



Public School Funding Formula

The public school funding formula, initially created in the Public School Finance Act of 1974, is an attempt to ensure that every public school in the state receives a fair share of a statewide pool of education dollars. At the time of its adoption it was widely acclaimed as one of the most innovative school finance plans. It was a major departure from the still common practice of using local property taxes to support local schools, a system that means that schools in affluent areas are better funded than schools in low-income neighborhoods.

Funding Units

The formula uses factors to differentiate the cost of serving students with different needs and other specifics of a school population. The formula starts with school membership, basically enrollment, as a base then uses multipliers for the number of students at different grades to reflect grade-based class-size limits, the number of students receiving special education or bilingual education, the education and experience of the teachers, the size of the district and school, the number of students at risk for developing problems, and other factors.

The resulting number of “units” is multiplied with a unit value, set by the Public Education Department based on available funding, for total “program costs.” That figure is then adjusted for a district’s cash balances, energy efficiency efforts, and certain local revenue for a figure called the state equalization guarantee.

Formula dollars are not earmarked. A local district can allocate the money according to local priorities as long as it stays within statutory and regulatory guidelines. This provision of the Public School Finance Act ensures local school boards maintain local autonomy.

In 1996, a comprehensive study found that the New Mexico public school funding formula was highly equitable with no significant spending disparities. However, districts have complained in recent years that the formula fails to cover actual costs. Legislative Finance Committee analysis suggests that the formula falls short of the costs of educating at-

risk students and perpetuates difficulties with hiring highly qualified teachers in poor, rural districts. Legislators are considering a new formula.

Funding Sources

The majority of state funding provided to school districts for operational costs are derived from the state general fund and

the current school fund. General fund revenue is generated through general gross receipts and compensating taxes, income tax, interest earnings, rents and royalties and severance taxes. Current school fund revenues are derived from earnings on the investment of the permanent school fund, land income and fines, forfeitures and other revenue sources. Federal Mineral Leasing Act revenues are appropriated for purchasing textbooks and are distributed outside of the formula. Transportation funding is also outside of the funding formula.

A Typical Funding Formula (formulas differ by state)

$$\begin{array}{r} \text{Base Enrollment} \\ \times \\ \text{Factors for population in each grade} \\ \times \\ \text{Factors for students in special education} \\ \times \\ \text{Factors for English language learners} \\ \times \\ \text{Factors reflecting teacher qualifications} \\ \times \\ \text{Factors for other special conditions, such} \\ \text{as number of students living in poverty and} \\ \text{other circumstances that put a student at} \\ \text{risk, enrollment growth, or school size.} \\ = \\ \text{Number of Units} \\ \times \\ \text{Funding Base Amount} \\ = \\ \text{Total Funding} \end{array}$$

For More Information:

- The state statutes concerning public schools are in Chapter 22 NMSA 1978.
- The Public School Finance Act is Chapter 22, Article 8.
- Statistical reports on public school financing are available through the PED at www.ped.state.nm.us/div/fin/school.budget/
- The Public Education Department document *How Public Schools Are Funded* is available online at www.ped.state.nm.us/div/fin/school.budget/d108/How%20NM%20schools%20are%20fundedFY0806.pdf.