

Public School Finance – How Schools Are Funded

Presentation to the Indian Education Advisory Council

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Topics for Discussion

- How Public Schools are Funded
 - History
 - Sources of Funding
 - Uses of Funding
 - Land Grant Permanent Fund
- The Funding Formula
 - Components
 - Commonly Used Terms
 - How Individual School District Funding is Determined
 - Spending Priorities

History

- Pre 1974
 - Locally Funded.
 - Broad Differences Among Districts.
 - Significant Impacts of Opportunity.
- 1974
 - Unique Time in the History of New Mexico.
 - Representation From All Parts of the State Came Together in the Best Interest of Children.
 - The Funding Formula That was Developed was a Major Departure From the Still Common Practice of Using Local Property Taxes to Support Local Schools.

The New Mexico Public School Funding Formula

- New Mexico enacted the Public School Finance Act in 1974 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
- Prior to 1974, school funding methods had created a high degree of dis-equalization among districts because of differences in local wealth.
- 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

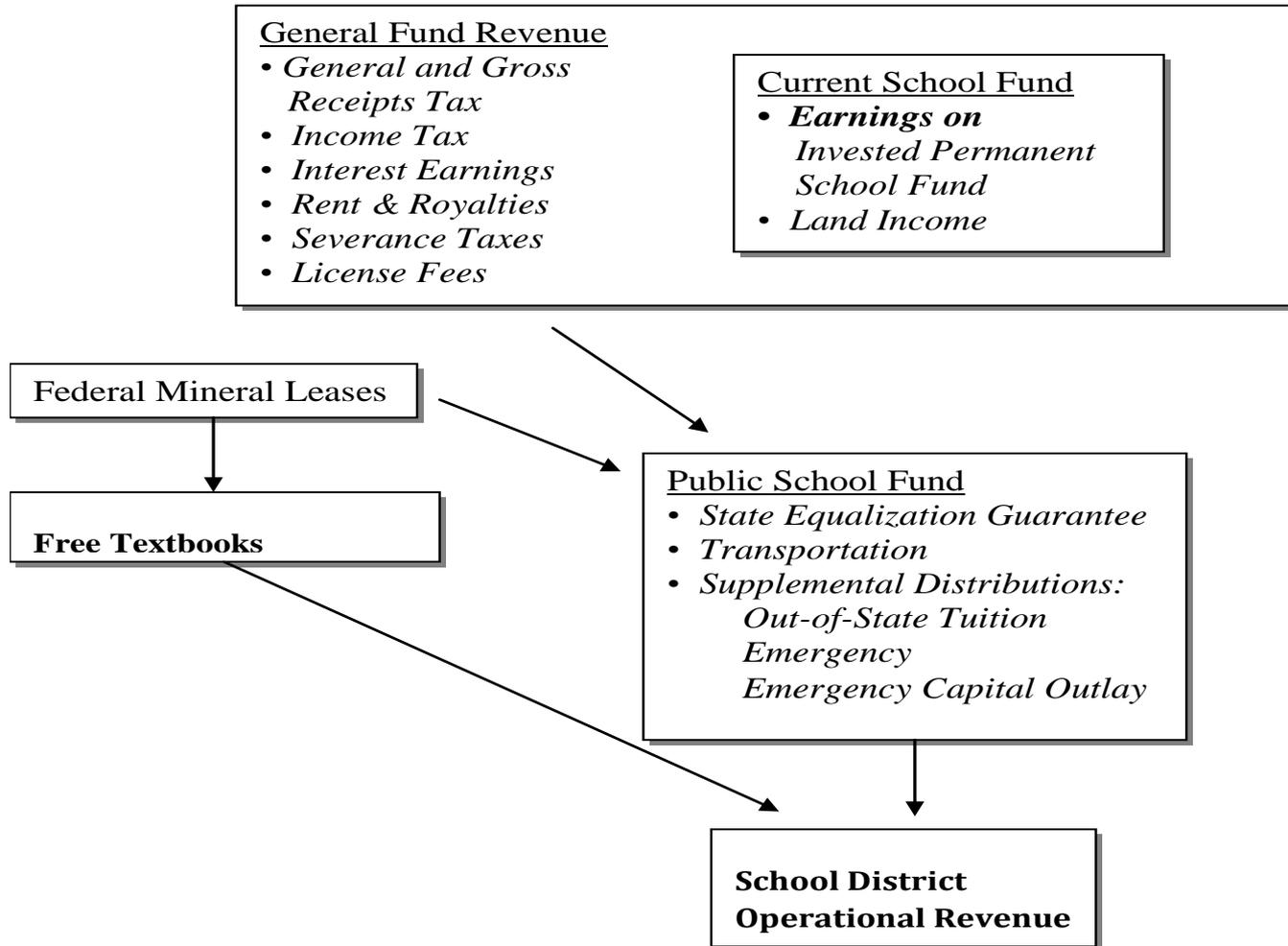
The New Mexico Public School Funding Formula

- The formula is designed to distribute operational funds to school districts and charter schools objectively and in a non-categorical manner while providing for local school district and Charter School autonomy.
- Formula dollars received by local districts and charter schools are not earmarked for specific programs .
- Within statutory and regulatory guidelines, school districts and charter schools have the latitude to spend their dollars according to local priorities.
- Why is this important?
 - This is where stakeholders can influence how charter schools spend these dollars.

The Public School Funding Formula

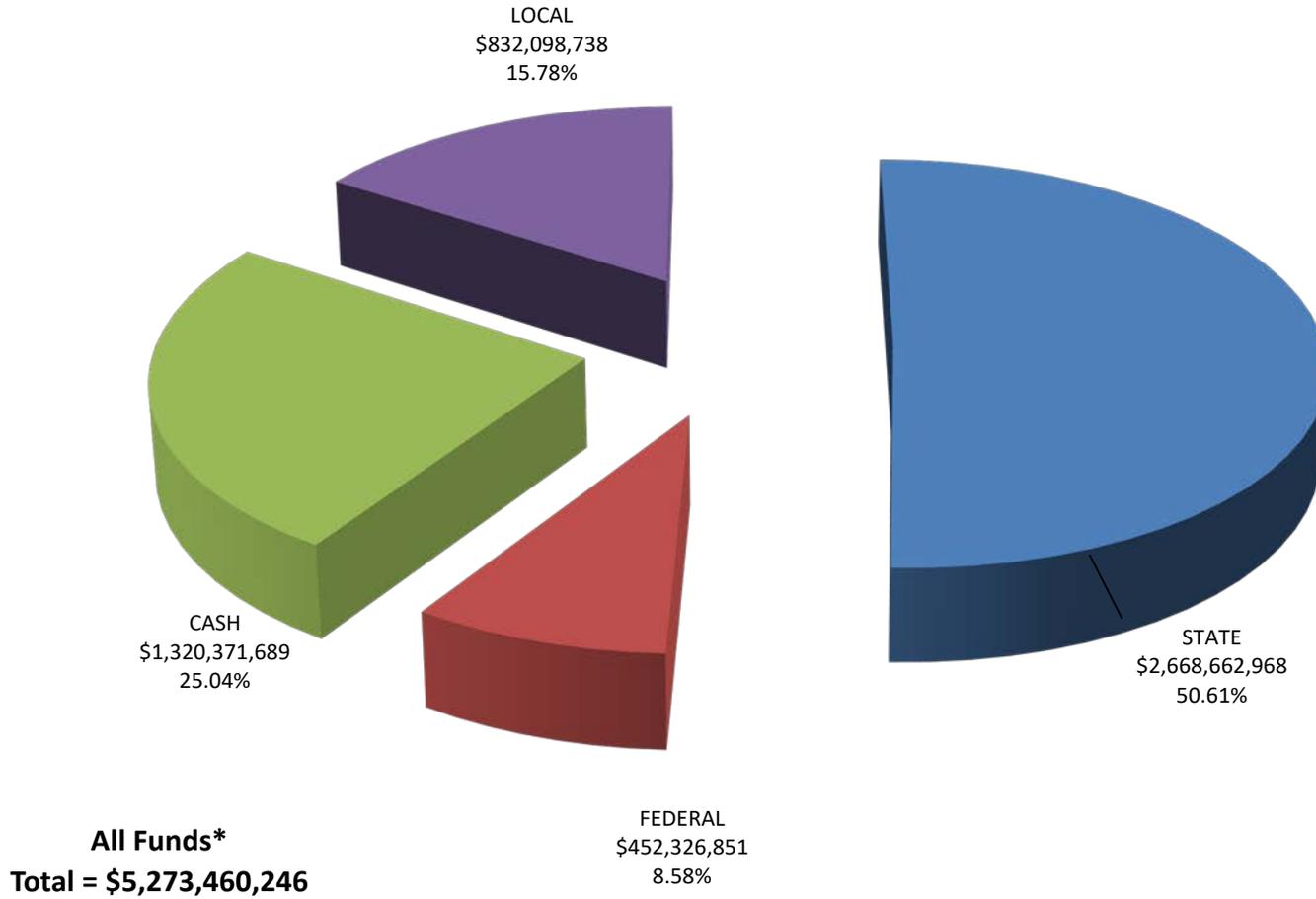
- Through the absence of categorical funding and fund “tracking,” the formula seeks to encourage local school district and charter school initiatives in seeking more efficient and effective means of achieving desirable educational goals.
- It is important to keep in mind that more is not always better but rather how resources are allocated and the quality of teachers and leaders using those resources have a much greater impact on student performance.

Sources of Funding

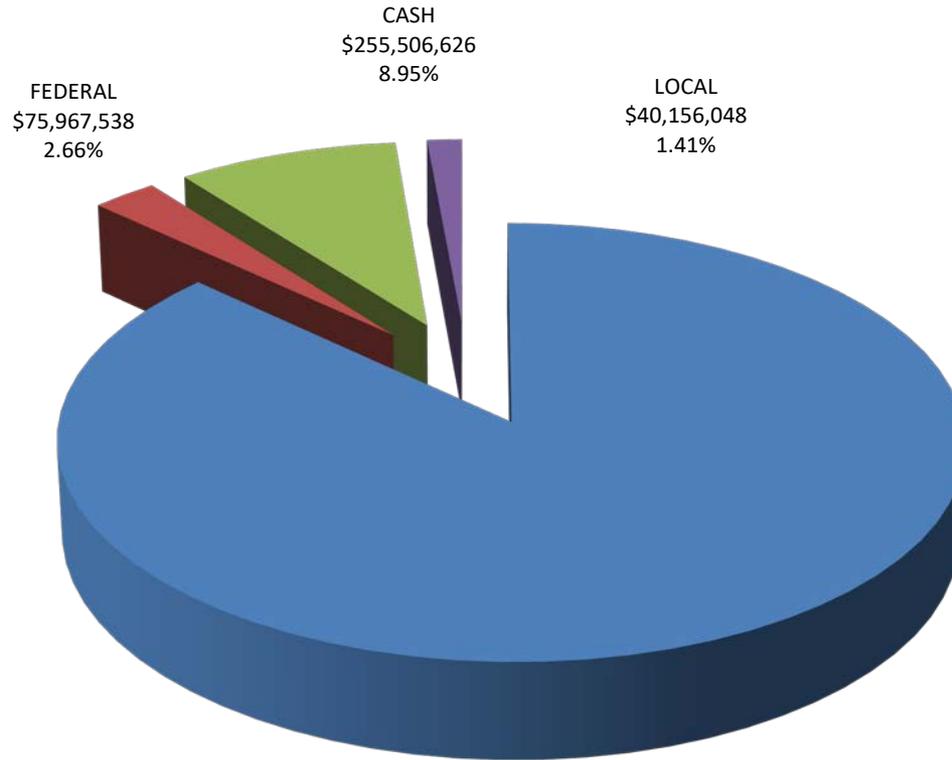


Sources of Funding

(FY17 Budgeted)



Uses of Funding (FY17 Budgeted)



**Operational SubFund
Total = \$2,855,674,434**

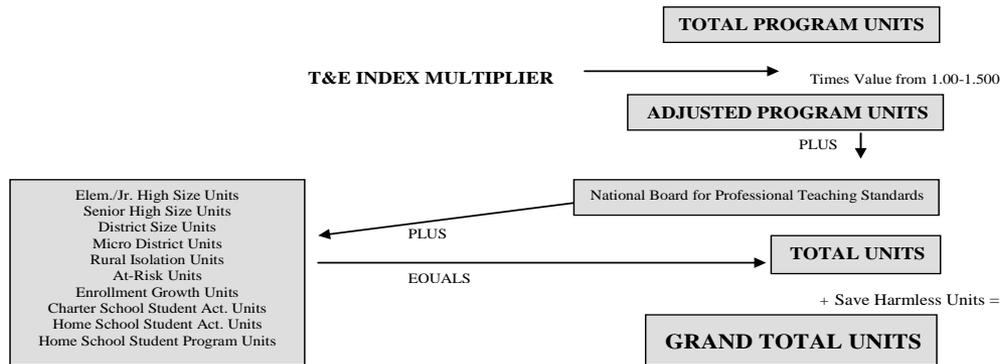
STATE
\$2,484,044,222
86.99%

Land Grant Permanent Fund

- The Land Grant Permanent Fund (LGPF), also known as the Permanent School Fund, is one of the largest funds of its kind in the country.
- The LGPF annually provides more than a half-billion dollars in benefits to New Mexico's public schools, universities and other beneficiaries (\$638 million in FY17).
- The LGPF was established at statehood in 1912 and receives revenue from the use of lands set aside to support the fund.
- While sometimes referred to as a “rainy day fund”, the LGPF is really an endowment that supports many day to day operations of the state.
- Caution must be exercised when considering additional withdrawals from the fund.

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

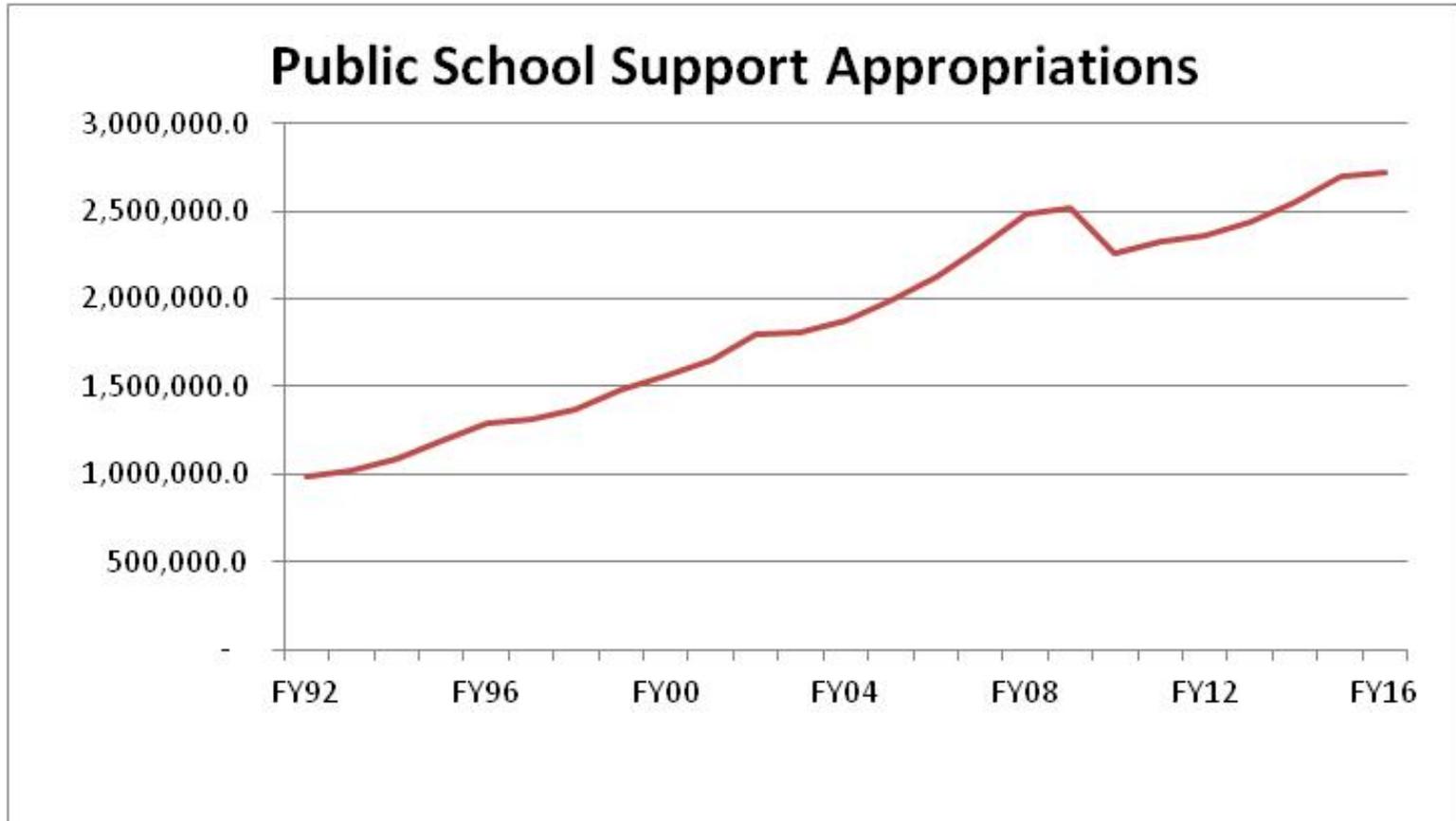
The Public School Funding Formula

Commonly Used Terms

- Above-the-Line
 - State Equalization Guarantee Distribution.
 - Formula dollars received by local districts not earmarked for specific programs.
- Middle-of-the-Line
 - Categorical Distributions used for:
 - Transportation.
 - Supplemental Distributions.
 - Text Books.
 - Statewide Assessment.
- Below-the-Line.
 - Targeted Investments

The Public School Funding Formula

Appropriation History



Spending Priorities

- As noted earlier, operational funds for are distributed through the funding formula.
- Although districts and charter schools are generally required to follow their approved budgets, they have significant discretion on how those dollars are spent.
- Although the PED attempts to provide guidance and assistance to school districts and charter schools on how operational funds are expended, ultimately the districts and charter schools decide how to spend those funds.
- Many entities do not always make good or efficient decisions about how to spend operational funds.
- This is evident in decisions made not to follow the neediest students with the money they generate, continuing programs that do nothing to improve student achievement, spending operational funds on extra-curricular programs or buying large administrative space not associated with classroom learning.