



# 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.

### New Mexico Public School Funding Formula

#### 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 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, to determine a district’s or charter school’s total “program cost.” That figure is then adjusted for certain local and federal revenue, resulting in a figure called the state equalization guarantee distribution.

Formula dollars are not earmarked. A local district or charter school receives a lump sum it can allocate to local priorities as long as it stays within statutory and regulatory guidelines.

#### Revenue and Fairness

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 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.

State and federal funds for transportation and other “categorical” school expenses are distributed outside the formula, as are funds for specific special programs managed by the Public Education Department.

Basic Units	
Developmentally Disabled	
3- and 4-year-olds	x 1.44
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
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Total Basic Units	

$$\begin{matrix} \text{X} \\ \text{Staffing Cost Multiplier} \\ \text{=} \end{matrix}$$

#### ADJUSTED PROGRAM UNITS

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##### Special Education Units

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

##### Special Program Units

Bilingual Participation	x 0.5
Fine Arts Participation	x 0.05
Elem. PE Participation	x 0.06
K-5 Plus Participation	x 0.3
Ext. Learning Participation	x 0.11

##### School and District Size Units

##### Rural Population Units

##### At-Risk Units

##### Enrollment Growth Units

##### Add-On Units

Nationally Certified Teachers	
Charter School Activities	
Home School Activities and Programs	

#### TOTAL UNITS

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$$\begin{matrix} \text{x Unit Value = Program Cost} \\ \text{=} \\ \text{Impact Aid and Other Revenue} \\ \text{Credits and Energy Conservation} \\ \text{Credits} \\ \text{=} \end{matrix}$$

#### STATE EQUALIZATION GUARANTEE DISTRIBUTION

By moving away from the use of local property taxes, which reflect the affluence of a neighborhood, New Mexico bypasses a practice, still common in other states, that creates inequity among schools. However, while some studies have found New Mexico’s formula “highly equitable,” other studies have raised concerns. A 2018 court ruling that New Mexico was not providing sufficient funds to properly educate at-risk students resulted in a significant increase in the factor for at-risk students, as well as new factors for extended school-day and school year services, which primarily benefit struggling students.

#### For More Information:

- The state statutes concerning public schools are in Chapter 22 NMSA 1978. The Public School Finance Act is Article 8.
- Public Education Department financial analysis information is available at <https://webnew.ped.state.nm.us/bureaus/school-budget-finance-analysis/>
- Although dated, a more detailed explanation of school funding is available through PED at [https://webnew.ped.state.nm.us/wp-content/uploads/2017/12/SBFAB\\_home\\_How-New-Mexico-Schools-Are-Funded-4-7-16.pdf](https://webnew.ped.state.nm.us/wp-content/uploads/2017/12/SBFAB_home_How-New-Mexico-Schools-Are-Funded-4-7-16.pdf)