



## Public School Finance – Impact Aid

Presentation to the Legislative Education Study Committee

Senator Mimi Stewart, Chair

Representative Stephanie Garcia-Richard, Vice Chair

July 26, 2017

Hipolito J. Aguilar

Deputy Secretary, Finance and Operations

# Topics for Today's Discussion

- How Public Schools are Funded
  - History
  - Sources of Funding
  - Uses of Funding
- The Funding Formula
  - Components
  - Commonly Used Terms
  - How Individual School District Funding is Determined
  - Program Cost
- Impact Aid
  - What is Impact Aid
  - What Role Does Impact Aid Play in the Funding Formula
  - Common Misconceptions Regarding Impact Aid

# 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

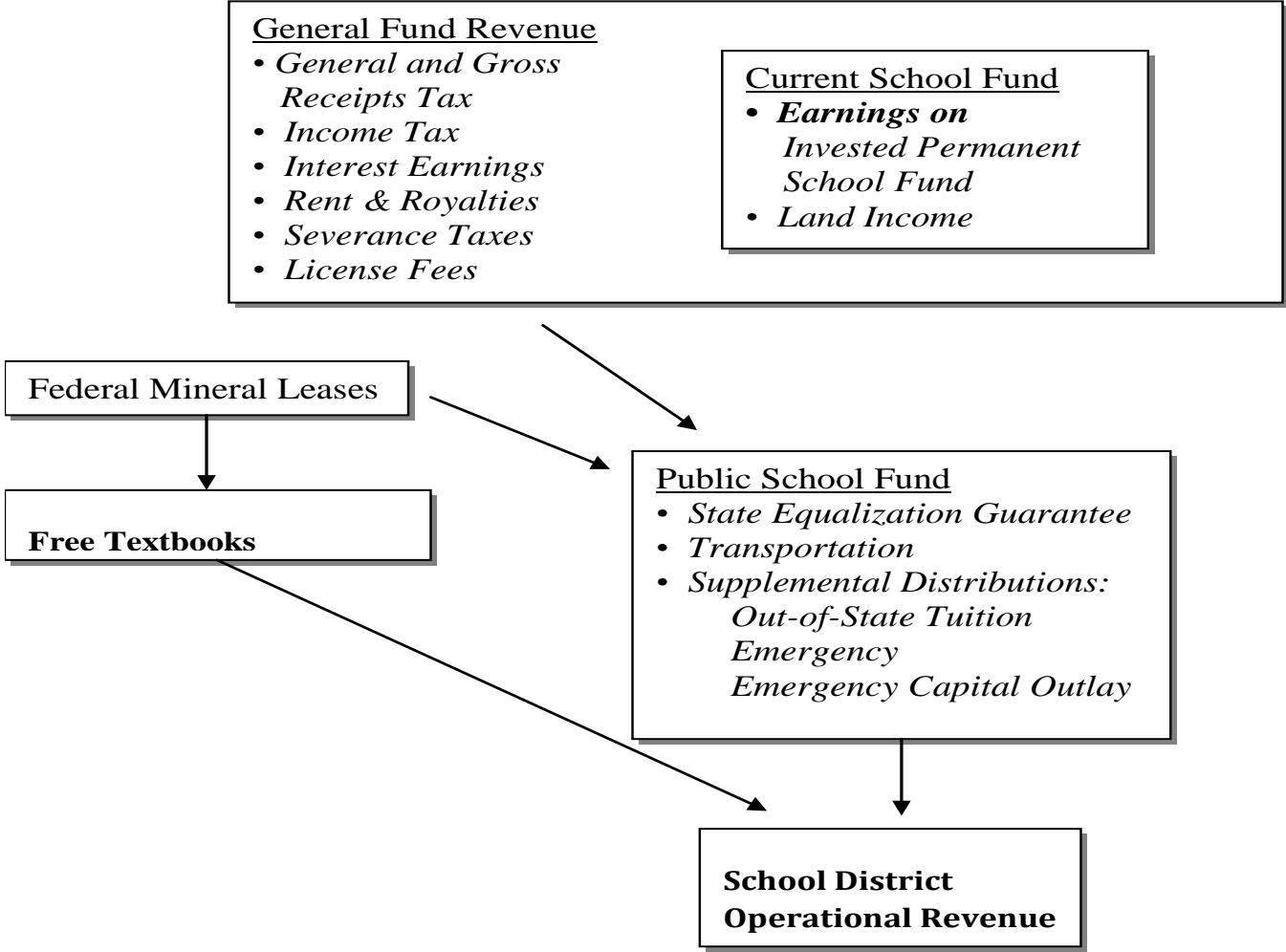
# The Public School Funding Formula

- 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 funding for 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.

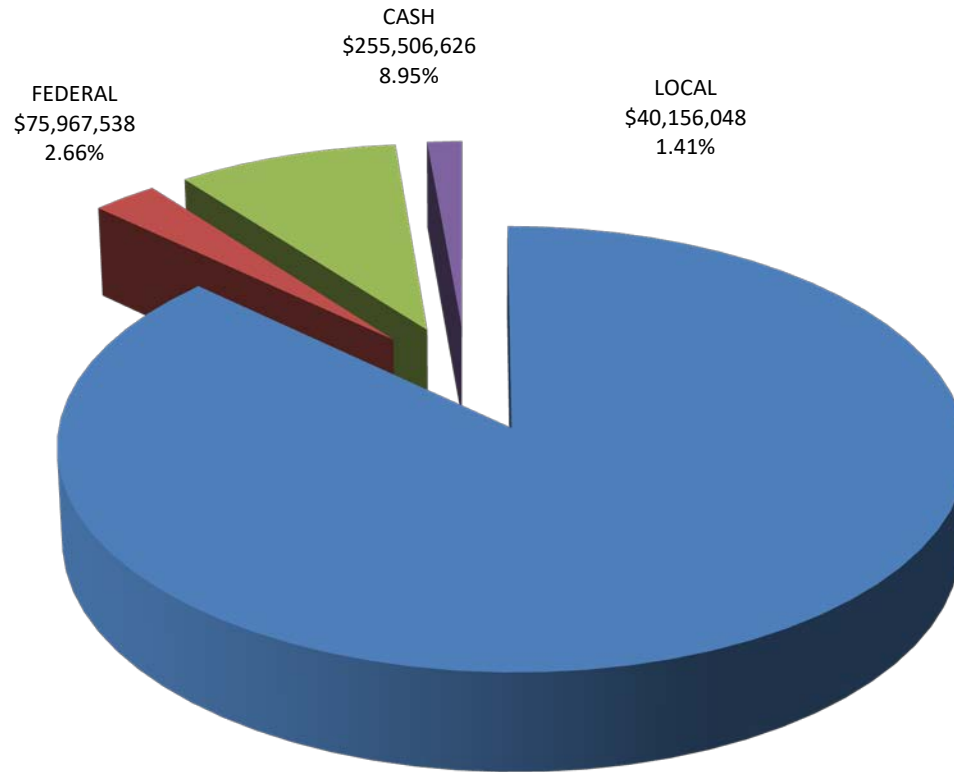
# The Public School Funding Formula

- Based on “equal treatment of equals” by ensuring a twelfth grader in Albuquerque receives the same funding as a twelfth grader in Gallup.
- Based on “unequal treatment of unequals” by ensuring students with greater needs, like special education students, receive more funding than students with less needs, like a basic grade level student.
- In order to allocate both equally and unequally when prudent, the funding formula assigns units to each student or program, which is multiplied times a unit value to determine the cost of the educational program for that student.

# Sources of Funding



# Uses of Funding

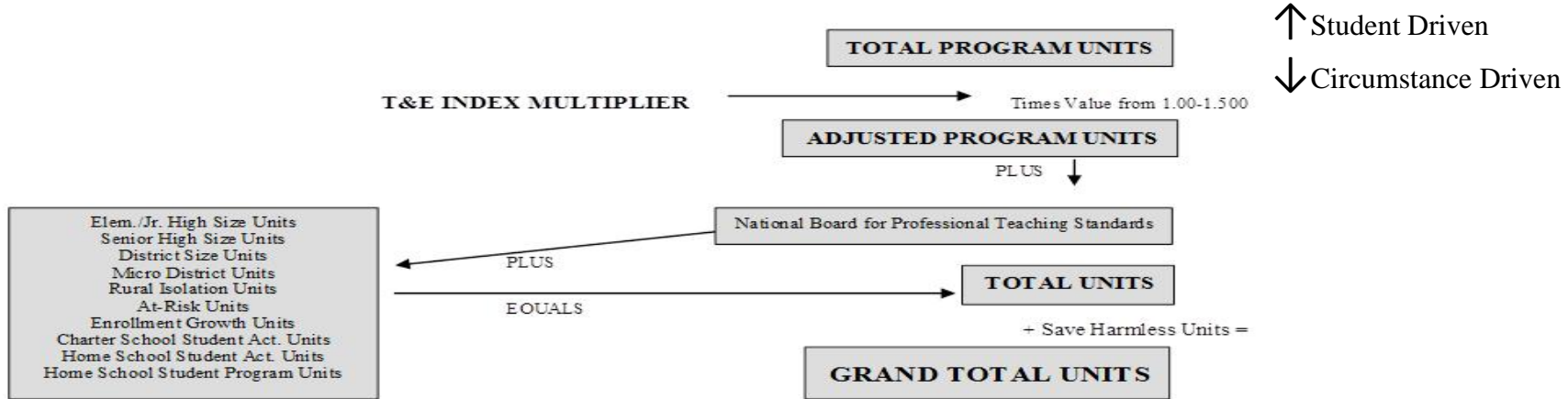


**2016-2017 BUDGETED REVENUE**  
**Operational Sub Fund**  
**Total = \$2,855,674,434**

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

## 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	
<b><u>SPECIAL EDUCATION</u></b>					
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	
<b><u>BILINGUAL</u></b>					
	FTE	×		0.500	
<b><u>FINE ARTS EDUCATION</u></b>					
	FTE	×		0.050	
<b><u>ELEMENTARY P.E. PROG</u></b>					
	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**



# Impact Aid

In order to implement the funding formula, a fundamental change in how schools were funded was needed.

Rather than allowing school districts to be funded almost entirely through local sources, which varied significantly depending on local wealth and voter desires, revenues are collected by the state.

Much of this revenue is generated through local property taxes and with a significant portion of land in New Mexico being federal land; taxes are not generated by these lands.

## Impact Aid

- Many local school districts across the United States deal with similar issues because included within their boundaries are parcels of land that are owned by the Federal Government or that have been removed from the local tax rolls by the Federal Government, including Native American Tribal lands, national laboratories, BLM lands and forest lands among others.
- In some states these school districts face special challenges — they must provide an education to the children living on the Tribal and other Federal lands while sometimes operating with less local revenue than is available to other school districts, because the Federal property is exempt from local property taxes.

# Impact Aid

- **In New Mexico this is mitigated as a result of the equalization components of the funding formula**

# Impact Aid

## Program Cost

- Program cost is the total funding to which a school district or charter school is entitled to provide an educational program for their students
- Every district and charter school receives an amount annually that, at a minimum, equals its program cost, though only a portion of the revenues may come from the state
- For school districts, total program cost revenue is made up of the State Equalization Guarantee distribution and 75 percent of revenues received directly by the districts from a required half-mill property tax levy, payments for federal property received in lieu of taxes (Impact Aid) and revenue generated through Forest Reserve funds

# Impact Aid Program Components

## Payments for Federal Property (Basic Payment, non-categorical)\*\*

- Payments for Federal Property assist local school districts that have lost a portion of their local tax base because of Federal ownership of property.

## Children With Disabilities Payments (Special Education Set Aside)

- Payments for Children with Disabilities provide additional assistance to school districts that educate federally connected children who are eligible for services under the Individuals with Disabilities Education Act (IDEA). These payments are in addition to Basic Support Payments and IDEA funds provided on behalf of these children.

# Impact Aid Program Components

## Basic Support Payments (Indian Set Aside, non-categorical)

- Payments help local school districts that educate federally connected children. These may be the children of members of the uniformed services, children who reside on Indian lands, children who reside on Federal property or in federally subsidized low-rent housing, and children whose parents work on Federal Property

## Construction Grants

- Construction Grants go to local school districts that educate high percentages of certain federally connected children — both children living on Indian lands and children of members of the uniformed services. These grants help pay for the construction and repair of school buildings

# Impact Aid Program Components

**The school district receives all of their Impact Aid payments directly from the federal government. None of these payments flow to the state**

## Current State Law

- Section 22-8-25 NMSA 1978
  - Provides that the state use 75% of basic Impact Aid payments, forest reserve, and the 0.5 mill levy as offsets in determining the amount of state aid (SEG) to a school district
  - These offsets are also referred to as credits
  - **No credit is taken for the Indian Add-on, Special Education Add-on and Capital Outlay grants**
  - “Taking credit for Impact aid” means that the state uses 75% of a school district’s Impact Aid basic payment as an offset in the calculation of a school district’s State Equalization Guarantee distribution

# Impact Aid Program Components

- **The Only Impact Aid Dollars Affected by the Funding Formula are the Payments for Federal Property – The Basic Payment**
- **No credit is taken for the Indian Add-on, Special Education Add-on and Capital Outlay grants**



# Impact Aid Program Components

## Federal Law Requirements for Impact Aid and State's Funding Formulas

Federal Law provides the following:

- States must meet stringent requirements established by Congress before taking basic impact aid payments into consideration in calculating state aid (before taking credit)
- The state must meet a 25% disparity requirement and a proportionality requirement in order to qualify

These federal requirements are designed to prove the state has an equalized funding formula

# SEG Calculation Using the Impact Aid Basic Payment Credit

**Impact Aid District: A district's program cost is \$100.00 and the district received \$10.00 in Impact Aid Basic Payments.**

\$100.00	Program Cost – Amount Calculated Annually to Fund the Educational Program at the District. This amount is made up of SEG, and revenues received from Impact Aid, Forest Reserve and the Local ½ mil levy.
\$10.00	Impact Aid Basic Payments Received at 100% by the District
-\$7.50	75% Offset of the Impact Aid Basic Payment Only(Section 22-8-25 NMSA 1978)
<b>OPERATIONAL FUNDING RECEIVED BY THE DISTRICT</b>	
\$92.50	State Equalization Guarantee Distribution (Program Cost minus the 75% Offset)
\$10.00	Impact Aid Basic Payments Received at 100% by the District
\$102.00	Total Operational Funding Received

**Non-Impact Aid District: A district's program cost is \$100.00 and the district received \$0.00 in Impact Aid Basic Payments.**

\$100.00	Program Cost – Amount Calculated Annually to Fund the Educational Program at the District. This amount is made up of SEG and the Local ½ mil levy.
\$0.00	Impact Aid Basic Payments Received at 100% by the District
-\$0.00	75% Offset of the Impact Aid Basic Payment Only(Section 22-8-25 NMSA 1978)
<b>OPERATIONAL FUNDING RECEIVED BY THE DISTRICT</b>	
\$100.00	State Equalization Guarantee Distribution (Program Cost minus the 75% Offset)
\$0.00	Impact Aid Basic Payments Received at 100% by the District
\$100.00	Total Operational Funding Received

# Questions



## Public School Finance – Impact Aid

Presentation to the Legislative Education Study Committee

Senator Mimi Stewart, Chair

Representative Stephanie Garcia-Richard, Vice Chair

July 26, 2017

Hipolito J. Aguilar

Deputy Secretary, Finance and Operations