

HOW DIRECT LEGISLATIVE APPROPRIATIONS OFFSET A SCHOOL DISTRICT'S PSCOC AWARD FUNDING—A SIMPLE OVERVIEW

Red Mountain Middle School

The Public School Capital Outlay Offset for Direct Appropriations can be confusing. Here's a simple, practical explanation.

What It Is

The law says that the PSCOC must “reduce any grant amounts awarded to a school district by a **percent** of all direct non-operational legislative appropriations for schools in that district that have been accepted, including educational technology and re-authorizations of previous appropriations.”¹

Changes in 2007

A change in 2007 now allows a 50% reduction in the offset amount if the legislative appropriations are for a project for schools in the current or previous year's top 150 NMCI ranking.

How It Works

The *percent reduction* mentioned in the law is each school district's local match percent for PSCOC award funding.

The offset applies to all PSCOC award allocations after January 2003, including funds appropriated through another government entity which pass directly to the school district.

The offset applies to the *district*, so if one school in a district receives a direct appropriation, other projects in the district that receive PSCOC award funding will be subject to an offset.

Offset amounts not used in the current year apply to future PSCOC grant amounts. The law gives districts the right to reject a direct appropriation because of the effect of the offset. For example, a school district receives a direct legislative appropriation for a specific purpose. The effect of the offset would cause the district to accordingly receive reduced PSCOC award

AN EXAMPLE:

Legislative appropriation to a school	\$1,000
PSCOC award to that school's district	\$2,000
That district's local match percent	40%
Initial offset reduction in district's PSCOC award allocation--(\$1,000 x 40%) 50% reduction, NMCI top 150	\$400 (\$200)
District's net PSCOC award amount --(\$2,000 - \$400) If NMCI top 150 (\$2,000-\$200)	\$1,600 \$1,800
Total funds received by district --(\$1,000 + \$1,600) If NMCI top 150 (\$1,000+\$1,800)	\$2,600 \$2,800

funding for what it considers a higher priority need, and it chooses to reject the appropriation.

Fiscal Effects

The most significant effect of the offset is not to reduce total funds that the district receives², but instead to potentially reduce funds available for higher priority needs, in the event that the direct appropriation was for a lower-priority project than projects for which the district had applied for PSCOC award funding. In this case, the higher priority projects would have funding levels reduced by the amount of the offset.

Why An Offset?

The Legislature enacted the offset as one of a number of initiatives taken recently to better equalize state funding of capital requests across all of New Mexico's school districts. The 2002 report of the Special Master appointed as a result of the Zuni lawsuit specifically highlighted “*the dis-equalizing effect of direct legislative appropriations to individual schools for capital outlay purposes.*” The offset was enacted to mitigate this concern.

¹ Section 22-24-5.B(6) NMSA 1978

² The post-offset net amount of a direct appropriation will always be revenue positive for the district, given current local match percentages.