

**SUMMARY MINUTES OF
ADVISORY COMMITTEE ON PUBLIC SCHOOL ACADEMIC FACILITIES
MEETING
#1 Capitol Mall, Suite 4D-200
September 26, 2017, 9:30 a.m.**

Committee Members – Present

Jim Alessi, Chairman
Charles Stein, Vice Chairman
Brad Montgomery, Secretary
Brent Massey
Cody Beene
Jeff Steiling
Jim Tucker
Jim Yeager

Joe Wishard
John Hoy
Jon Collins
LaKenya Riley
Nathan Smith
Rusty Mullen
Scott Archer
Craig Boone, *Ex Officio*

Committee Members – Absent

Scott Copas, *Ex Officio*
Doug Harris, *Ex Officio*

Division Staff – Present

Brad Montgomery, Director
Terry Granderson, Assistant Director
Carol Bowman, Administrative Analyst

Approval of Meeting Minutes from August 29, 2017

Meeting Minutes from August 29, 2017, meeting were submitted and approved.

Review of Proposed Changes to Wealth Index

Representative Mark Lowery, Arkansas State Legislature, discussed HB1936 of 2017 “*An Act to revise the Academic Facilities Wealth Index; and for other purposes.*” He indicated:

- Under the Bill, the new wealth index formula comprised by 4/7 property values, 2/7 net legal fund balance per student, and 1/7 building fund balance per student
- Research indicated school districts have about \$790 million in fund balances
- Wanted to ensure school districts accounting for building fund and net legal balances which combined are over \$2.6 billion
- Recommends review and establishing “best practices” regarding district maximum debt ratio
- Need process for school districts to spend down funds on students now instead waiting on rainy day. The rainy day now
- That former Rep. Nathan Bell stated the amount in millage funds dedicated on debt reduction were being spent on M&O presently
- School districts should be transparent with funds
- School district should rank less money if has money in savings
- One school district has 110% of reserve in savings (*12 months*) instead of 3 months and not spending on students
- Opposed to WSD-Systems moving to priority three
- Legislative committee spent 18 months reviewing adequacy

Representative Lowery requested Nell Smith with BLR provide Mr. Montgomery a copy of the wealth index analysis prepared for HB1836 of 2017.

Lakeview Lawsuit

Lori Freno presented information regarding the Lakeview Lawsuit, provided timeline prepared by BLR, and will send package of cases to Committee. She indicated that:

- School district funding is in State Constitution
- “Substantially equal” does not mean all school districts and their facilities must be the same
- Court refused to define adequacy and held that the Legislature must define it
- Adequacy has no clear definition because always changing
- Closest definition of (facility) adequacy is “building properly equipped and suitable for education”
- Lakeview Lawsuit clearly stated as on-going system to evaluate and changes with times, includes facilities
- Lakeview Lawsuit does not direct one type project over another
- State determines how it funds projects

Dr. Stein explained the WSD ranking for 1517, 1719, and 1921 forward. Brad Montgomery explained school districts can construct buildings larger but not less than required on POR. Ms. Freno and Dr. Stein indicated M&O for WSD is already funded in the 9%.

Construction Cost Inflation

Terry Granderson provided graph on inflation and discussed \$175 SF funding. Mr. Granderson stated that the Division was not recommending an increase, only reporting the noted trend. The discussion included:

- Mr. Collins suggested the Advisory Committee might make suggestions on the inflation
- Mr. Beene stated his school district built two facilities in recent years for about \$90 per SF and questioned what extra costs are being built into other school districts' projects
- Mr. Massey asked how the \$175 per SF was determined and asked why not use an inflationary method
- Mr. Hoy stated it is not the local school districts' responsibility to pay for facilities but the States, and is opposed to raising millage rates for this purpose
- Dr. Smith suggested building new facilities during economic down-turn when contractors' rates cheaper. Multiple member responses that partnership projects require years of planning and approval and forecasting down-turn would be difficult to plan facilities projects around

Sub-Committee Updates

Assessment Sub-Committee

Mr. Alessi reported that he and Mr. Montgomery met with Commissioner Key and received instruction that the Governor's requested assessment is not a state of the facilities boots-on-the-ground structure assessment, but an assessment of the partnership program from 2006 to present. The Committee is to secure professional assistance with the study of the viability of the program.

Mr. Montgomery provided details on the K-12 facilities programs in other state agencies such as Colorado, Ohio, and New Mexico.

- Do big picture inspections not details such as brown ceiling tiles
- Division might add building assessment to be performed every 5-6 years.
- Use Division building assessment in conjunction with superintendent's assessment

Wealth Index, Rules, Ranking

Dr. Stein stated the wealth index is in rule not statute. Mr. Alessi asked the \$175 per SF be reviewed. Mr. Montgomery suggested a percentage be assigned to funding by category.

Manual

Mr. Steiling scheduled meeting with Division regarding needed details, suggestions, and variance requests. Mr. Granderson, recognized by the Chairman as a key contributor, stated he would request suggestions from the attendees at ASPMA Board meeting and conference the following week.

State Plan

Mr. Hoy stated the Sub-Committee will work to identify where money being spent and how to streamline it to save money. Dr. Stein stated the State Plan should state the goal and objective, tie it to State funding, and make funding match the objective. He also indicated that Tab 6 Narrative should address the priorities in the State Plan.

Other Business

Mr. Alessi introduced Marcia Martin-Johnson who is on the Commission's September 29, 2017, agenda to vote on her potential appointment to the Committee.

Next Meeting Date

The Committee selected the next meeting date of October 23, 2017, at 9:30 a.m.

Adjourn