESSION



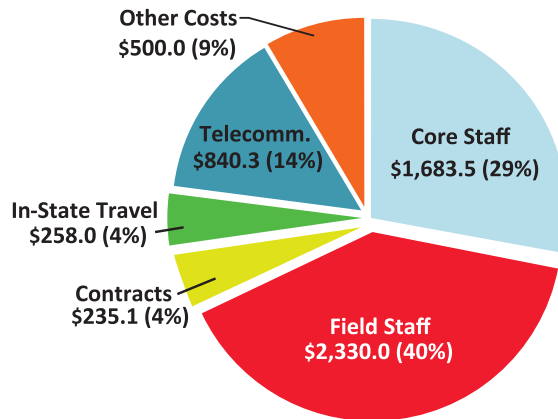
School district proficiency in all three components of the New Mexico Facility Information Management System (FIMS) continues to improve steadily. FIMS is a maintenance management system provided by the PSCOC to school districts. *(Fourth quarter 2010 data not available at time of publication.)*



"PSFA's knowledge and guidance throughout every stage of this project has been invaluable. We're truly grateful for a cost-effective, functional and beautiful new high school."—Supt. Aaron McKinney, Tucumcari Schools

FINANCIAL AND OPERATIONAL DATA

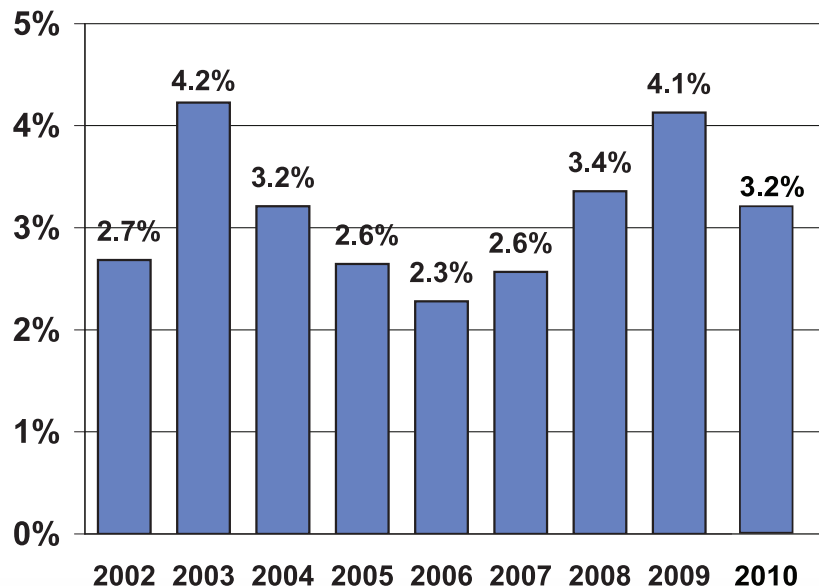
PSFA OPERATIONAL USES OF FUNDS (000'S)



Total FY 2010 PSFA Operating Budget: \$5.8 Million

In 2010, PSFA voluntarily reduced its operating budget by 5.4 percent via process streamlining and other cost reduction measures. PSFA's largest line item cost is the specialized staff who are based throughout the state in the school districts in which they serve, who assist in managing school district facilities needs, and who train district facilities staff.

PSFA OPERATIONAL BUDGET AS A PERCENT OF ANNUAL CAPITAL OUTLAY AWARDS



PSFA's operating budget as a percent of total annual capital outlay award allocations is currently 3.2 percent—well below the statutory limit of five percent.

ZUNI LAWSUIT TIMELINE

The Zuni Lawsuit impacts funding policy for public school facilities in New Mexico. Here's a brief timeline of the key events:

2010	<ul style="list-style-type: none"> ▶ PSCOC awards \$86.7 million in grants to school facilities projects under the standards-based program.¹
2009	<ul style="list-style-type: none"> ▪ State extends the deadline to 2015 for charter schools to be located in public buildings. ▪ State amends the Public School Capital Outlay Act adding inflation adjustment on lease payment assistance. ▪ PSCOC awards \$125.2 million in grants to school facilities projects under the standards-based program.
2008	<ul style="list-style-type: none"> ▶ State funds and implements the Facility Information Management System (FIMS), a web-hosted, statewide school maintenance management system, and provides the system to school districts at no cost. ▪ PSCOC shifts from an annual to an ongoing funding process to better align funding to shovel-ready projects. ▪ Albuquerque Public Schools reduces funding advances and offsets by \$75.6 million through applications to the standards-based program. ▪ PSCOC awards \$93.4 million in grants to school facilities projects under the standards-based program.
2007	<ul style="list-style-type: none"> ▪ State increases school facility lease reimbursement payment from \$600 to \$700 per MEM. ▪ State increases SB 9 guarantee from \$60 to \$70 per mill per unit. ▪ State adds a House of Representatives member and a Senate member from Impact Aid districts to the PSCOOTF. ▪ PSCOC awards \$212.2 million in grants to school facilities projects under the standards-based program.
2006	<ul style="list-style-type: none"> ▶ District court holds status conference. Parties agree to an evidentiary hearing to be held in October 2006. ▪ Zuni plaintiffs present concerns to PSCOOTF, which sets up a work group to develop responses to concerns. ▪ PSCOC awards \$137.4 million in grants to school facilities projects under the standards-based program.
2005	<ul style="list-style-type: none"> ▪ State provides for a permanent Public School Capital Outlay Oversight Task Force (PSCOOTF). ▪ State provides \$62 million for roof repair/replacement and for deficiencies correction program. ▪ State increases SB 9 guarantee from \$50 to \$60 per mill per unit. ▪ PSCOC awards \$255.6 million in grants to school facilities projects under the standards-based program.
2004	<ul style="list-style-type: none"> ▶ State provides \$67.0 million for projects under the critical capital outlay and deficiencies correction programs. ▪ PSCOC awards \$198.9 million in grants to school facilities projects under the standards-based program.
2003	<ul style="list-style-type: none"> ▪ PSCOC implements a standards-based funding process for public school capital outlay. ▪ State appropriates up to \$40 million in additional funds for the deficiencies correction program. ▪ Funding for school maintenance increased through the SB 9 program. ▪ Public School Facilities Authority (PSFA) is created as a permanent agency to implement and manage the standards-based school facilities funding process.
2002	<ul style="list-style-type: none"> ▶ District court special master issues a finding that the state <i>"is in good faith and with substantial resources attempting to comply with the requirements"</i> of the court. ▪ District court adopts the report of the special master and continues to review the state's progress. ▪ Public School Capital Outlay Council (PSCOC) adopts newly-developed public school facilities adequacy standards.
2001	<ul style="list-style-type: none"> ▪ State adopts a new statewide capital outlay system based on adequacy standards. ▪ State appropriates funds for statewide assessment of all school facilities to be ranked according to adequacy. ▪ State establishes a school facilities deficiencies correction program, appropriates \$200 million to fund it, and creates a new temporary state agency to administer it. ▪ District court appoints a special master to review the state's progress in developing a uniform system for funding public school capital improvements.
2000	<ul style="list-style-type: none"> ▶ State authorizes \$475 million of bonds for public school capital improvements. ▪ State creates a new Public School Capital Outlay Task Force (PSCOTF).
1999	<ul style="list-style-type: none"> ▪ District court rules that the current public school capital outlay funding system is unconstitutional. ▪ State authorizes \$100 million in bonds for public school capital improvements.
1998	<ul style="list-style-type: none"> ▶ Zuni lawsuit filed by Zuni, Gallup-McKinley, and Grants school districts.

¹ The Legislative Council Service maintains a comprehensive events timeline related to the ZUNI Lawsuit. This page is only a summary.

PSCOC INTERVIEW

WITH JOE GUILLEN AND PETER WINOGRAD ON PUBLIC SCHOOL FACILITIES AND FUNDING

“PSFA data shows facilities which are only 20 years old but look to be 40-50 years old due to lack of maintenance, and other facilities that are 50 years old but look almost new due to an effective preventive maintenance program.”

— Joe Guillen

WHAT’S WORKING WELL IN PUBLIC SCHOOL CAPITAL OUTLAY IN NEW MEXICO?

GUILLEN: Rapid project development, a data-driven awards process predicated on fairness, and an effective maintenance program have all led to more cost-effective, longer-lasting, safer and overall better school buildings. The whole process is being managed with transparency and accountability. The bottom line is that school buildings throughout New Mexico have improved dramatically over the past few years, with the average Facilities Condition Index reduced by half. Nevertheless, we still have a ways to go before school buildings are where they need to be.

WINOGRAD: I would add that the State has come up with a reasonable and workable solution to the challenge of equitable school facilities, which is a challenge in *every* state. The Zuni Lawsuit was a catalyst that has led to a better process, and to dramatically higher levels of investment in school buildings. The responses from the court have been that we’re making a genuine effort to address the situation.

DOES THE ZUNI LAWSUIT CONSTRAIN POLICY OR DIFFERENTIATE SCHOOLS IN ANY WAY FROM OTHER PUBLIC SECTOR INFRASTRUCTURE?

WINOGRAD: While it may be appealing to look at the funds which are going into school capital, and because of economic conditions, to think that we should instead put that money into operating budgets, what is so powerful about the Zuni Lawsuit is that it says that we can’t do that—we need to address the inequities. So the fact that the court has ruled on this constrains what we can do—in that sense, schools are different from other public infrastructure sectors.

“The Zuni Lawsuit ...says that we need to address [facilities] inequities... in that sense, schools are different from other public infrastructure sectors.”

—Peter Winograd

GUILLEN: Also, the lawsuit might be perceived by some as a negative, but it resulted in a very positive outcome for public schools in New Mexico. The program that was set up to increase funding equity across all districts provides a wide range of assistance, and we’re fortunate to have it.

WHAT ARE THE MAJOR CURRENT CHALLENGES THAT NEW MEXICO IS FACING IN PUBLIC SCHOOL INFRASTRUCTURE?

WINOGRAD: \$4.05 billion in unmet facilities needs. If you travel around New Mexico you see a lot of school buildings that are in real need of repair.

GUILLEN: I agree. This year the PSCOC had to delay a funding cycle for new schools. At the local level, voters are looking at bond issues and mill levies with increased scrutiny, so board members and superintendents have a more difficult job selling issues to their communities. PSFA’s new *Step by Step Instruction Manual for Successful School Bond Elections in New Mexico* is an extremely valuable resource that will aid districts in coming up with local matching funds to leverage state capital outlay awards.

“There are so many factors that figure into improved student achievement...it’s a good start to provide safe and effective learning environments for students, and we’re way ahead of the game on the facilities side.”

—Joe Guillen

WHAT WILL THE PSCOC’S KEY PRIORITIES BE OVER THE NEXT YEAR OR TWO?

GUILLEN: As always, to provide sufficient funding for the level of need, and to continue to provide the technical expertise that PSFA has brought to this process. I’m hopeful that our new governor and the legislature will appreciate the significant deliverables that this program brings to New Mexico.

WINOGRAD: There are a few priorities. Sufficient funding is going to remain number 1. Charter school housing is also going to be key. It will be essential to continue to be responsive to the varying needs of districts while maintaining an equitable funding process. It’s also critical for the PSCOC and PSFA to make school facilities development and funding easier and more effective for districts, not more challenging or subject to added layers of bureaucracy.

THE PSCOC IS UNUSUAL IN ITS MAKE UP OF MEMBERS FROM THE EXECUTIVE, LEGISLATIVE AND EDUCATIONAL COMMUNITIES. HOW WELL IS IT WORKING?

WINOGRAD: I think as a policy making body it works extraordinarily well. Having representation from the legislature, the governor, school boards, DFA, construction specialists and educational professionals is effective. You have a lot of different perspectives.



Joe Guillen, PSCOC Awards Subcommittee Chair and New Mexico School Boards Association Executive Director

Dr. Peter Winograd, PSCOC Administration Maintenance & Standards Subcommittee Chair and Governor Richardson's Educational Policy Advisor

IN AN ERA OF DRAMATIC FINANCIAL CONSTRAINTS, SHOULD SCHOOL DESIGN CHANGE?

WINOGRAD: The focus right now is on saving money, but I think we're not paying enough attention to the strategic impact of all the cost savings. Cookie cutter schools throughout the State may be less expensive, but communities differ, and it's important that they be able to put some of their heart and spirit into their schools. I think it's a mistake in any sector of government to predicate decision making exclusively on short term financial savings. We also need to think about the broader social context. For example, if a school facility costs more to build but leads to improved learning outcomes, the overall cost/benefit to New Mexico may be favorable even at a higher construction cost.

RESEARCH INDICATES THAT BETTER SCHOOL FACILITIES LEAD TO IMPROVED LEARNING OUTCOMES, BUT WITH ALL THE MONEY THAT NEW MEXICO HAS PROVIDED FOR BETTER SCHOOL FACILITIES, IMPROVED LEARNING OUTCOMES HAVE BEEN ELUSIVE. WHY?

GUILLEN: Let me say that having been involved in education as a school board member on both the academic and the facilities sides, complexity on the academic side is so much greater; there are so many factors that figure into improving student achievement. What we can say at this point is that it's a prerequisite and a good start to provide safe and effective learning environments for students, and we're way ahead of the game on the facilities side. We're phasing projects for "just in time" funding; we're "right sizing" projects to minimize operating and capital costs; and we're meeting educational standards for facilities.

IS IT TIME TO SHIFT TO A MORE SOPHISTICATED MEANS TO TRACK STUDENT POPULATIONS IN AND BETWEEN DISTRICTS?

WINOGRAD: PSFA's Geographical Information System has obvious potential, not only for schools, but for all state infrastructure projects. It's a tremendous resource.

AREAS OF GREATEST PROMISE FOR SCHOOLS TO REDUCE THEIR FACILITIES CAPITAL OPERATING COSTS?

GUILLEN: PSFA data shows facilities that are only 20 years old but look to be 40-50 years old due to lack of maintenance, and other facilities that are 50 years old but look almost new due to an effective preventive maintenance program. I think it's important for districts to take advantage of PSFA's various maintenance assistance resources, which can reduce district operating costs and extend the life of buildings.

"Major challenges? \$4.05 billion in unmet facilities needs. If you travel around New Mexico you see a lot of school buildings that are in real need of repair."

-Peter Winograd

ANY ADDITIONAL ADVICE TO SCHOOL DISTRICTS ON CAPITAL FUNDING OR FACILITIES?

WINOGRAD: School operating budgets get all the attention, but good school facilities, the issue of safety and the issue of making sure that kids go to schools that have current technology are all crucial to learning. I'm impressed with PSFA staff and with the processes that the agency has developed. Again, I think in response to the Zuni lawsuit, that this is a constructive, positive genuine effort to address one of the biggest problems in education, and that's inequity.

GUILLEN: I would add that in the current economy, it's becoming more difficult to garner the support of local communities for funding, and the expectations for accountability are growing more rigorous. One of the best means to demonstrate to the community that funds which have been entrusted to the district in the past have been prudently invested, is to effectively maintain the facilities that the district already has.

New Mexico Public School Capital Outlay: How It Works, What's Distinctive About It, Benefits, Needs And Current Issues

DIFFERENCES IN SCHOOL CAPITAL OUTLAY FROM OTHER PUBLIC SECTOR INFRASTRUCTURE:

- The New Mexico public school capital outlay process is a result of legislation in response to the Zuni Lawsuit.
- New Mexico school buildings are ranked objectively by greatest need. All school districts are eligible for state funding *on a level playing field*. **School surveys rate this funding process as extremely fair.**
- The state uses its limited resources to take care of the worst needs at the top of the list *first*, thus maximizing the bang for the buck. Funding is based on a state-local match, and **state funds often serve as an incentive for communities to pass local school bond elections.**
- Over the next 18 months (through the first half of FY13) the PSCOC has **\$385 million** in funding commitments to projects in development and construction, representing potentially 14,434 direct and indirect jobs in construction and related sectors.*

PUBLIC SCHOOL CAPITAL OUTLAY AND CONSTRUCTION OVERSIGHT IS A NEW MEXICO SUCCESS STORY.

- **Money is put to work rapidly via just-in-time funding.** 81 percent of funds are under contract within the first 15 months of project development.
- School buildings have improved, but the rate of improvement has flattened and is beginning to reverse.
- Record numbers of schools are being delivered to New Mexico's communities. In 2010, five new/replacement PSCOC-funded schools entered service; seven schools came on line with major renovations; 31 schools completed new roofs.
- **Funding equity issues raised by the Zuni Lawsuit are being addressed.** The Court is on record that the state is making progress.

BUT NEEDS OF PUBLIC SCHOOL FACILITIES REMAIN EXTREME ACROSS NEW MEXICO.

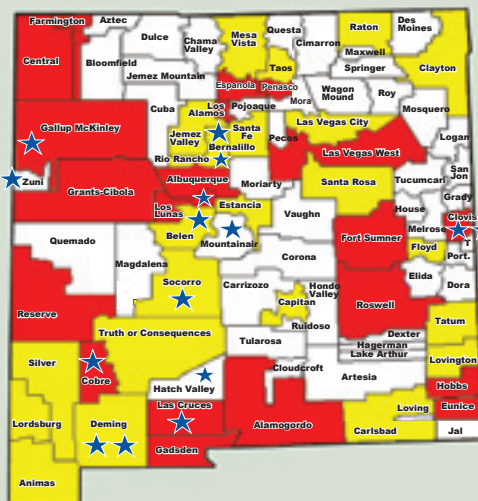
- Current unfunded facilities needs in our 89 school districts total **\$4.05 Billion**.
- To maintain the current Facilities Condition Index (FCI) of **37.9%**, over the next five years, an average of **\$343 million** annually would need to be invested in New Mexico public school facilities—state funding currently represents 39 percent of school construction, **so funds from the state would need to be about \$134 million per annum**. At lower funding levels, degradation exceeds renovation/repair and school facilities decline.

WHAT PUBLIC SCHOOL CAPITAL OUTLAY HAS ALREADY CONTRIBUTED TO ASSIST WITH THE STATE BUDGET CRISIS.

- For 2011, the PSCOC will only fund projects that are *"shovel-ready"* and have received a design or prior-phase construction award.

- In calendar year **2010**, PSFA reverted **\$13.34 million** to the Capital Outlay Fund for reallocation, via audits of construction project closeouts with school districts. In calendar year **2009**, PSFA reverted **\$8.7 million**.
- PSFA is focused on raising utilization rates for existing facilities (*to make full use of what we have before building new*), and is pioneering better measures, like facility cost per student and per square foot, to help districts build schools that are more efficient, more cost-effective and more sustainable in terms of capital and operating costs.
- PSFA is intently focused on helping schools with preventive maintenance **to preserve the \$1.5 billion in new schools that the Legislature has funded since 2002.**
- Since PSFA inception in 2002, no PSCOC-funded school construction project has resulted in a lawsuit between contractors and schools.

IF PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL FUNDS ARE REALLOCATED, OVER THE NEXT 18 MONTHS...



Districts Impacted or Delayed:

- = Current projects
- = At top of greatest needs list
- ★ = Critical roofing projects

- Potential 14,434 direct and indirect job losses in construction & related sectors. Unemployment in the construction sector is currently **39 percent** — 4.4 times higher** than the average unemployment level across NM's economy.
- **49 school projects at 20 districts may be impacted. (The Red Districts on the map.)**
- **15 critical roofing projects at 12 districts may be delayed. (Blue Stars on the map.)**
- **23 districts have projects in the top 100 list of schools with greatest needs that may be further delayed. (The Yellow Districts on the map.)**

*SOURCE: George Mason University, 28.5 jobs per \$1 million in expenditures during construction duration. **SOURCE: Bureau of Business & Economic Research, UNM

PSCOC And PSFA Milestones In 2010

PROJECT DELIVERY:

- Five new/replacement PSCOC-funded schools entered service this year; seven PSCOC-funded schools came on line with major renovations; 31 PSCOC-funded schools completed new roofs.
- 81 percent of project funds are currently under contract within 15 months from date of award—a 326 percent improvement since 2006, and an 11 percent improvement over last year.

CAPITAL FUNDING ASSISTANCE:

- Standards-based public school capital outlay funding decreased by 26 percent in 2010 over 2009. In response to fiscal conditions, the Public School Capital Outlay Council funded no new schools.* Funds were awarded for projects already in construction and for project design.
- 2010 PSCOC capital outlay awards totaled \$96.9 million to 154 school construction, facilities and facilities planning needs throughout New Mexico, including:
 - \$86.7 million in standards-based and roof awards to 50 projects in 27 districts;
 - \$9.7 million for facility leasing assistance to 80 charters and 6 public schools in 21 districts;
 - \$522,402 in facility master planning awards to 12 school districts and 6 charter schools.

FINANCE AND OPERATIONS:

- PSFA voluntarily reduced its 2010 operating budget by 5.4 percent via process streamlining and other cost savings.
- PSFA project completion audits returned \$13.3 million to the Public School Capital Outlay Fund—an increase of 53 percent over 2009.
- PSFA's 2010 operating budget to total awards was 3.2 percent—well-below the statutory limit of 5 percent.
- Payables are being processed in an average of 8 days—an improvement of 11 percent over 2009.

FACILITIES CONDITION INDEX (FCI):

- The 2010 average FCI for public schools worsened by 4.7 percent as a result of funding constraints—the first decline in FCI performance since PSFA inception. Since 2003, cumulative average FCI has improved by 46 percent.

PLANNING AND MAINTENANCE:

- 77 districts have current five-year facilities master plans—a 10 percent improvement over 2009.
- Plan review processing time is currently 10 days—a 23 percent improvement over 2009.
- District investment in preventive maintenance as a percent of total maintenance expenditures is now at 18 percent—a 54 percent improvement over 2009.
- 56 districts have current preventive maintenance plans—a 10 percent improvement over 2009.
- School district proficiency in using the Facility Information Management System increased by 7.6%.
- 10 school districts won Gold Ben Lujan Maintenance Achievement Awards, the highest award level—an improvement of 67 percent.

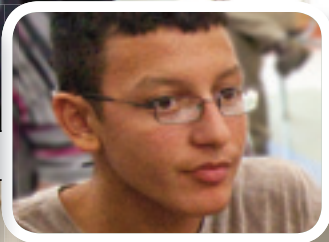
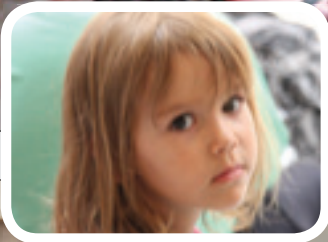
AUDITS & THIRD PARTY ASSESSMENTS:

- PSFA financial audits have had no material weaknesses or exceptions since agency inception in 2002.
- PSFA was the only state agency in 2010 to be awarded Quality New Mexico Roadrunner Recognition for best practices in management—New Mexico's second highest performance excellence award.
- PSFA won a 2010 New Mexico Cumbre Award for effective, transparent communications, along with best public sector annual report.
- In 2010 PSFA became the first state agency to be ISO-audited, and to seek ISO 9001 certification.

* New school funding awards delayed until January 2011.



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Public School Facilities Authority
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ABOVE: LINDSEY STEINER ELEMENTARY SCHOOL GRAND OPENING, HELD ON AUGUST 16TH, 2010 IN PORTALES, NM. THE NEW SCHOOL, BUILT BY THE COMMUNITY OF PORTALES AND PORTALES MUNICIPAL SCHOOLS, WITH PROJECT AND FUNDING ASSISTANCE FROM THE STATE OF NEW MEXICO, WILL SERVE FIFTH AND SIXTH GRADE STUDENTS.