



NEW MEXICO
LEGISLATIVE
FINANCE
COMMITTEE

Education Funding

Public and Higher Education Funding Formulas and the Status of Funded Endowments

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Presentation Agenda

- Public Education Funding Formula
 - Background
 - Recent Trends
 - SEG Considerations
- Higher Education Funding Formula
 - Background
 - Formula components, annual changes, and distributions
- Nonrecurring spending update
 - Overview of endowments and special appropriations



Public Education Funding Formula

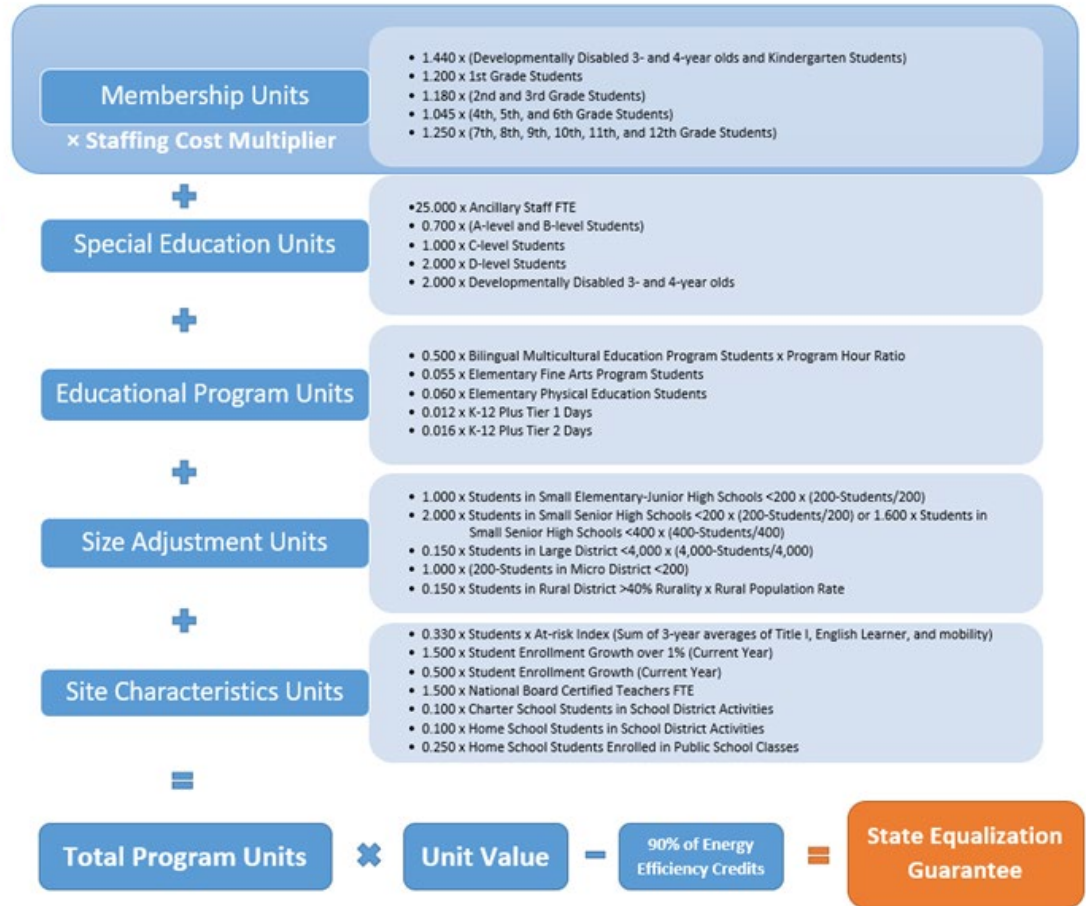
- New Mexico's school funding formula was changed substantially in 1974 to a student-based foundation formula and recognized as a national model
- The formula supports the Legislature's policy that all students are entitled to an equal education opportunity despite differences in local school district wealth
 - "Equal treatment of equals and unequal treatment of unequals"
- The formula treats school districts and charter schools the same and has been changed over 80 times since inception.



Public Education Funding Formula

- The formula uses 28 distinct components to generate units and allocate \$4 billion in funds to public schools
- Program units are the product of the number of students enrolled in a program or category multiplied by a cost differential

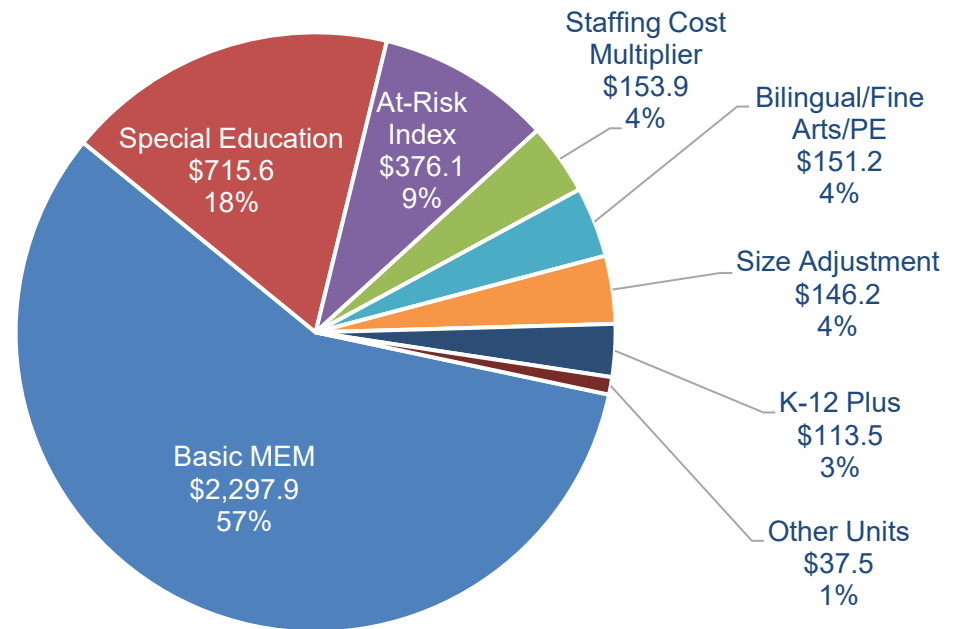
New Mexico Public School Funding Formula



Trends: Formula Components

- The formula is primarily driven by Basic MEM units, however, some site-specific units (like size adjustment) can be significant for smaller districts and charters
- Since FY18, the formula has changed from:
 - Basic MEM at 63%
 - Transitioning from the training and experience index at 7% to the staffing cost multiplier
 - At-risk index at 4%
 - Eliminating size adjustment in districts with 2,000 MEM
 - Addition of K-12 Plus

FY24 Preliminary Funding Formula
(in millions)

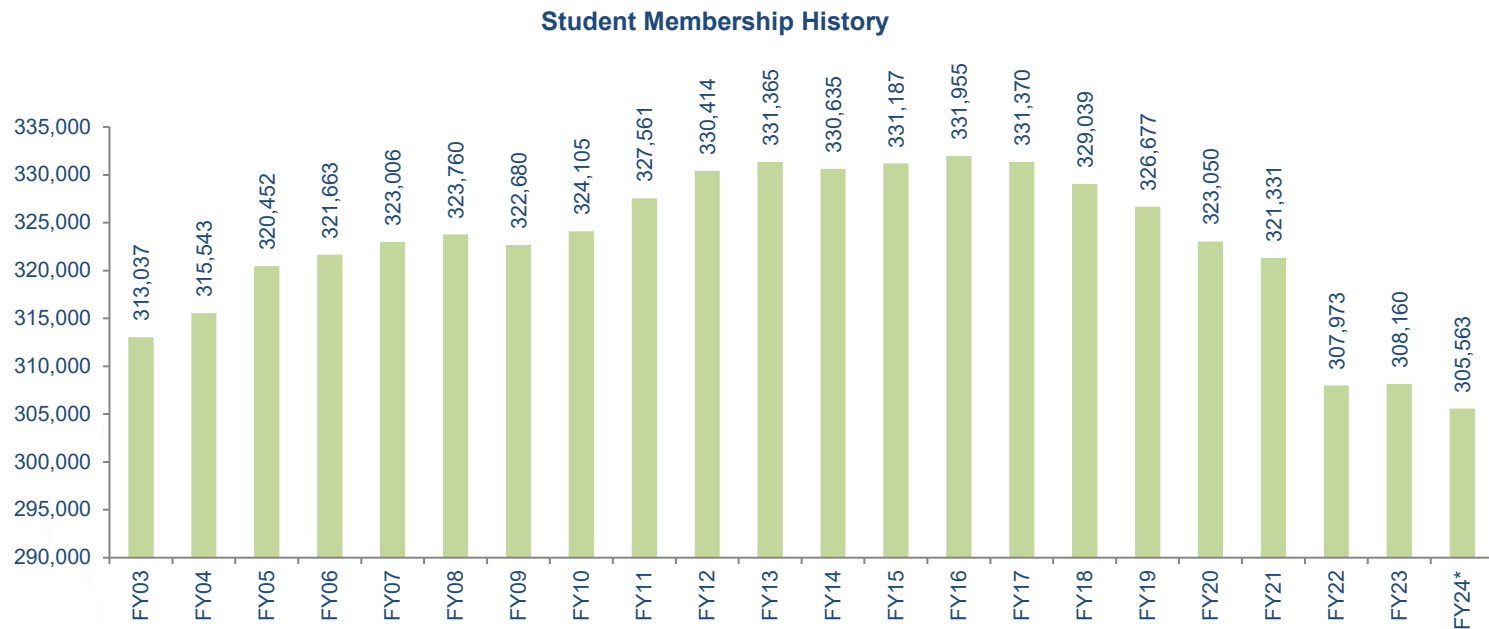


FY24 Preliminary Unit Value: \$6,241.67
Source: PED



Trends: Student Membership

- Overall enrollment has declined in recent years and student counts have not recovered to pre-pandemic levels



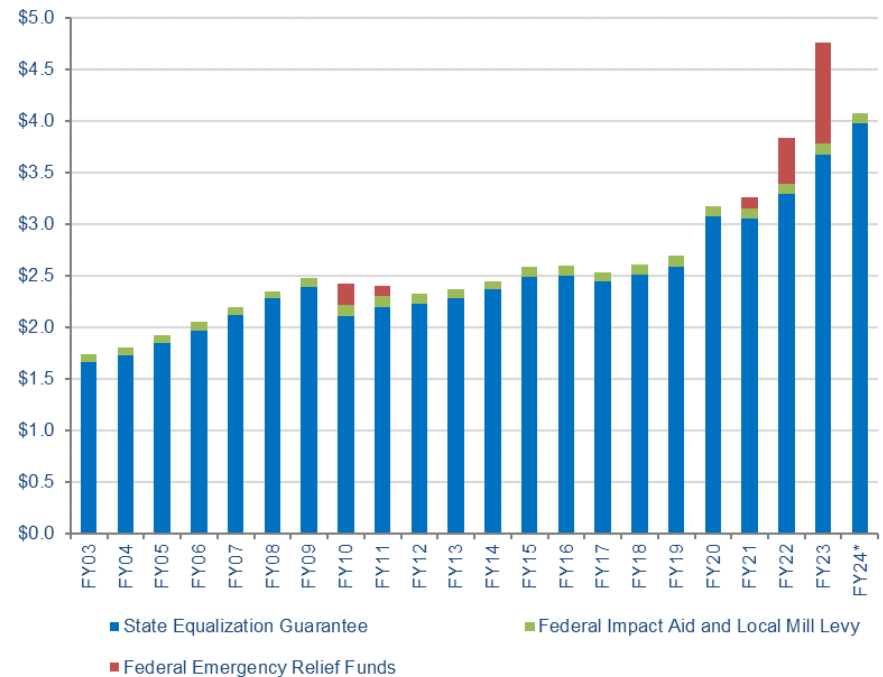
*Data based on preliminary figures
Source: PED



Trends: Appropriation Levels

- Public school funding has grown substantially in recent years
- FY24 increases: \$302 million recurring (8%) and \$183 million nonrecurring funding
- Appropriations grew 49% since FY19 (Martinez-Yazzie ruling), or \$1.3 billion; about half of the increase is attributable to educator pay and benefits

Operational Funding for Public Schools
(in billions)



*Estimated figures

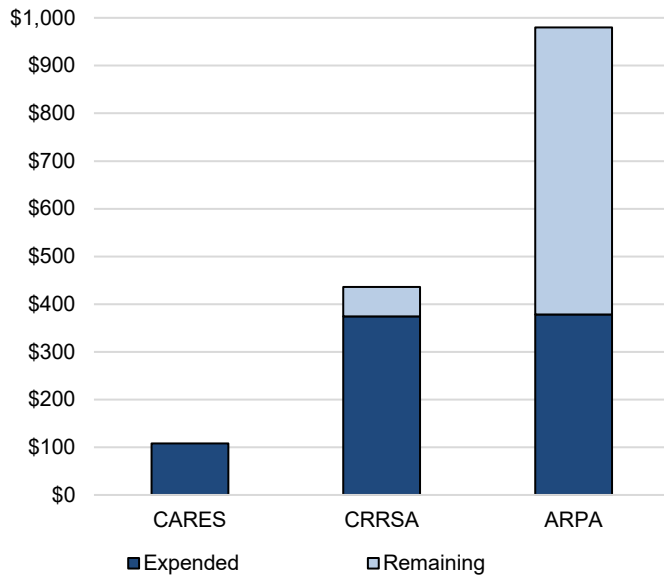
Source: LFC Files



Trends: Local Resources

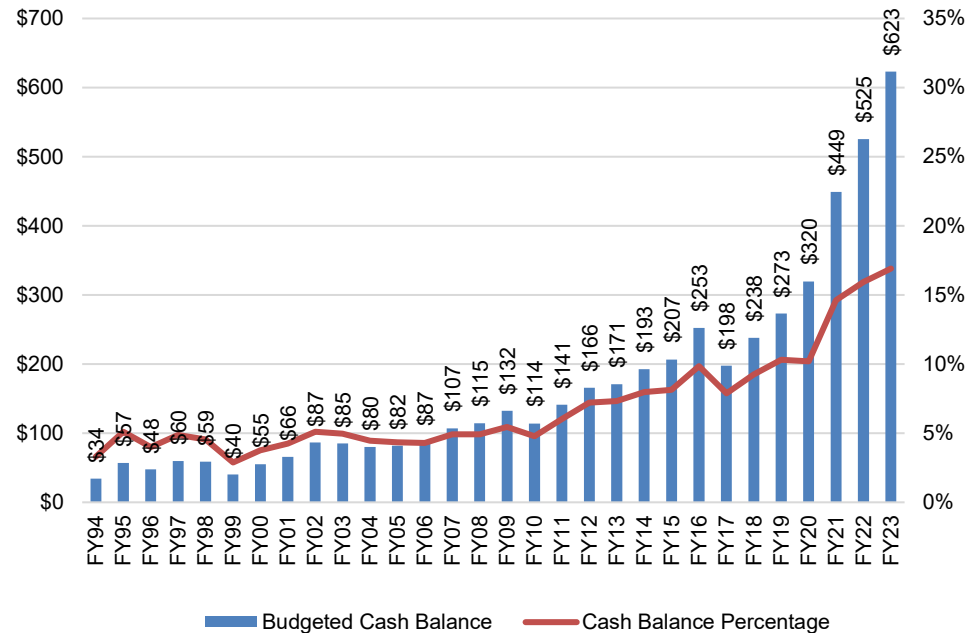
- Schools are still spending down federal pandemic aid (\$600 million left in American Rescue Plan dollars) and growing operational reserves (reaching 17 percent)

New Mexico Schools Federal ESSER Grants
(in millions)



Source: USDE

Statewide School Cash Balance History
(in millions)

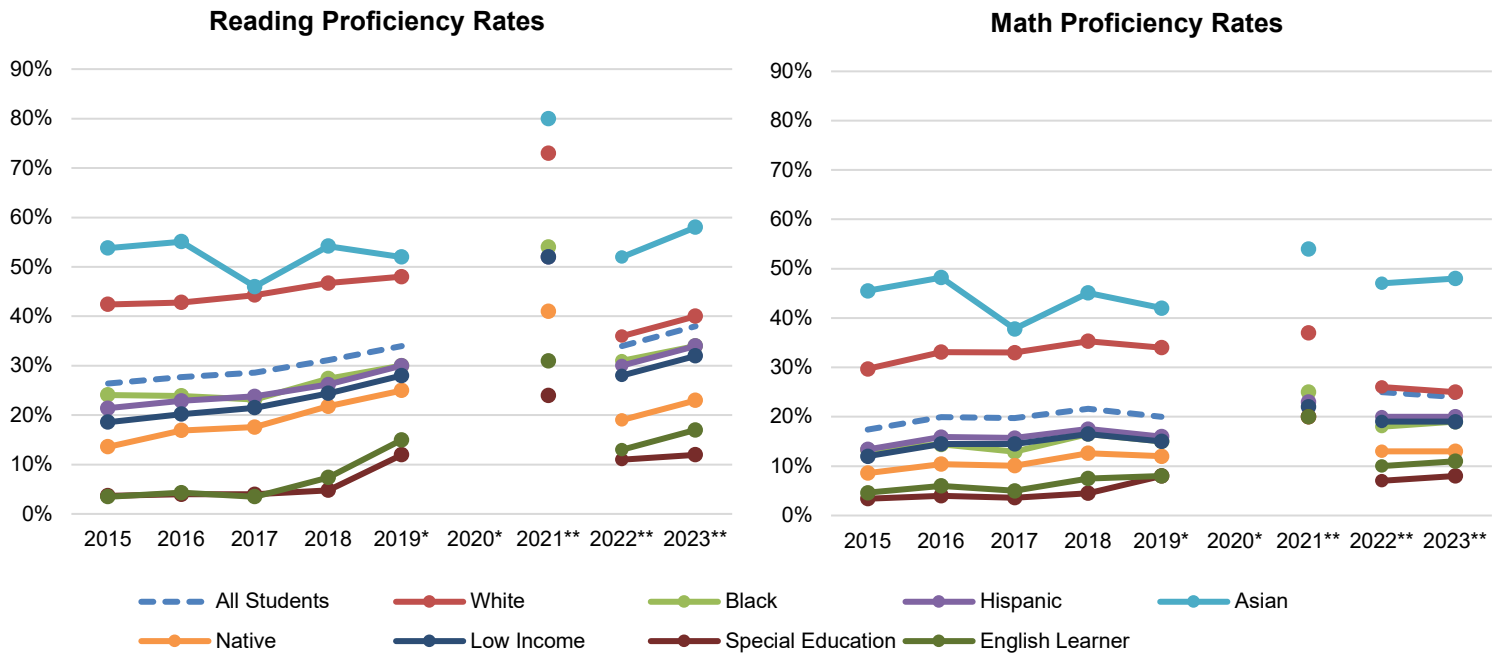


Source: LESC, PED, and LFC Files



Trends: Student Performance

- Student proficiencies are at 38 percent for reading and 24 percent for math; multiple test changes impair comparability of results over time



*Students took the PARCC test from 2015-2018, TAMELA in 2019, and MSSA from 2021-2023. No statewide tests were conducted in 2020. MSSA results are not directly comparable to PARCC or TAMELA results.

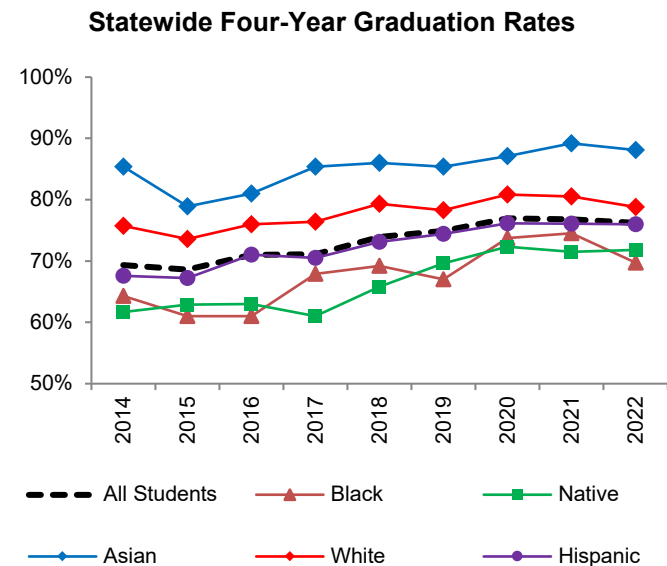
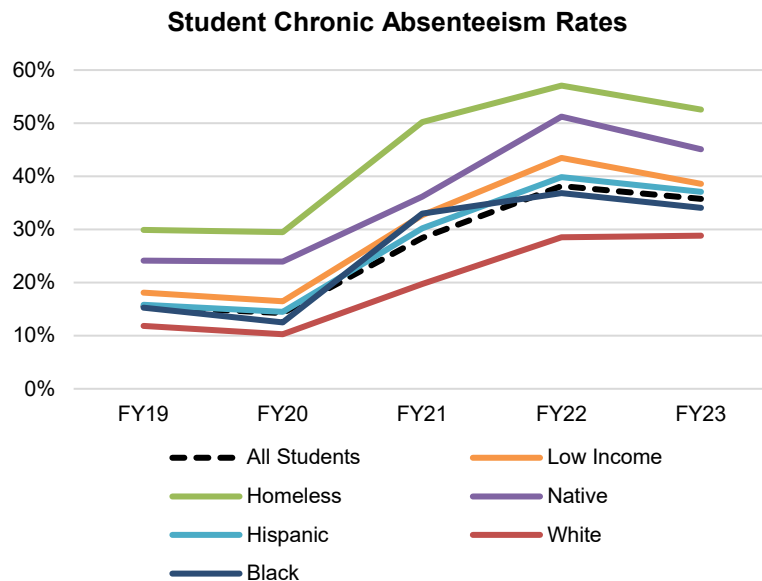
**Testing in 2021 was optional and results are not representative of the student population. PED notes some results in 2023 may be inaccurately reported.

Source: PED



Trends: Student Performance

- Chronic absenteeism rates remain high at 36 percent and high school graduation rates have hovered around 76 percent



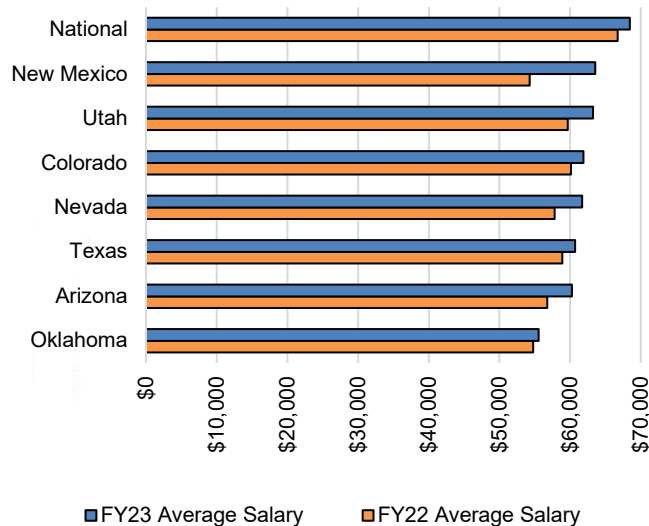
Note: PED relaxed some requirements for high school graduation for the graduating classes of 2020 and 2021
 Source: PED, LESC



Trends: Educator Workforce

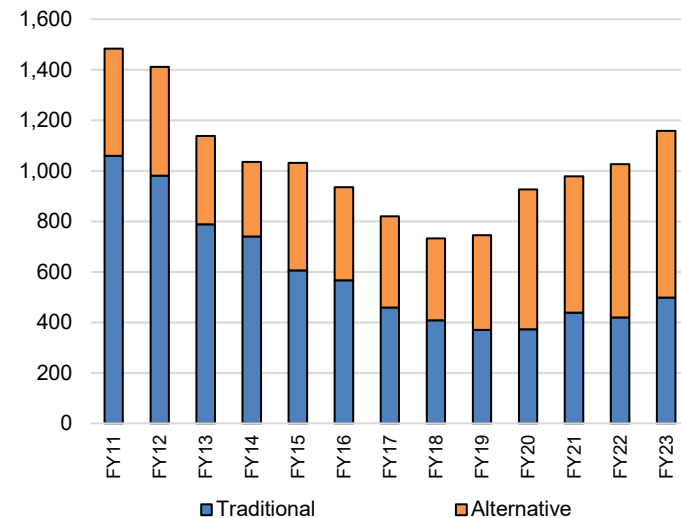
- Teacher salaries are competitive within the region and more candidates are completing teacher preparation programs; however, chronic vacancies persist, particularly for special education

Average Teacher Salaries



Source: NEA

Educator Preparation Program Completers



Source: USDE, SOAR, LFC Files



Trends: Public Education Reform Fund

- For FY24, the Legislature allocated \$183 million from the public education reform fund (PERF), including appropriations for recurring PED “below-the-line” initiatives
- Estimated remaining PERF balances for FY25 are \$55 million

| Public Education Reform Fund Initiative (in thousands) | FY24 Nonrecurring Appropriation |
|---|------------------------------------|
| K-12 Plus | \$60,000.0 |
| Career Technical Education | \$20,000.0 |
| Out-of-School Learning | \$20,000.0 |
| Family Income Index | \$15,000.0 |
| Teacher Residency | \$13,000.0 |
| Community Schools | \$10,000.0 |
| Teacher Preparation Affordability Scholarship | \$8,000.0 |

Source: LFC Files



Trends: K-12 Plus

House Bills 2 and 130 K-12 Plus Statutes

SEG Allocation

\$113.5 million (18,188 units)

- Tier 1: 0.012 units per MEM per day above 180 days*
- Tier 2: 0.016 units per MEM per day above 190 days*
- 1,140 instructional hours
- Up to 60 instructional hours in elementary and 30 instructional hours in secondary can be used for professional work time
- Schools cannot provide fewer instructional hours to students in FY24 than instructional hours provided to students in FY23

PED K-12 Plus Out-of-School Time (OST)

PERF Appropriation

\$60 million (10,200 units)

- 0.012 units per MEM per 8 hours of K-12 Plus OST within Tier 1 threshold*
- 0.016 units per MEM per 8 hours of K-12 Plus OST within Tier 2 threshold*
- Maximum of 48 hours of K-12 Plus OST eligible for program units
- K-12 Plus OST must be at least 2 hours per day, outside normal school day, offered to all students and aligned to standards
- Must include transportation, healthy snacks, free activities, and 15:1 student-to-teacher ratio

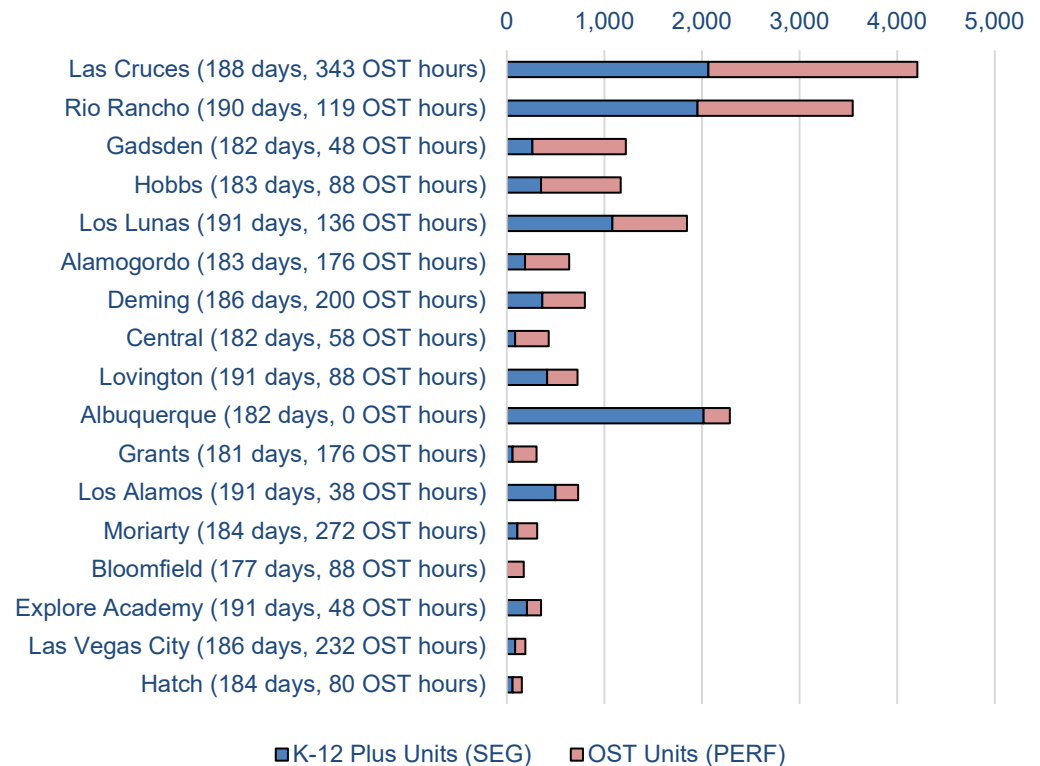
*For schools with a 5-day school week schedule. Schools on a 4-day school week schedule generate Tier 1 units for each day above 155 days and Tier 2 units for each day above 165 days.



Trends: K-12 Plus

- Only 45 districts and charters received K-12 Plus OST funds
- Over half, or \$34 million, of K-12 Plus OST funds will go to four large districts
- No statutory provisions for K-12 Plus OST
- New PED proposed rule requires schools to provide 180 instructional days, exclusive of teacher professional work hours

K-12 Plus Formula Funding



Note: Days and out-of-school time (OST) hours are weighted averages based on student enrollment. OST hours are derived from reported OST days and assumed to be 8 hours per day.
Source: PED



Considerations

- K-12 Plus OST “units” and instructional day increases
- Recruiting hard-to-staff positions, especially for special education
- Declining student enrollment
- Recurring public education reform fund programs
- School leadership
- Accountability for results

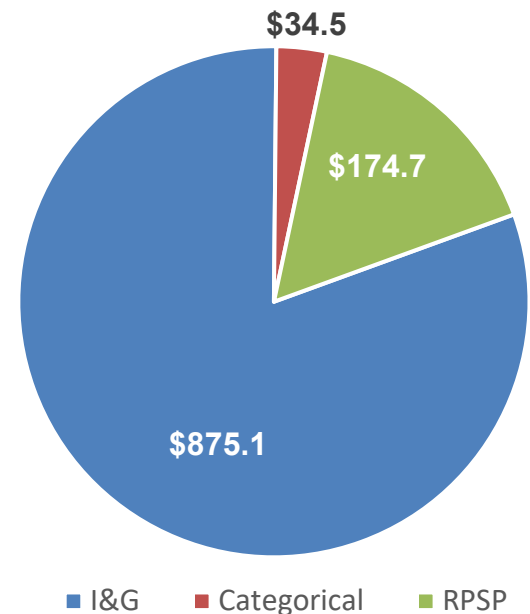


Higher Education Formula

Higher Education Finance Terms

- **Instruction and General:** This is funding for basic operations including instruction, administration, campus operations, and student support.
- **Categorical Funding:** This includes athletics, educational television, teacher pipeline, and tribal education initiatives.
- **Research and Public Service Projects (RPSP):** Like categorical funding, these are single line items related to projects that are not necessarily base operations and include things like the judicial selection committee at UNM, the Department of Agriculture at NMSU, and the Bureau of Geology at New Mexico Tech.

FY24 HEI Funding by Category
(in millions)



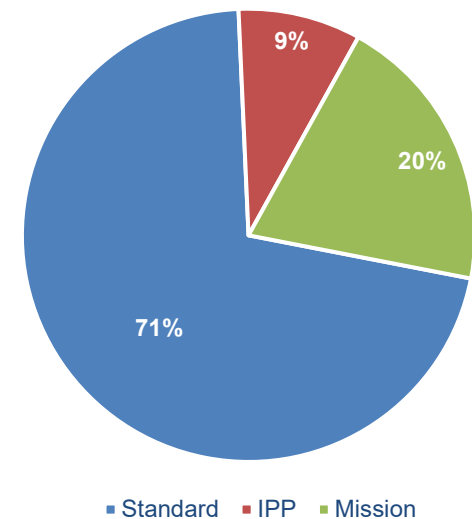
Source: LFC Files



Background: I&G Funding Formula

- The Higher Education funding formula distributes **new money** to Higher Education Institutions.
 - The formula is a base-plus model which protects the prior year base appropriation regardless of workload declines.
 - Until FY23, the formula included a “redistribution” which shifted funding from low-performing institutions to higher-performing institutions. This component has been discontinued and was not considered for inclusion in the FY25 funding formula.
- The Funding formula uses 12 outcomes measures to direct additional funding.
 - Outcome measures include the number of credit hours delivered, number of awards granted, student retention for community and comprehensive colleges, and research activity.
 - Institutional Performance Premiums (IPP) measures provide an additional funding if institutions meet certain performance thresholds for credit hours and awards.

**Funding Formula
Measure Weights, FY25**



Source: LFC Files



Funding Formula Components

SHARED

80% of New Funding

END OF COURSE STUDENT CREDIT HOURS (EOC SCH)

Applies to all sectors (Research, Comprehensive, 2-Year) – 19.0%

Credit hours completed by the student and counted at the end of a semester. The raw EOC SCH data is weighted on a cost factor matrix. Based on a 3-year average of the most current data available.

Institutional Performance – 10% of the funding is first distributed to institutions that qualify by exceeding their prior year performance or 90 percent of their prior 5-year performance (excluding the prior year). The remaining balance is allocated to the regular allocation of the formula and distributed

TOTAL AWARDS

Applies to all Sectors – 31%

The total number of students that graduated with a degree or certificate. Only the highest-level award is counted if a student earns multiple awards in an academic year. FY24 includes “In-demand Work Force Credentials” and excludes “General Education Certificates.” The raw data is weighted on a cost factor matrix. Based on the most current 3-year average.

Institutional Performance – See EOC SCH “Institutional Performance”

STEMH-W AWARDS

Applies to all Sectors – 11.5%

The total number of students that graduated with an award in the Science, Technology, Engineering, Mathematics, and Health field and in-demand workforce. Excludes “General Education Certificates.” The raw data is weighted on a cost factor matrix. Based on the most current 3-year average.

Institutional Performance – See EOC SCH “Institutional Performance”

AT-RISK AWARDS

Applies to all Sectors – 18.5%

The total number of financially at-risk students that graduated with an award and have an expected family contribution that is less than or equal to \$6,206 per year (based on FAFSFA financial aid files). FY24 includes “In-demand Work Force Credentials” and excludes “General Education Certificates.” Based on the most current 3-year average.

Institutional Performance – See EOC SCH “Institutional Performance”

MISSION SPECIFIC

20% of New Funding

MOMENTUM POINTS 30 (MP30)

Applies to 2-year and Comprehensive Sector – 2.8%

MP – Momentum Points. Total number of Students that have completed 30 credit hours with a D- grade or higher, including “S” and “P”. Institutions can share points based on the proportion of credits taken at each respective institution.

MOMENTUM POINTS 60 (MP60)

Applies to Comprehensive Sector- 3.14%

MP – Momentum Points. Total number of Students that have completed 60 credit hours with a D- grade or higher, including “S” and “P”. Institutions can share points based on the proportion of credits taken at each respective institution.

DUAL CREDIT

Applies to 2-year and Comprehensive Sector – 3.0%

Total number of student credit hours taken by “dual credit students.” Based on the most current 3-year average and weighted by tuition charged.

RESEARCH

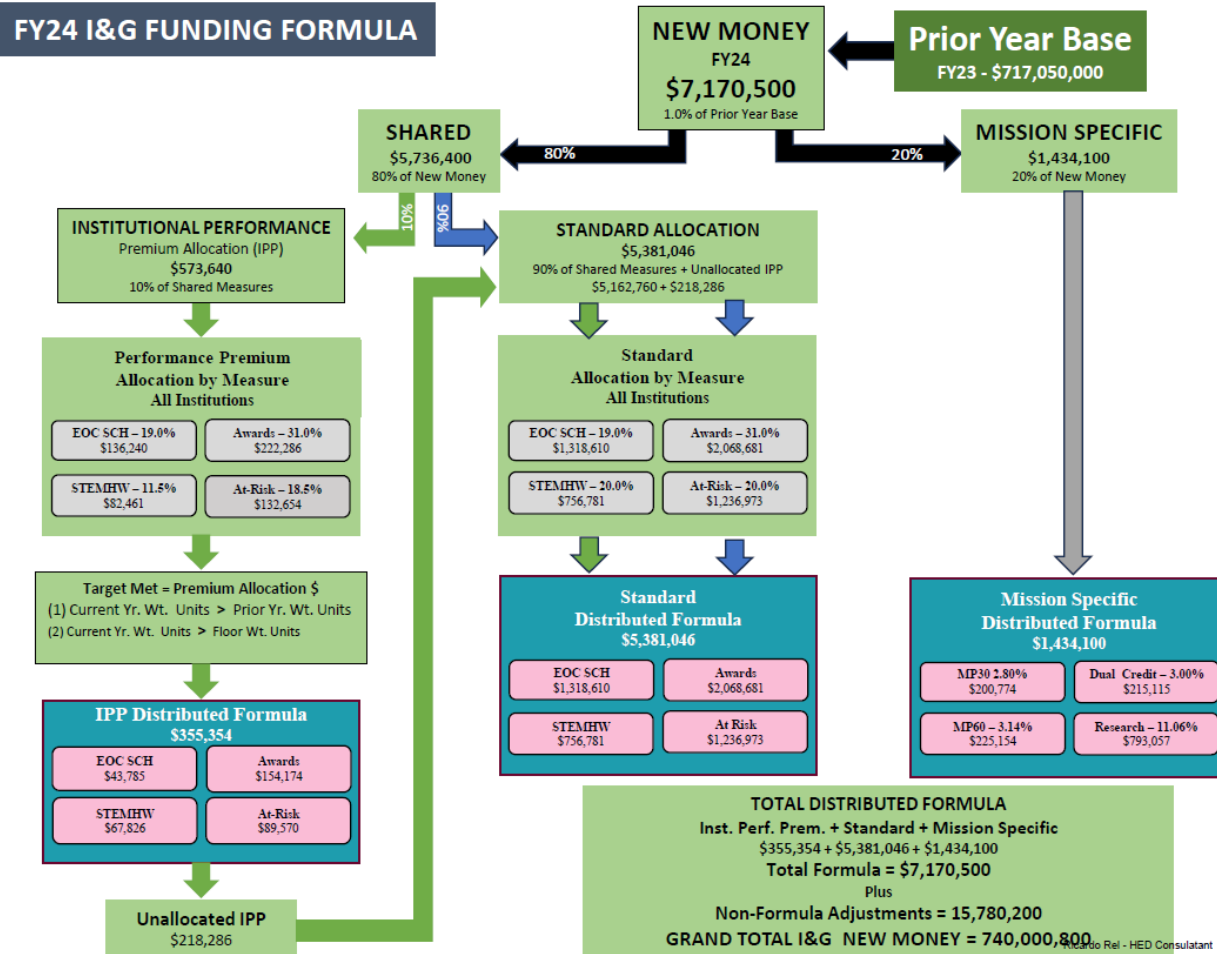
Applies to Research Sector – 11.1%

Distributes funding based on a fixed distribution recommended by the LFC for FY22 and is no longer tied to research expenditures.

Prior to the change, the distribution was based on Expenditures related to out-of-state grants and contracts that are done by the research institutions. Based on a 3-year average of the most current audited expenditures from the Annual Financial Report, Schedule of Expenditures of Federal Awards (SEFA) and Private grants and the statement of revenue, expense, and change in net assets.



Funding Formula Distribution



Formula Changes

- Changes to the funding formula are considered on an annual basis.
- Changes are brought to the funding formula technical advisory committee consisting of LFC, DFA, HED staff and representatives of higher education institutions.
- The technical committee generally meets several times to discuss objectives for the formula and changes to create incentives to reward progress.
- For FY25, the committee recommended two primary changes:
 - Increasing the proportion of the formula dedicated to institutional performance from 10 percent to 20 percent;
 - Creating 4 qualification tiers to recognize difference in the rate of progress.



Status of Endowments

Summary of Endowment Awards
(in thousands)

| Institution | Education | Nursing | Social Work |
|--------------|---------------|---------------|---------------|
| NMSU | 6,000 | 2,500 | 16,500 |
| NM Tech | 5,000 | - | - |
| UNM | 17,000 | - | 10,500 |
| UNM-HSC | - | 6,500 | - |
| ENMU | - | - | 9,000 |
| NMHU | 10,000 | 2,500 | 8,000 |
| NNMC | 2,500 | 2,500 | - |
| WNMU | 5,000 | 2,000 | 6,000 |
| CNM | 2,000 | 3,000 | - |
| DACC | - | 2,500 | - |
| MCC | - | 2,000 | - |
| SFCC | - | 2,000 | - |
| SJC | - | 2,000 | - |
| UNM-G | 2,500 | 2,500 | - |
| Total | 50,000 | 30,000 | 50,000 |

Source: LFC Files

- The Legislature made \$130 million in nonrecurring appropriations to higher education institutions in 2022 to establish endowments for nursing, teacher education, and social work.
 - \$20 million was appropriated in 2023 for financial aid and paid practicum endowments for social work programs in addition to the \$50 million shown to the left.
- All of the appropriations made have been distributed to higher education institutions.
- Endowment spending requires time for institutions to invest the funding to generate investment returns.
- Generally, endowment funds are invested by the foundation of the higher education institution to which they were awarded.



Questions?

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