



Legislative Finance Committee
**FINANCE
 FACTS**

Understanding State Financial Policy

Public School Funding Formula

The public school funding formula, initially created in the Public School Finance Act of 1974, is an attempt to ensure that every public school in the state receives a fair share of a statewide pool of education dollars. At the time of its adoption, it was one of the most innovative school finance plans because it did not rely on local property taxes to support local schools. This practice, still common, means that schools in affluent areas are better funded than schools in low-income neighborhoods.

Funding Units

The formula uses factors to differentiate the cost of serving students with different needs and other specifics of a school district or charter school. The formula starts with school “membership,” basically enrollment, then uses multipliers for the number of students in different grades, the number of students receiving special education or bilingual education, the education and ex-

New Mexico Public School Funding Formula

<p>MEMBERSHIP UNITS</p> <ul style="list-style-type: none"> Developmentally Disabled 3- and 4-year-olds and <ul style="list-style-type: none"> Kindergartners x 1.44 1st Graders x 1.2 2nd and 3rd Graders x 1.18 4th-6th Graders x 1.045 7th-12th Graders x 1.25 <p style="text-align: center;">+</p> <p>SPECIAL ED UNITS</p> <ul style="list-style-type: none"> Ancillary Staff x 25 A- and B-level Students x 0.7 C- and D-Level Students x 1 D-Level Students x 2 Spec. Ed 3- and 4-year-olds x 2 <p style="text-align: center;">+</p> <ul style="list-style-type: none"> Bilingual Participation x 0.5 <p style="text-align: center;">+</p> <ul style="list-style-type: none"> Fine Arts Participation x 0.05 <p style="text-align: center;">+</p> <ul style="list-style-type: none"> Elementary PE Participation x 0.06 	X	<p>Teacher Experience and Education Index</p>	+	<p>Units Based on</p> <ul style="list-style-type: none"> Size of School Size of District Rural Isolation Number of At-Risk Students Enrollment Growth Number of Charter School Students in District Activities Number of Home-School Students in District Number of Teachers with National Board Certification “Save Harmless” Units (for charter schools and districts experiencing big drops in other units)
--	---	--	---	--

dition, New Mexico is the defendant in an ongoing lawsuit that claims insufficient funding is behind the low achievement of scores of low-income, English-learner, and minority students.

Funding Sources

Most state funding for public school operational costs comes from the state general fund. State funding for schools also includes the public schools’ share of interest earned on

the education and experience of the teachers, the size of the district and school, the number of students at risk for developing problems, and other factors.

The resulting number of “units” is multiplied by a unit dollar value, set by the Public Education Department based on available funding, for total “program cost.” That figure is then adjusted for certain local and federal revenue, resulting in a figure called the state equalization guarantee. Each school district or charter school receives a lump sum based on the funding formula.

Formula dollars are not earmarked. A local district or charter school can allocate the money according to local priorities as long as it stays within statutory and regulatory guidelines.

In 1996, a comprehensive study found the New Mexico public school funding formula was highly equitable. However, a 2008 study, commissioned by the Legislature, recommended increasing funding and addressing inequities. In ad-

dition, New Mexico is the defendant in an ongoing lawsuit that claims insufficient funding is behind the low achievement of scores of low-income, English-learner, and minority students.

land grant permanent fund, the depository for certain income earned through activity on state trust land, and other income from state trust land designated to benefit public schools. Federal Mineral Leasing Act revenues are appropriated to schools for purchasing instructional materials and are distributed outside of the formula, as are state and federal funds for transportation and other “categorical” school expenses and specific special programs managed by the Public Education Department.

For More Information:

- The state statutes concerning public schools are in Chapter 22 NMSA 1978.
- The Public School Finance Act is Chapter 22, Article 8.
- Statistical reports on public school financing are available through the PED at www.ped.state.nm.us/div/fin/school.budget/
- A more detailed explanation of school funding is also available through PED at <https://webnew.ped.state.nm.us/bureaus/school-bud-get-finance-analysis/how-new-mexico-schools-are-funded/>