

Basics of the Public School Funding Formula and School Spending

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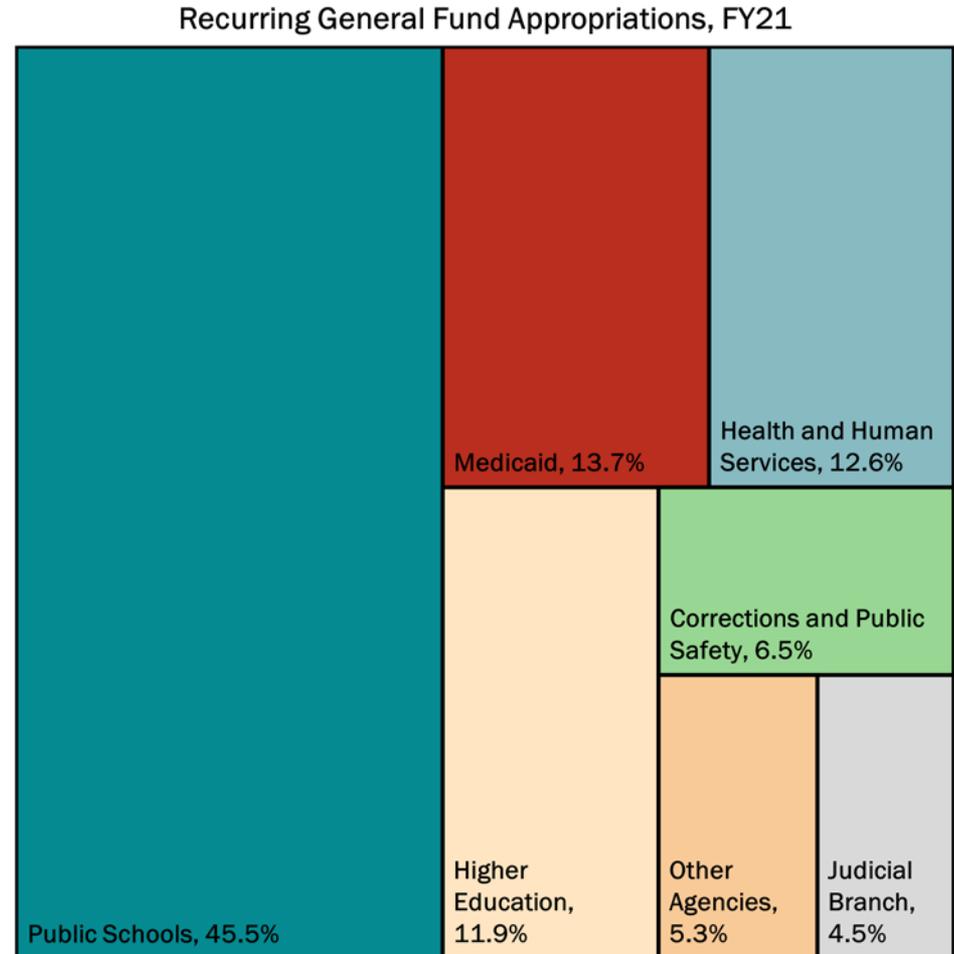
Summary

1. The Public School Funding Formula
2. School District and Charter School Budgets
3. PED Oversight and the *Martinez and Yazzie* Consolidated Lawsuit
4. Categorical vs. Noncategorical Funding

State General Fund Appropriations



- Public schools account for the largest share of recurring general fund appropriations.
- Almost all state funding allocated through the public school funding formula.
 - \$3.046 billion of \$3.211 billion in FY21



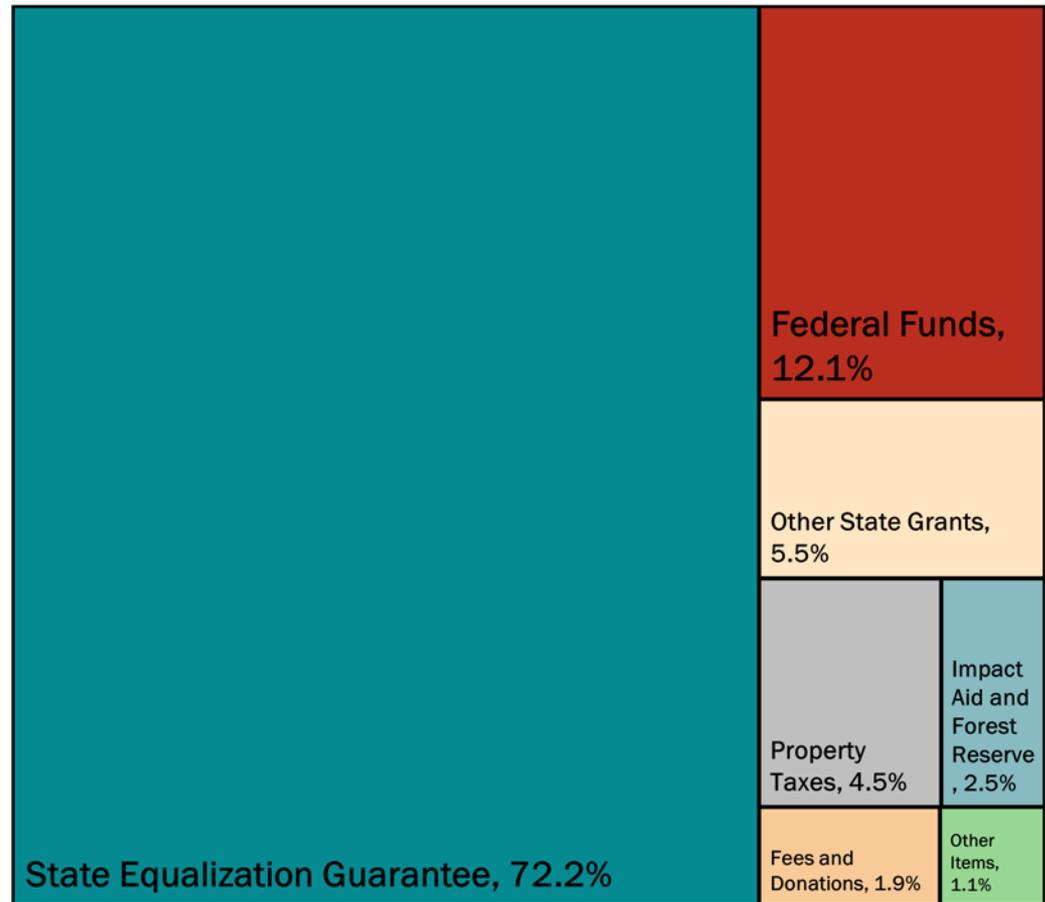
Source: LFC



Overview of Public Education Funding

- Most public school funding allocated at the state level.
 - Over 75% from state general fund revenue
 - 15% from federal funds, including Title I, IDEA, Impact Aid, and other programs
 - Remainder from local sources

School District and Charter School Operational Income by Source, FY19



Note: Includes state and local revenue pursuant to the Public School Capital Improvements Act (SB9).

Source: OBMS



The Public School Funding Formula

- Governed by the Public School Finance Act (22-8-1 NMSA 1978 et. seq.).
- Designed to equalize financial opportunity to guarantee each student equal access to funding for programs and services appropriate to educational needs.
- Previous system based on local property wealth led to a high degree of disequalization among school districts.



The Public School Funding Formula

- Based on two concepts:
 - “Equal Treatment of Equals”
 - School districts and charter schools receive the same amount of funding for similar students, regardless of local wealth.
 - “Unequal Treatment of Unequals”
 - Students with greater needs, such as special education, students from low-income backgrounds, and English learners, are allocated additional funds.

The Public School Funding Formula



- Funding formula assigns “program units” based on student enrollment and other factors.
- Factors in the funding formula are additive, for example a second grade student with a disability is allocated program units in both areas.
- Number of program units multiplied by a “unit value” set by PED based on appropriation.
- Since its inception in 1973, the funding formula has been amended more than 80 times.

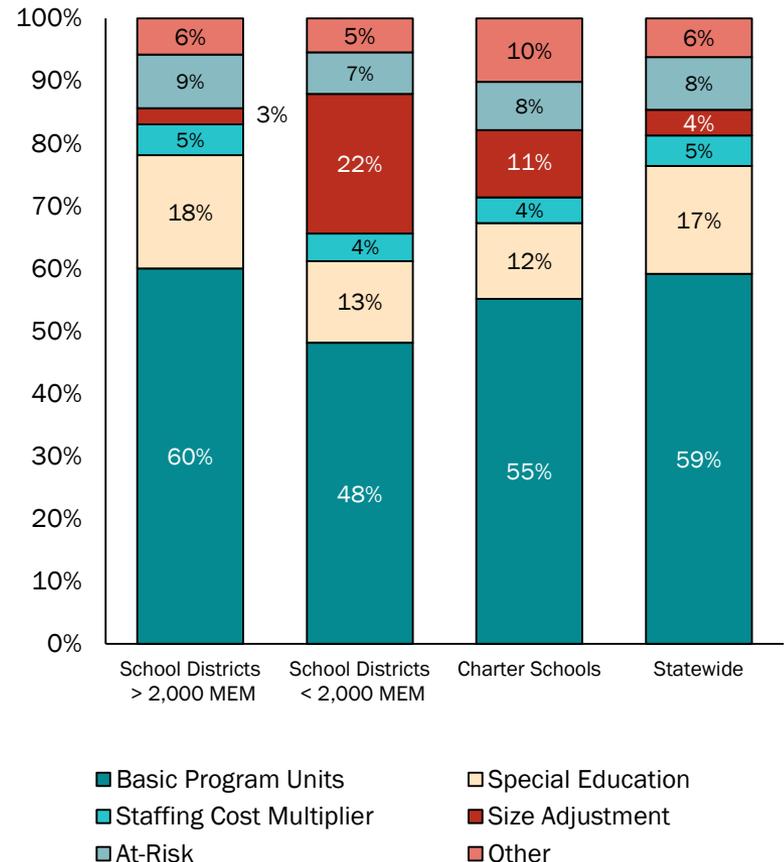
State Equalization Guarantee Computation, FY21				
	Grade Level/Program Membership		Times	Cost Differential = Units
Basic Program Units	Kindergarten & Three- and Four-Year-Old DD	FTE MEM	x	1.44
	Grade 1	MEM	x	1.20
	Grades 2-3	MEM	x	1.18
	Grades 4-6	MEM	x	1.045
	Grades 7-12	MEM	x	1.25
				SUM OF UNITS
Staffing Cost Multiplier	Staffing Cost Multiplier: 50 percent T&E Index (years of experience and academic degree)		= TOTAL PROGRAM UNITS	
	50 percent TCI (years of experience and licensure level)		Times Value from 1.000 to 1.500 = ADJUSTED PROGRAM UNITS	
PLUS				
Special Education Units	<u>Special Education</u>			
	Related Services (Ancillary)	FTE STAFF	x	25.00
	A/B Level Service Add-on	MEM	x	0.70
	C Level Service Add-on	MEM	x	1.00
	D Level Service Add-on	MEM	x	2.00
	3- and 4-Year-Old DD Program Add-on	MEM	x	2.00
Special Program Units	<u>Bilingual Education</u>			
		FTE MEM	x	0.50
	<u>Fine Arts Education</u>			
		FTE MEM	x	0.05
	<u>Elementary Physical Education</u>			
	MEM	x	0.06	
	<u>K-5 Plus Programs</u>			
	MEM	x	0.30	
	<u>Extended Learning Time Programs</u>			
	MEM	x	0.11	
Size Units	Elementary/Jr. High Size Units			
	Senior High Size Units			
	District Size Units			
	Micro District Size Units			
	Rural Population Units			
	Percentage of ((Title I + English Learners + Student Mobility) * .25) * Total MEM		At-Risk Units	
	Enrollment Growth Units			
Add-on Units	National Board for Professional Teaching Standards Units			
	Charter School Activities Units			
	Home School Activities and Program Units			
	= TOTAL UNITS			
	+ Save Harmless Units			
	= GRAND TOTAL PROGRAM UNITS			
	Grand Total x Unit Value = Program Cost			
	- 75% Noncategorical Revenue Credits			
	- Utility Conservation Program Contract Payments			
	- 90% of the Certified Amount (Energy Efficiency and Renewable Energy Bonding Act)			
	= STATE EQUALIZATION GUARANTEE			

Source: LESG

Program Cost

- The result of the funding formula calculation is known as the “program cost”- essentially the amount of money the state assumes the school district or charter school needs to operate for the year.
- Program unit makeup is different for each school district and charter school.

Share of Program Cost by Unit Type, FY20

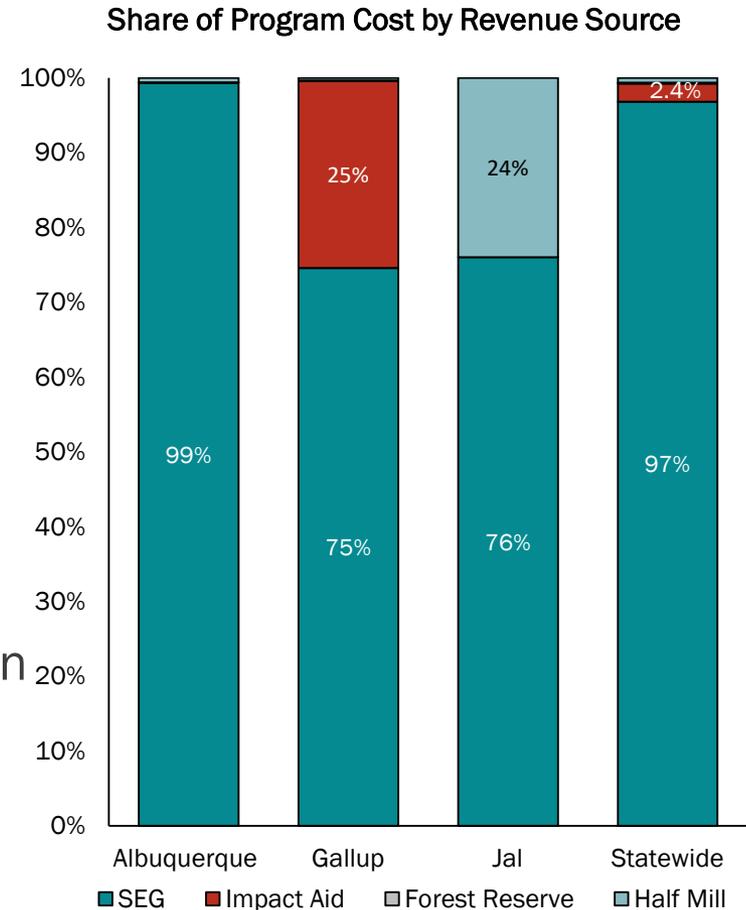


Equalized Public Education Revenues

- Each school district and charter school is guaranteed program cost from four revenue sources:
 - State Equalization Guarantee Distribution (general fund revenue)
 - Federal Impact Aid (75% of revenue)
 - Federal Forest Reserve (75% of revenue)
 - Local Half Mill Levy (75% of revenue)

- For FY19, total program cost of \$2.646 billion
 - SEG was \$2.563 billion, other revenue was \$84.1 million

- School districts with other revenue receive additional funds not counted in program cost





Equalized Public Education Revenues

- The state takes credit for 75 percent of Impact Aid, forest reserve payments, and the half mill levy.
 - School districts and charter schools received more than \$112 million in these revenues in FY19; the state took credit for \$84.1 million.
 - Operational Impact Aid revenues constitute the largest of these three sources
 - In FY19, school districts and charter schools received \$84.7 million in operational Impact Aid.
 - Relatively low rate of property taxation for school operations has been an historic complaint of Impact Aid school districts.
 - In 1983, tax cuts were implemented that greatly reduced the amount of property taxes received directly by school districts.
 - In FY19, school districts received only \$22.9 million from the half mill levy.
 - High property value school districts correlate strongly with oil and gas production, which is responsible for a large share of general fund revenue.



Categorical vs. Noncategorical Funding

- Formula funding is for the most part “noncategorical”:
 - “It is the responsibility of the local school board or governing body of a charter school to determine its priorities in terms of the needs of the community served by that board. Except as otherwise provided in this section, funds generated under the Public School Finance Act are discretionary to local school boards and governing bodies of charter schools.” Section 22-8-18 NMSA 1978
- New Mexico provides some categorical funding outside of the funding formula:
 - Transportation
 - “Below-the-Line” Programs
 - Prekindergarten (through Early Childhood Education and Care Department)



Categorical vs. Noncategorical Funding

- Education finance scholars debate relative effectiveness of categorical vs. noncategorical funding.
 - Who decides priorities?
 - Will funding be directed as intended?
- Some states have traditionally funded a large number of categorical programs.
 - In some cases, those states are reevaluating the administrative complexity of these programs and choosing to simplify.
- Is flexibility with accountability possible?



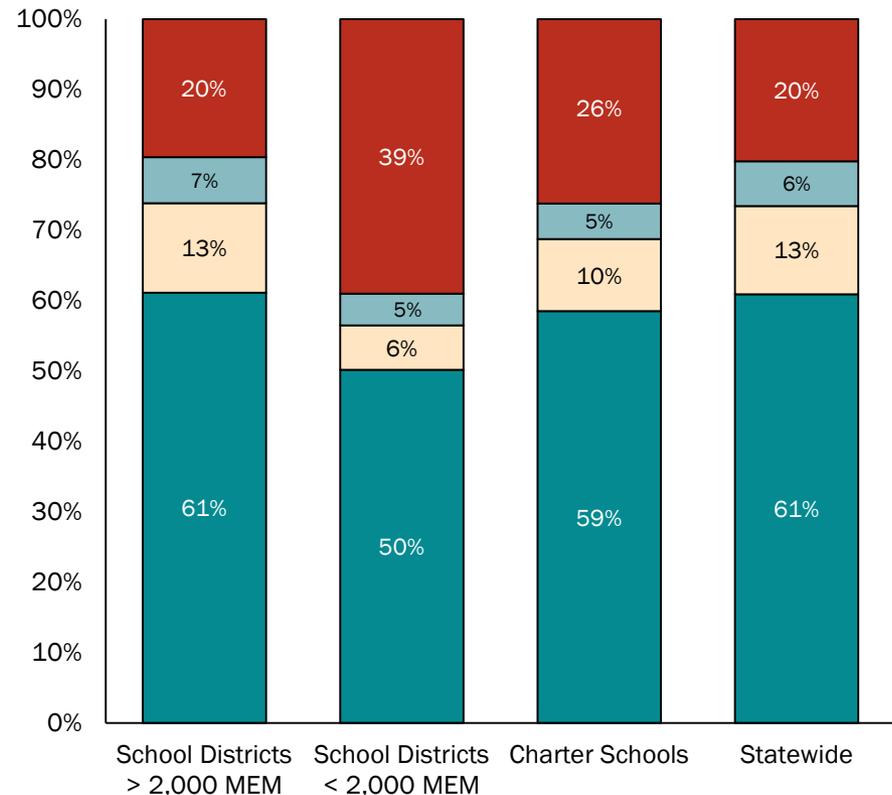
School District and Charter School Budget

- SEG dollars go into the unrestricted operational fund. Because there is no requirement to spend SEG dollars in a particular way, this makes it more difficult to track how school districts and charter schools spend funding formula dollars.
- Significant local control over budgeting decisions.
- Local control over decisions to participate in optional programs offered through the public school funding formula.

School District and Charter School Budget

- School districts and charter schools budget by fund and function
- Funds generally describe revenue source
 - Operational fund is unrestricted, other funds are restricted
- Functions describe the general area of spending
 - Instruction is largest function, dealing with direct interaction between teachers and students

School District and Charter School Operational Fund Expenses, FY19



- Central Administration and Operations and Maintenance of
- Plant School Administration
- Student and Instructional Support
- Instruction



- In the consolidated lawsuit, the court rejected PED's argument that the department could not control school districts' spending, stating PED has read its statutory authority too narrowly.
- The court found PED must use its authority to review and assure that school districts are using money provided by the state to provide evidence-based programs to at-risk students.



- This finding presents a significant departure from the traditional manner of school district and charter school budgeting, which relies on local control of funds.
 - PED continues to struggle with how to implement this requirement.
 - Programs without buy-in at the local level may prove unsuccessful.

PED Oversight and *Martinez and Yazzie* Lawsuit



- New reporting requirements in HB5/SB1 to increase transparency around spending for bilingual multicultural education, special education, and at-risk funding generated through the funding formula.
- PED is increasing use of “program codes” to better track funding formula spending.
 - Elementary Fine Arts
 - Special Education
 - Vocational and Technical
 - Bilingual Multicultural Education
 - Alternative and At-Risk Programs
 - Special Education Services Using At-Risk Funds
 - K-5 Plus and Extended Learning Time
 - Co-Curricular and Extra-Curricular



- At-risk funding through the funding formula
 - Some restrictions placed on this funding.
 - Must be used for “research-based or evidence-based social, emotional or academic interventions.”
 - Statute provides a “menu” of options for school districts and charter schools (22-8-23.4 NMSA 1978).
 - Budget oversight and accountability is key.

Public School Funding Formula

State Equalization Guarantee Computation, FY21				
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Basic Program Units	Kindergarten & Three- and Four-Year-Old DD	FTE MEM	×	1.44
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	= GRAND TOTAL PROGRAM UNITS			
	Grand Total × Unit Value = Program Cost			
	- 75% Noncategorical Revenue Credits			
	- Utility Conservation Program Contract Payments			
	- 90% of the Certified Amount (<i>Energy Efficiency and Renewable Energy Bonding Act</i>)			
	= STATE EQUALIZATION GUARANTEE			

Source: LESC

Student Membership and Program Units: 10 Year History

School Year	Student Membership	Basic Program Units	Special Education Units	Special Program Units ¹	T & E Units	Size Units	At-Risk Units	Enrollment Growth Units	Add-On Units ²	Grand Total
2009-2010	324,105	390,448	111,699	21,778	51,414	25,024	20,621	6,150	704	627,839
2010-2011	327,561	394,554	111,665	21,691	52,830	25,176	19,856	4,694	802	631,267
2011-2012	330,414	397,944	113,073	21,894	54,397	25,427	19,602	3,926	933	637,195
2012-2013 ³	331,365	399,095	110,002	21,774	53,727	25,892	19,067	4,386	1,017	634,960
2013-2014	330,635	398,363	109,414	21,822	50,246	25,930	20,126	5,297	1,084	632,282
2014-2015 ^{4,5}	331,187	399,107	109,490	21,646	47,313	27,520	21,424	6,032	1,079	633,612
2015-2016	331,955	399,881	110,201	21,383	43,963	27,853	25,667	3,991	1,252	634,190
2016-2017	331,370	398,657	110,524	21,313	42,286	27,567	25,518	3,835	1,222	630,922
2017-2018	329,039	395,619	109,527	20,777	40,995	27,905	24,559	4,618	1,331	625,331
2018-2019 ⁵	326,739	392,720	111,873	20,664	42,169	27,706	29,502	5,461	1,364	631,458
2019-2020 ⁵	323,050	388,183	113,228	33,993	31,839	26,983	55,378	5,363	1,404	656,370

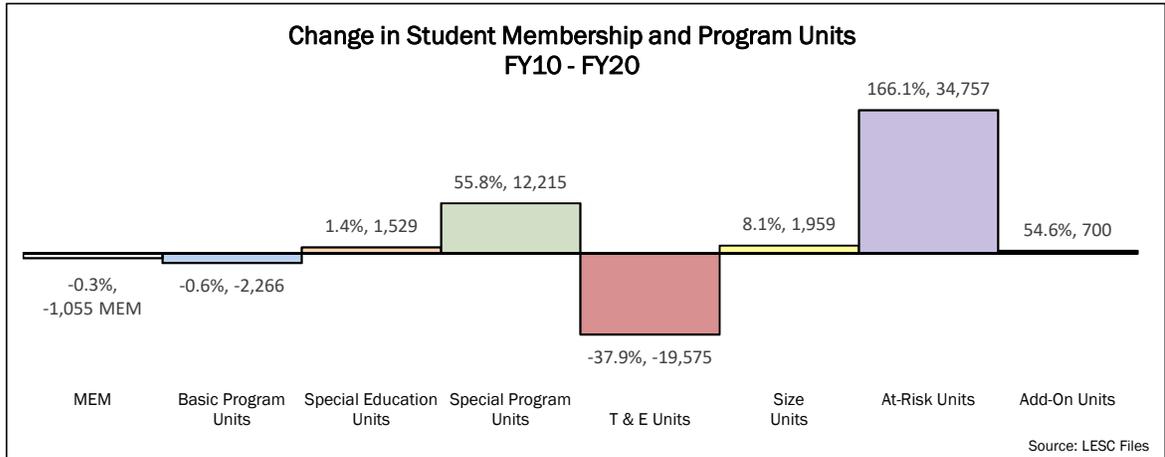
¹Special program units include units for bilingual multicultural education, elementary fine arts, and elementary physical education, K-5 Plus, and extended learning time. Source: LESC Files

²Add-on units include program units for national board certified teachers, charter school activities, home school students taking academic courses at a school district, home school students participating in school district sponsored activities, and save harmless program units.

³Beginning with FY13, 3- and 4-year olds who required speech-only services were counted as A/B special education students and generated 0.7 program units.

⁴Beginning with FY15, school districts with fewer than 200 MEM generate additional size adjustment program units, and school districts generate program units for home school students taking academic courses from a school district.

⁵Increases in at-risk program units in FY15, FY19, and FY20 are the result of legislative changes to the funding formula, which increased the number of at-risk program units to provide more money for services for at-risk students, moved the K-5 Plus program to the funding formula, and created the extended learning time program.



Value of Program Units (in thousands)

School Year	Student Membership	Basic Program Units	Special Education Units	Special Program Units	T & E Units	Size Units	At-Risk Units	Enrollment Growth Units	Add-On Units	Program Cost
2009-2010 ¹	324.1	\$ 1,480,834	\$ 423,635	\$ 82,597	\$ 194,997	\$ 94,908	\$ 78,208	\$ 23,325	\$ 2,670	\$ 2,381,174
2010-2011 ²	327.6	\$ 1,464,651	\$ 414,519	\$ 80,520	\$ 196,114	\$ 93,456	\$ 73,708	\$ 17,426	\$ 2,978	\$ 2,343,371
2011-2012	330.4	\$ 1,432,149	\$ 406,934	\$ 78,794	\$ 195,768	\$ 91,508	\$ 70,544	\$ 14,128	\$ 3,356	\$ 2,293,183
2012-2013	331.4	\$ 1,466,093	\$ 404,095	\$ 79,987	\$ 197,367	\$ 95,115	\$ 70,043	\$ 16,113	\$ 3,737	\$ 2,332,551
2013-2014	330.6	\$ 1,520,771	\$ 417,693	\$ 83,307	\$ 191,817	\$ 98,989	\$ 76,832	\$ 20,222	\$ 4,138	\$ 2,413,768
2014-2015	331.2	\$ 1,599,522	\$ 438,808	\$ 86,753	\$ 189,619	\$ 110,294	\$ 85,864	\$ 24,174	\$ 4,323	\$ 2,539,357
2015-2016	332.0	\$ 1,614,621	\$ 444,962	\$ 86,338	\$ 177,510	\$ 112,462	\$ 103,635	\$ 16,115	\$ 5,057	\$ 2,560,699
2016-2017	331.4	\$ 1,586,507	\$ 439,844	\$ 84,819	\$ 168,283	\$ 109,708	\$ 101,553	\$ 15,261	\$ 4,862	\$ 2,510,837
2017-2018	329.0	\$ 1,574,417	\$ 435,877	\$ 82,685	\$ 163,143	\$ 111,050	\$ 97,737	\$ 18,378	\$ 5,297	\$ 2,488,585
2018-2019	326.7	\$ 1,645,829	\$ 468,842	\$ 86,601	\$ 176,724	\$ 116,110	\$ 123,638	\$ 22,886	\$ 5,716	\$ 2,646,344
2019-2020	323.0	\$ 1,786,522	\$ 521,104	\$ 156,445	\$ 146,532	\$ 124,184	\$ 254,863	\$ 24,680	\$ 6,460	\$ 3,020,790

¹For FY10, program cost included \$210 million in federal American Recovery and Reinvestment Act (ARRA) funds.

²For FY11, program cost included \$88.3 million in federal ARRA and education jobs fund revenue.

Source: LESC Files

FY19 Total Per Pupil Expenditure by School District

School District	Total Per Pupil Expense
Large School Districts	
Alamogordo	\$8,238
Albuquerque	\$9,542
Carlsbad	\$9,679
Central	\$12,451
Clovis	\$8,766
Deming	\$10,171
Farmington	\$8,384
Gadsden	\$9,199
Gallup	\$9,756
Hobbs	\$8,040
Las Cruces	\$10,211
Los Lunas	\$8,631
Rio Rancho	\$8,198
Roswell	\$9,038
Santa Fe	\$10,751
Medium School Districts	
Artesia	\$9,607
Aztec	\$8,862
Belen	\$9,454
Bernalillo	\$11,241
Bloomfield	\$13,087
Cobre	\$14,090
Cuba	\$17,701
Dexter	\$10,707
Dulce	\$16,777
Espanola	\$11,265
Estancia	\$13,754
Eunice	\$8,948
Grants	\$10,455
Hatch	\$10,543
Jal	\$9,920
Las Vegas City	\$11,135
Los Almos	\$10,473
Loving	\$14,899
Lovington	\$9,438
Moriarty	\$9,208
Pecos	\$12,268
Pojoaque	\$8,976
Portales	\$9,739
Raton	\$8,910
Ruidoso	\$9,185
Santa Rosa	\$13,730
Silver City	\$13,656
Socorro	\$11,097
Taos	\$10,114
Texico	\$11,190

School District	Total Per Pupil Expense
Medium School Districts (Cont.)	
Truth or Conseq	\$12,078
Tucumcari	\$10,228
Tularosa	\$9,792
West Las Vegas	\$14,734
Zuni	\$13,711
Small School Districts	
Capitan	\$11,852
Chama Valley	\$14,189
Cimarron	\$15,720
Clayton	\$12,563
Cloudcroft	\$12,572
Dora	\$12,966
Floyd	\$13,661
Fort Sumner	\$8,740
Hagerman	\$13,346
Jemez Mountain	\$19,556
Jemez Valley	\$27,526
Logan	\$11,141
Lordsburg	\$12,253
Magdalena	\$18,058
Melrose	\$18,802
Mesa Vista	\$14,830
Mora	\$12,543
Mountainair	\$17,447
Penasco	\$15,137
Questa	\$16,270
Tatum	\$13,253
Very Small School Districts	
Animas	\$16,720
Carrizozo	\$17,788
Corona	\$34,359
Des Moines	\$23,080
Elida	\$16,508
Grady	\$18,217
Hondo Valley	\$19,419
House	\$36,148
Lake Arthur	\$55,040
Maxwell	\$18,985
Mosquero	\$47,296
Quemado	\$21,183
Reserve	\$19,340
Roy	\$34,648
San Jon	\$16,297
Springer	\$18,222
Wagon Mound	\$30,924

Source: New Mexico Vistas (newmexicoschools.com)