

How New Mexico Public Schools are Funded



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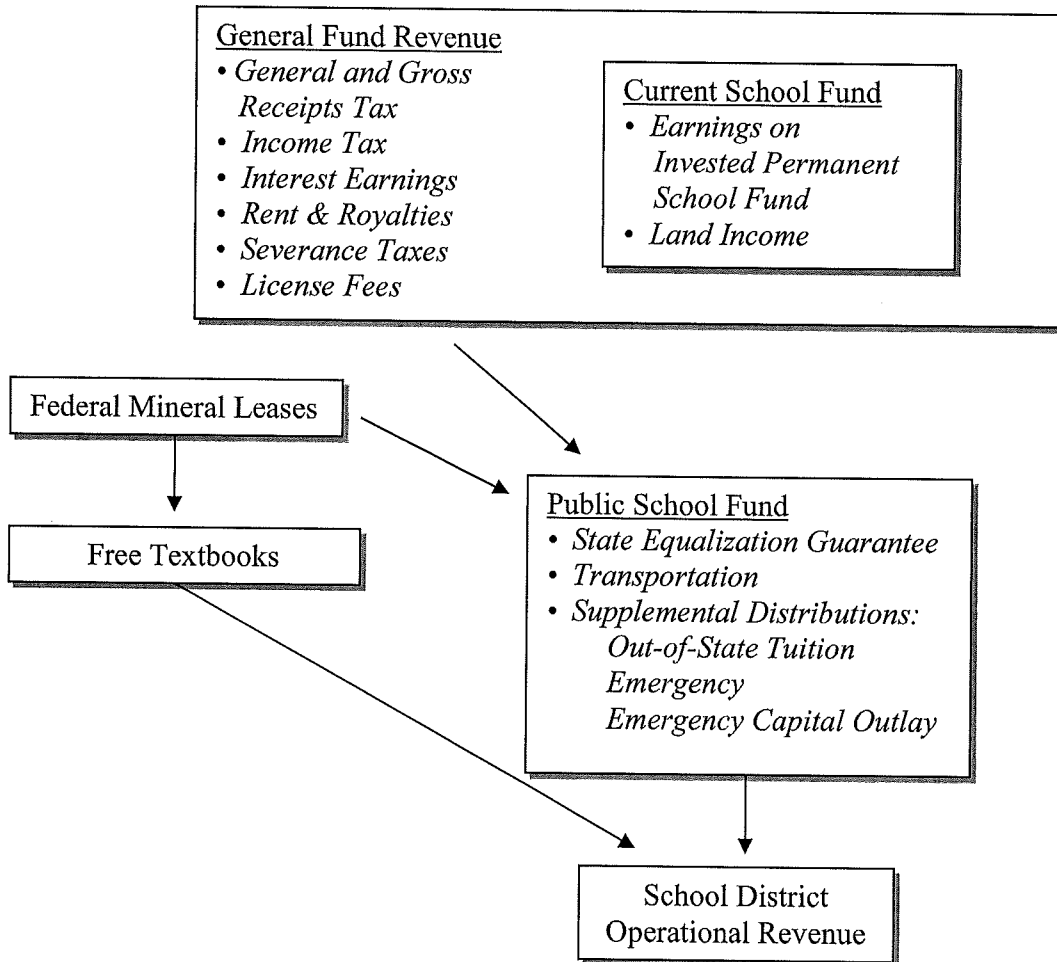
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OPERATIONAL FUNDING:

WHERE DOES THE MONEY COME FROM?

Nearly all state-level school district operational funds are distributed through the Public School Fund. Revenues are derived from the following sources: the General Fund, the Current School Fund, and the Federal Mineral Leasing Revenue. Only one significant state appropriation is not distributed through the Public School Fund, the Free Textbook appropriation, which is made from Federal Mineral Leasing revenue. The remainder of the Federal Mineral Leasing revenue is deposited to the Public School Fund. The Free Textbook allocation is made on the basis of the 40th day membership [22-15-9 NMSA 1978].



HOW IS THE MONEY DISTRIBUTED?

The Public School Fund is currently appropriated in the following three separate distributions:

State Equalization Guarantee Distribution (SEG): Accounting for more than 90 percent of school districts' operational revenue, the SEG is the largest state distribution.

Transportation Distribution: Allocated to each school district according to a statutory formula, the Transportation Distribution makes payments to each school district to pay for to-and-from school transportation costs for students in grades K-12 attending public schools within the district.

Supplemental Distributions: The Secretary of Education is authorized to make the following supplemental distributions:

- **Out-of-State Tuition:** Provides for the payment of out-of-state tuition for New Mexico students subject to the Compulsory School Attendance law who are attending school outside the state because of the unavailability of school facilities in the school district in which they live.
- **Emergency:** Provides for emergency distributions to districts in financial need. School districts requesting emergency distributions must not have cash and invested reserves or other resources or any combination thereof equal to five percent or more of their respective net operational budgets.
- **Emergency Capital Outlay:** Provides for emergency capital outlay distributions to school districts that have experienced an unexpected capital outlay emergency demanding immediate attention.

THE NEW MEXICO PUBLIC SCHOOL FUNDING FORMULA

History: The New Mexico public school funding formula is based on a model developed by the National Education Finance Project (NEFP) in the late 1960s and early 1970s. One of the projects of the NEFP was to develop a computer model to simulate the fiscal consequences of alternative decisions in regard to the financing of public elementary and secondary education. As a tool for better decision making, the model had great potential because of the variety of data that could be accommodated and the ease with which new data could be added and new decision options made available. And after adapting the NEFP model to construct a computer model matching conditions in New Mexico, the “tools” were available to begin a detailed study of public school in New Mexico and, subsequently, to develop a proposal for a new school finance plan.

Appointed by the Governor in the summer of 1973, the Advisory Committee on School Finance was composed of a broad cross section of educational interests, including parents, teachers, administrators, and legislators. The committee established the basic philosophy and direction of the project and met monthly to review progress and to give direction for future work.

The committee’s initial task was to define educational need. Committee members discussed many elements, including some already included in statute, such as the additional costs associated with secondary schools, which had been recognized in public school funding in New Mexico since the 1930s; the differential weighting of students by grade level and size of school, which had been recognized since 1960s; and the necessity of supporting adequate staffing patterns.

The committee’s second task was to devise a school finance formula based upon a comprehensive definition of educational need that would equitably fund this need throughout the state. The committee’s guiding philosophy was the equalization of educational opportunity for all children in New Mexico.

Past school funding methods, however, had created a high degree of disequalization among districts because of differences in local wealth. The gap between rich and poor districts was enormous, and the revenue that would be required to reach full equalization with the richest districts was staggering. Thus, while it was unreasonable and impracticable to equalize at the highest level, any lower level would result in certain districts’ losing revenue. The goal of the new formula, therefore, was clear: to equalize educational opportunity at the highest possible revenue level while minimizing the financial loss to the richest districts.

As the result of the committee’s work, the 1974 New Mexico Legislature enacted the Public School Finance Act, which has been widely acclaimed as one of the most innovative of the school finance plans currently being used across the country.

The formula is designed to distribute operational funds to school districts objectively and in a non-categorical manner while providing for local school district autonomy. Formula dollars received by local districts are not earmarked for specific programs. Within statutory and regulatory guidelines, school districts have the latitude to spend their dollars according to local priorities.

In place for more than four decades, the public school funding formula has been under constant analysis. For the most part, the results of these analyses have supported statutory data-based refinements to the structure of the formula while maintaining the philosophical concept of educational equity for all students.

STATE EQUALIZATION GUARANTEE

Goals: The intent of the 1974 Public School Finance Act [22-8-17 through 25 NMSA 1978] is to equalize financial opportunity at the highest possible revenue level and to guarantee each New Mexico public school student equal access to programs and services appropriate to his or her educational needs regardless of geographic location or local economic conditions. Through the absence of categorical funding and fund “tracking,” the act also seeks to encourage local school district initiatives in seeking more efficient and effective means of achieving desirable educational goals.

Program Cost: The formula uses cost differentials to reflect the costs associated with providing educational services to students all of whom have differing needs. For example, research indicates that educating high school students costs more than educating first graders and that additional funding is required for the provision of bilingual education and special education services.

A program cost for each school district is determined by multiplying the student full-time equivalency in a particular grade or a program full-time equivalency by the respective cost differential to generate units. (The full-time equivalency to be used in the calculation of program units is the prior year average of district membership on the 80th and 120th days*.) All of the program units are then added together and multiplied by the district’s training and experience index to produce the adjusted program units. The following are then added to the adjusted program units:

- Units generated by students served in nonprofit special education institutions;
- Units generated for teachers certified by the National Board for Professional Teaching Standards;
- Units generated by the various size adjustment factors in the formula for small and rural schools and districts;
- Units generated by at-risk factors;
- Units generated by growing districts;
- Units generated by any newly created districts;
- Units generated by Charter School Student Activities;
- Units generated by Home School Student Activities;
- Units generated by Home School Student Program Units; and
- Save harmless units generated to protect very small districts from a too precipitous decline in revenue.

The grand total of all the units is then multiplied by the unit value for that school year resulting in the district’s program cost, which is then adjusted to determine the district’s state equalization guarantee.

State Equalization Guarantee: Program cost is the amount of money assumed under the formula to be necessary for a given district with a particular configuration of students and educational programs to provide educational services. A district’s state equalization guarantee is the amount of money the State of New Mexico “guarantees” to provide to the district to defray most of the program cost. The exact amount is determined by

- Adding together revenue coming into the district as the result of a required half-mill property tax levy; and revenue generated under Impact Aid (formerly called PL 874), except that revenue generated specifically for special education; and any revenue generated through Forest Reserve funds;

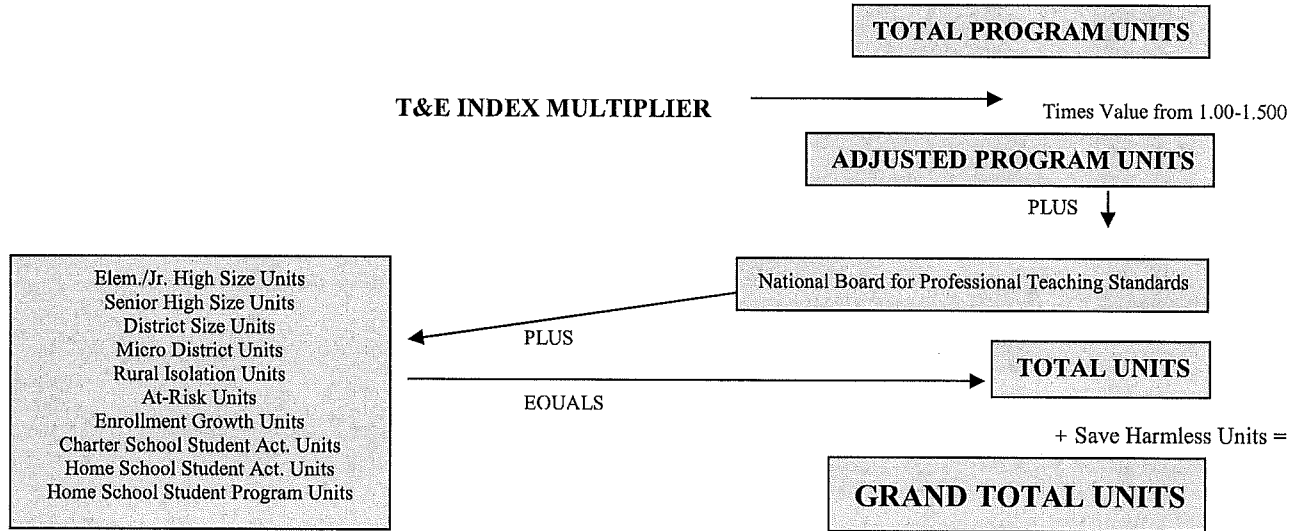
- Multiplying the result by 75 percent¹ to determine the revenue for which the state takes credit; and
- Subtracting the 75 percent credit amount from program cost.

Districts participating in the Utility Conservation program will have an additional amount subtracted from the program cost; that amount is held in a separate fund to be used solely for that program. Similarly, 90 percent of amounts certified under the Energy Efficiency and Renewable Energy Bonding Act are deducted to be transferred to the New Mexico Finance Authority.

¹Prior to FY07, the full-time equivalency used in the calculation of program units was the prior year average of district membership on the 40th, 80th and 120th days.

STATE EQUALIZATION GUARANTEE COMPUTATION

<u>MEMBERSHIP/PROGRAM</u>		<u>TIME</u>	<u>DIFFERENTIAL=UNITS</u>	S U M O F U N I T S
Kindergarten & 3- & 4-Year-Old DD	FTE	×	1.440	
Grade 1	MEM	×	1.200	
Grades 2-3	MEM	×	1.180	
Grades 4-6	MEM	×	1.045	
Grades 7-12	MEM	×	1.250	
<u>SPECIAL EDUCATION</u>				
Ancillary	FTE	×	25.000	
A/B Level	MEM	×	0.700	
C/D Level	MEM	×	1.000	
D Level	MEM	×	2.000	
3- & 4-Year-Old DD	MEM	×	2.000	
<u>BILINGUAL</u>	FTE	×	0.500	
<u>FINE ARTS EDUCATION</u>	FTE	×	0.050	
<u>ELEMENTARY P.E. PROG</u>	FTE	×	0.060	



Grand Total Units × Unit Value = Program Cost

Program Cost
 -75% (Noncategorical Revenue Credits)
 -90% of Amounts Certified under the *Energy Efficiency and Renewable Energy Bonding Act*
-Utility Conservation Program Contract Payments
STATE EQUALIZATION GUARANTEE

**State Equalization Guarantee Computation
(The form is known as PED910B5)**

The Computation is based of **80** and **120** day (certified averages).

Although the district and PED tracks the enrollment every 40 days, it has been identified that these two dates will be used for determining caseload averages. Actual cost for the district will fluctuate because hiring decisions are usually made based on 120 day enrollment from the previous year and is adjusted by adding staff if needed on the 40th day count but the funding does not account for those adjustments.

Kindergarten Program

Pre- K students are allowed for funding at the age of 3 and 4 if the child qualifies under the developmentally delayed category. (Testing Required)

State Funded Pre-K is a competitive grant for 4 year old students and funding is separate not included in this form.

Basic Program

STARS coordinator uses classroom and school data to accurately report students by grade level. Students that are identified for Special Education A and B are identified in basic count. Students with additional needs that receive service in the category of C and D levels receive additional funding considerations in the worksheet.

Student ID numbers are kept at a state database to ensure students are not enrolled in more than one school at a time.

Each grade level is given a value by the PED based on the cost of funding programs for that grade level.

When the COST INDEX is multiplied by the grade level membership the worksheet is no longer talking about students and is not referring to units. Many people are offended when they hear the term unit in talking about school funding.

Membership or students (X) COST INDEX =UNITS

All membership has a unit value greater than 1 for weighted program cost.

SPECIAL EDUCATION

Funding for students in Special Education is calculated by identifying the level of need and multiplying by the number of students within each category by the cost index or factor.

The students in special education often need specialized services that may not be offered from within the staff of the school. These Ancillary services are often contracted based on the

service hours that are identified by totaling specific services for all students requiring the service. Based on that total, a calculation can be made as to what percentage of a Full Time Equivalent (FTE) is that service required. While this calculation is sure to fluctuate as new students are identified, move or are exited from the program, the PED requires accurate FTE calculation with no overages regardless of contracts with providers. The calculation for this service is **FTE (X) 25**

Elementary Fine Art Program

This is considered a grant and an application is required. The grant provides a **.05 Cost Index** for membership K-6.

Bilingual Program

Additional funds are identified to provide Bilingual services based on program design. Services identified for 1, 2, 3 program hours of bilingual service and are funded at a rate of **.50 Cost Index** multiplied by the membership.

Audited T&E (Training and Experience)

Staff are able to generate a cost index based on the average of training and experience. Teachers with more training and experience are expected to earn more so the cost index is designed to support that cost. The teacher salary schedule does not necessarily follow the funding scale because teachers are able to move quickly through the training index that affords them higher pay but the experience value does not match the cost in funding.

National Board Certified Teachers

Teachers who have earned a National Board Certification earn a **1.5 cost index** to be paid to the staff member as part of their salary.

Size Adjustment Units

Smaller schools may have difficulty to meet economies of scale and may have additional cost associated with their required services. The smaller the school the higher the average cost of service is for each student. Funding adjustments are made for district smaller than 200 and districts smaller than 4,000. The school size of 200 also carries a cost index by Elementary/Mid/Jr. High and High School to offset these cost.

At-Risk Units

Students who are at risk of failure are associated with additional cost to provide services to meet their needs. The at-Risk index uses Title I qualifications, Mobility of Students and English Language Learners percentage to calculate a cost index.

Activities and Home School Services

If School districts are providing services for charter school and home school students in academics or activities a factor is multiplied by membership.

Growth and Save Harmless Calculation

Based on the previous year's 40th day count the projected numbers for the following year can be higher or lower. This can be used to be able to use this data to plan ahead and receive funding for growth to be able to hire staff need prior to the funding year of that growth. If projection is inaccurate and growth was not actual, funding will be cut placing the district in hardship if they made personnel decisions based on projections.

GRAND TOTAL UNITS

All of these weighted calculations are added together to give the units that will determine the multiplier for PED determined Unit Value based on legislative appropriation. This will identify the program cost for the district.

Non-Categorical Revenue Credits

The state is able to take credit for a portion of the local tax levy, Federal Impact Aid, Federal Forest Reserve and this total is deducted from the program cost leaving the STATE EQUALIZATION GUARANTEE

State Equalization Guarantee

The guarantee is based on state appropriation and the state does have the ability to issue a guarantee and reduce that number well into the funding school year.