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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
56th Legislature, 1st Session, 2023

Bill Number HM51 **Sponsor** Herrera/Sariñana/Garratt/Trujillo/Romero, GA
Tracking Number .225088.1 **Committee Referrals** HEC
Short Title Study Public Education Funding Formula
Analyst Estupiñan **Original Date** 2/21/2023
Last Updated _____

BILL SUMMARY

Synopsis of Bill

House Memorial 51 (HM51) would request the Legislative Education Study Committee (LESC), together with the Legislative Finance Committee (LFC), the Public Education Department (PED), and the Public School Capital Outlay Council to complete a comprehensive analysis of the public school funding formula. The memorial requests relevant findings and recommendations be presented to the Legislature before the 2025 legislative session.

FISCAL IMPACT

Memorials do not carry appropriations.

SUBSTANTIVE ISSUES

The Public School Finance Act governs annual distributions of \$3.7 billion to school districts and charter schools statewide through the public school funding formula, an enrollment-based calculation of relative need in school districts and charter schools throughout the state. Although primarily based on student enrollment, the funding formula has consideration for other factors that increase school costs, such as the number of students with special needs. Unlike other states, New Mexico primarily funds public schools at the state level, rather than relying on local property taxes for school district and charter school operational expenses. The state's funding formula is designed to guarantee each student is treated like other similar students, regardless of local economic conditions. The public school funding formula determines program cost, the amount of money the state assumes public schools need to operate. Under current law, the state's funding formula accounts for nearly all unrestricted funding received by school districts and charter schools.

Funds allocated through the public school funding formula are given to school districts and charter schools on a "non-categorical" or unrestricted basis. School districts and charter schools have broad discretion over how to budget these funds, with PED exercising oversight through a program and budgetary approval process. Rather than appropriate to specific programs separately each year, the finance act provides a structure for how to allocate funds to school districts and charter schools

in an equitable manner and relies on locally elected governing boards to determine local needs and develop programming to meet those needs. Other states provide a more prescriptive funding stream, allocating funds through “categorical” programs that can only be used for specific purposes. In New Mexico, student transportation programs are funded on a categorical basis, along with other small grant programs.

Public schools \$3.7 billion allocation represents approximately 47 percent of New Mexico’s recurring general fund appropriations, by far the largest area of government. Because of this, LESC and LFC conduct ongoing research and analysis of public school funding to support the Legislature in making annual appropriations to public schools. Recently, LESC and LFC endorsed legislation to amend the public school funding formula to increase the weights of the at-risk and fine arts factors within the funding formula and sunset optional programs within the public school funding formula that extend the number of instructional days.

In prior years, LESC and LFC formed joint subcommittees to study the funding formula, prior to making recommendations to the full Legislature.

OTHER SIGNIFICANT ISSUES

As part of the findings from the *Martinez-Yazzie* education sufficiency lawsuit, the court noted grant funding outside of the public school funding formula tended to dis-equalize public school funding and divert resources away from core educational needs. The court also criticized the year-to-year uncertainty of grant funding, which is generally not available to all school districts and charter schools and makes programs difficult to sustain from year-to-year.

In 2006 and 2007, the funding formula study task force undertook a comprehensive study of New Mexico’s public school funding formula, with the assistance of the American Institutes for Research. That study recommended a \$335 million increase, or 14.5 percent, in public school funding to reduce class sizes, provide additional staff for culturally and linguistically responsive programming and to extend the number of instructional days for all students. In 2011, LESC and LFC conducted a joint study of the public school funding formula. The recommendations from this study became the basis for several funding formula reforms completed in recent years.

SOURCES OF INFORMATION

- LESC Files

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