

Public School Funding Formula Public Engagement Plan

Purpose and Overview

While the Legislature has significantly increased appropriations to public schools in recent years, it is unclear whether those investments have meaningfully improved student achievement and success. This potential disconnection between investments and outcomes may indicate the public school funding formula is inadequately responsive to the needs of public schools. Specifically, whether it adequately identifies student need, reflects the true costs of adequately operating public schools, and directs adequate funds to support the diverse and evolving needs of all students.

Pursuant to the requests of House Memorial 51 (HM51), the Legislative Education Study Committee (LESC) will convene public education stakeholders to participate in a series of conversations regarding the methodology underlying each component of the public school funding formula. In soliciting feedback regarding the public school funding formula, the LESC will convene a working group that is tasked with:

- Identifying existing challenges, strengths, and opportunities related to the public school funding formula;
- Identifying what constitutes adequacy in the context of the public school funding formula; and
- Building consensus on whether the public school funding formula is responsive to the current and evolving needs of all students.

The working group will complete its review by the end of October 2023 and LESC staff will present its findings at the committee's November or December interim meeting in Santa Fe. Upon consultation with LESC leadership, staff may proceed to phase two of the project – collaborating with stakeholders in creating a proposal for redesigning the public school funding formula.

Format

Public School Funding Formula Working Group

Beginning in July 2023, LESC staff will convene a working group that is inclusive of voices from throughout the public education system. The membership of the working group may include, but is not limited to:

- Educators;
- School Administrators;

- District leadership, including superintendents, program directors, school business officials, and school board members;
- Public Education Department staff;
- Legislative members;
- Legislative Finance Committee staff; and
- Legislative Education Study Committee staff.

As requested in HM51, LESC staff will lead the work of the working group by selecting its participants, preparing agendas for each session, and drafting and presenting the working group's findings to the LESC.

Meetings of the working group, whether they are in-person or virtual, may be open to the public. LESC staff will be intentional in hosting in-person meetings at accessible locations throughout the state and will make recordings of virtual sessions available upon request.

Each session will have a theme that is determined by LESC staff. These themes will revolve around components of the public school funding formula, including:

- Student Supports
 - Early childhood and basic funding units;
 - Special education;
 - At-risk index.
- Personnel
 - Staffing cost multiplier;
 - National board certification units.
- Curricular Supports
 - Bilingual and multicultural education;
 - Fine arts education;
 - Physical education.
- Learning Time
 - K-12 Plus.
- Enrollment Growth and Size Adjustments
 - School and district size;
 - Enrollment growth and save harmless.
- Add-Ons and Missing Components
 - Charter school student activities;
 - Home school student activities;
 - Home school student programs;
 - Additional components potentially needed in the formula.
- Adequacy and Sustainability of Revenue Sources
 - General fund revenue;
 - Land grant permanent fund.

Upon the conclusion of each session, LESC staff will complete a qualitative analysis of expert testimony and member comments to identify important themes or general trends. This analysis will complement the quantitative analysis that will be led by LESC staff, with both sources of data informing LESC staff's framing of findings to the committee.

Outreach

LESC staff will conduct outreach to public education stakeholders utilizing existing LESC listservs, with specific outreach to the New Mexico School Boards Association, Public Charter Schools of New Mexico, the New Mexico Coalition of Educational Leaders, and the New Mexico Association of School Business Officials.

There will be an intentional effort on the part of LESC staff to maximize the inclusiveness of the working group while also amplifying the voices of those who may have been historically underrepresented in conversations related to the public school funding formula.

In doing so, LESC staff will issue a press release to advertise public school funding formula working group sessions more broadly and to share these opportunities with stakeholders that may not be reached using existing listservs.

LESC staff will also advertise public school funding formula working group sessions on their website.

Conclusion of the Public School Funding Formula Review

By the end of December 2023, LESC staff will deliver an overview of the working group's findings to the LESC. Upon consultation with LESC leadership, staff may proceed to phase two of the project – collaborating with stakeholders in creating a proposal for redesigning the public school funding formula. This proposal will be collaboratively drafted with external stakeholders throughout the 2024 interim session, with the goal of presenting legislation to the LESC for potential committee endorsement before the 2025 legislative session.

Funding Formula Working Group Proposed Schedule

August 3, 2023 (Curricular Supports)

- New Mexico State Capitol, Santa Fe, New Mexico

August 18, 2023 (Personnel)

- New Mexico State Capitol, Santa Fe, New Mexico

August 30, 2023 (Learning Time, Enrollment Growth, and Size Adjustments)

- New Mexico State Capitol, Santa Fe, New Mexico

September 19, 2023 (Student Supports)

- New Mexico State Capitol, Santa Fe, New Mexico

October 23, 2023 (Add-Ons and Missing Components)

- New Mexico State Capitol, Santa Fe, New Mexico

October 30, 2023 (Adequacy and Sustainability of Revenue Sources)

- New Mexico State Capitol, Santa Fe, New Mexico

Themes of sessions are subject to change

Review of the State Equalization Guarantee

Theme: Curricular Supports

August 3, 2023



DANIEL A. ESTUPIÑAN
SENIOR FISCAL ANALYST II

Statement

The Legislative Education Study Committee (LESC) is excited to work with you in reviewing the State Equalization Guarantee (SEG). As we progress through the interim, our collective goals will be:

- Identifying existing challenges, strengths, and opportunities related to the SEG;
- Identifying what constitutes adequacy in the context of the SEG; and
- Building consensus on whether the SEG is responsive to the current and evolving needs of all students.

Our work throughout the interim will inform findings that may guide a potential redesign of the SEG in the 2024 interim session.



Agenda

Welcome (1 minute)

Roll Call, Introductions, and Process (20 minutes)

National Landscape, Overview of the SEG, Prior Reviews, and Legislative Action (15 minutes)

Stakeholder Overview of Key Issues (1 hour, 30 minutes)

- Bilingual and Multicultural Education (30 minutes)
- Fine Arts Education (30 minutes)
- Physical Education (30 minutes)

Reflection Questions and Conversation (45 minutes)

Working Group Timelines and Upcoming Meetings (5 minutes)

Summary & Adjournment (1 minute)

Roll Call & Introductions

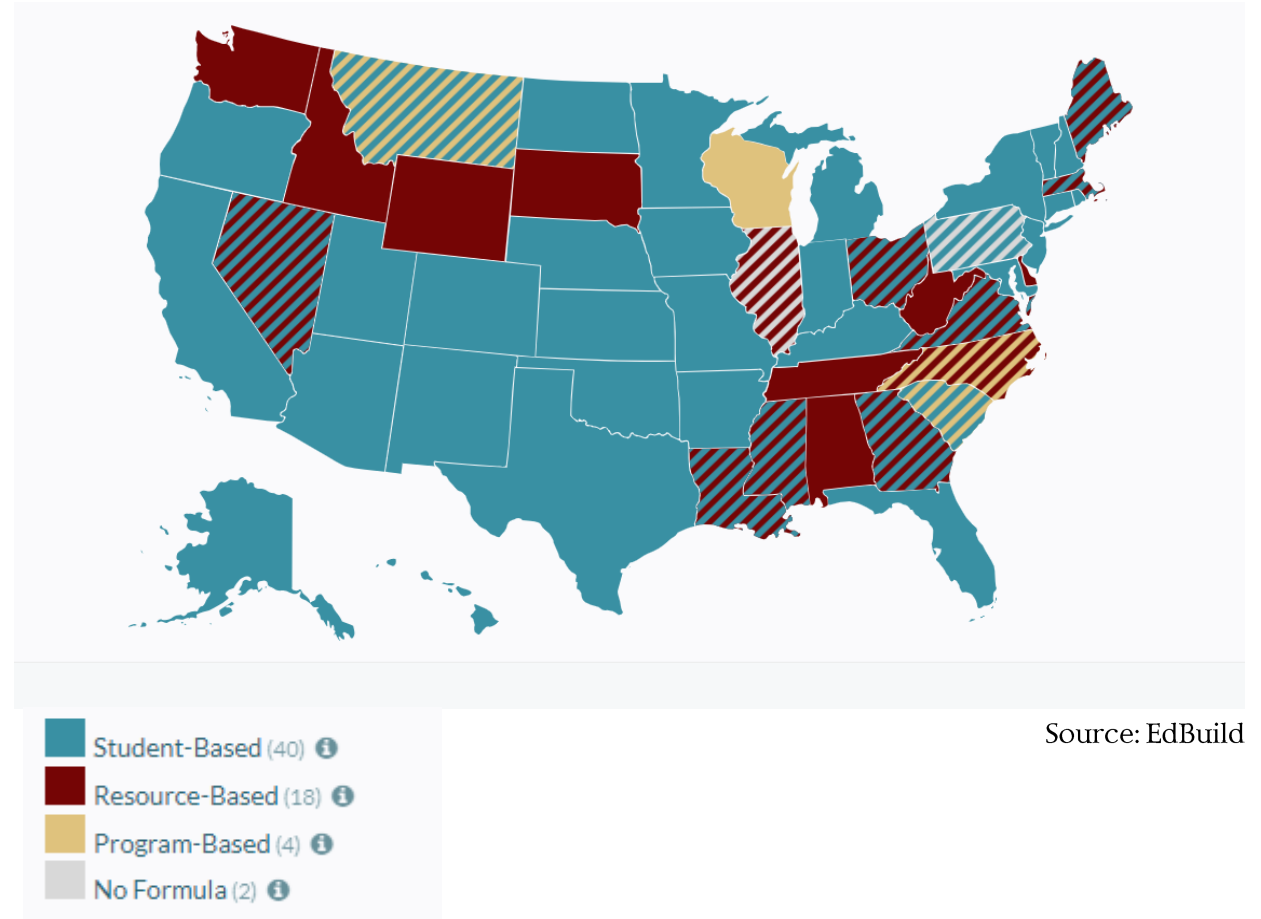
- Name
- Organization or community represented
- What you are hoping to contribute to the process and conversation



National Landscape of Public School Funding

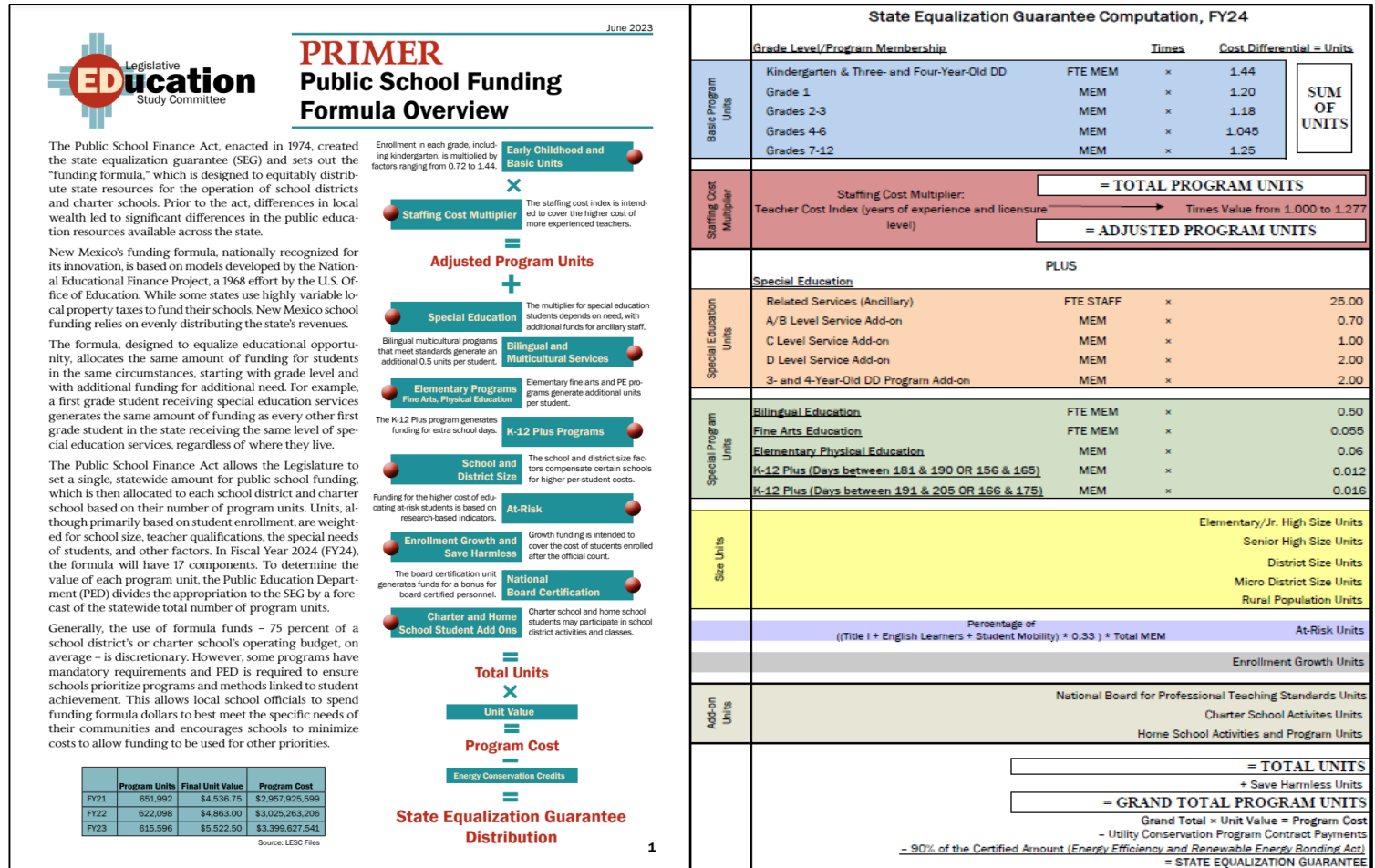
- New Mexico uses a student-based foundation or base formula model.
- Student-based budgeting is a funding mechanism whereby allocated funding is determined by student need. This approach to funding public schools is driven by leveraging objective and measurable student characteristics as weights or differentials in the formula.
- Student-based budgeting often enhances equity, transparency, and flexibility.
- 40 states have adopted a student-based or hybrid student-based formula.

New Mexico is not unique in its approach to funding public schools.



Public School Finance in New Mexico

- The SEG was created in 1974 to equalize educational opportunity throughout New Mexico. The SEG uses weights or differentials to generate program units, which are subsequently used to determine the funding each school district and charter school is entitled to.
- Since its creation in 1974, the SEG has been modified more than 80 times.
- The most recent revisions to the SEG include an increase to the At-Risk factor, an increase to the fine arts factor, the phase-out of K-5 Plus and Extended Learning Time Programs, and the introduction of the K-12 Plus program.
- In FY24, the Legislature appropriated \$3.969 billion to the SEG for distribution to public schools.



Martinez-Yazzie Education Sufficiency Lawsuit

In 2018, the First Judicial District Court noted funding shortfalls for the following:

- Instructional materials and access to technology;
- Programs serving at-risk students, including prekindergarten, K-3 Plus, summer school, smaller class sizes, and reading programs; and
- Quality teachers, which correlate with lower academic outcomes of students considered to be at-risk and disparities in outcomes between students with at-risk factors and students without at-risk factors.

The court also noted several statutes are not being adequately implemented, including the Bilingual Multicultural Education Act, the Indian Education Act, and the Hispanic Education Act, effectively leading to a system that is not adequately responsive to the unique and diverse needs of New Mexico's students.

American Institute for Research (AIR) Study of New Mexico's Public School Funding Formula

In 2008, AIR completed an independent study of the SEG and made several determinations for what the state should do to provide students with access to a sufficient public education.

Among the key recommendations of the study were a general proposal for simplifying the formula and incorporating:

- A smaller and simplified set of pupil-needs weighting factors to achieve an equitable distribution of funds according to pupil need;
- A simplified set of programmatic weights for student grade level composition for elementary, middle, and high school students; and
- An enrollment size weighting schedule that accounts separately for the scale of district operations and charter school operations.

The study determined an FY08 program cost of \$2.63 billion would achieve sufficiency, a \$334.7 million increase from the FY08 budgeted program cost, or 14.5 percent.

LESC-LFC Joint Evaluation of SEG

In 2011, a joint evaluation determined the following revisions should be made to the SEG:

- Eliminate components that generate few units or are not funding statewide programs;
- Adjust the at-risk index with a cost differential of 0.15 for the percentage of students identified as eligible for the free and reduced-price lunch program;
- Change bilingual funding to direct a cost differential of 0.15 towards English language learners statewide;
- Move to a census-based special education funding model;
- Replace the Training and Experience index (T&E) with an “effective” teacher index that only multiplies grade-level program units with values corresponding to licensure;
- Repeal all existing size adjustment components and create a new district size adjustment; and
- Phase-out growth units for charter schools.

These recommendations were intended to simplify the formula and prevent component manipulation.

Legislative Actions Since the AIR Study

Between FY08 and FY24, the Legislature increased the SEG from \$2.294 billion to \$3.969 billion, an increase of \$1.675 billion, or 73 percent.

Key legislative actions since the completion of the AIR study include:

- An increase to the At-Risk Index factor from 0.0915 to 0.330;
- An increase to the fine arts factor from 0.05 to 0.055;
- Creation of the K-12 Plus program, after the phase-out of K-5 Plus and ELTP;
- Phase-in of the Teacher Cost Index, after the phase-out of the T&E Index;
- Phase-out of the small-school size adjustment for districts with more than 2 thousand students;
- Phase-in of the rural population adjustment when at least 40 percent of an LEA's population lives in a rural area; and
- Elimination of credits taken for Impact Aid, forest reserve payments, and the local half-mill levy.

The Legislature has continued to prioritize flexibility and equity in its funding of public schools.

Review of Below-the-Line Programs

With the phase-out of K-5 Plus and ELTP, the decrease in reversions to the Public Education Reform Fund (PERF) will significantly constrain the ability of the fund to support non-recurring appropriations.

In FY24, the PERF is supporting \$183.25 million in appropriations, including:

- \$15 million for the Family Income Index;
- \$2 million for early literacy and reading support;
- \$2 million for special education training and credentials;
- \$20 million for career technical education; and
- \$10 million for community schools and family engagement initiatives.

As the working group completes its review of the SEG, LESC staff will simultaneously review below-the-line programs, with the goal of identifying whether specific programs should transition to the SEG.

Statutory Requirements and Stakeholder Input

BILINGUAL AND MULTICULTURAL EDUCATION, FINE ARTS
EDUCATION, AND ELEMENTARY PHYSICAL EDUCATION
PROGRAMMING

Statutory Requirements Related to Bilingual and Multicultural Education Programs

Funding Mechanism. The number of bilingual multicultural education program units is determined by multiplying the full-time-equivalent student membership in qualifying programs, as defined by the Bilingual Multicultural Education Act (BMEA), by 0.5.

Statutory Requirements. The BMEA requires research-based bilingual and multicultural education programs, including professional development for teachers and assessment for students. The act defines “bilingual multicultural education program” as a program using two languages for instruction, including English and the home or heritage language, that emphasizes the history and cultures associated with the students’ home or heritage language.

The act prioritizes programs for students in kindergarten through third grade, although it provides for programs through 12th grade, and requires an English-learning student continue in the program until they achieve proficiency in both English and the home or heritage language.

Teachers and school administrators must receive professional development in research-based bilingual multicultural education programs, best practices for teaching English as a second language and bilingual multicultural education programs, and classroom assessments that support academic and language development. Teachers must have specialized training in bilingual education conducted using two languages.

Stakeholder Input

Bilingual and Multicultural Education Programming

Mayra Valtierrez, Director, Language and Culture Division, Public Education Department

Statutory Requirements Related to Elementary Fine Arts Programs

Funding Mechanism. The SEG generates program units to support elementary fine arts programs by multiplying student membership (essentially enrollment) in kindergarten through sixth grade fine arts programs that meet the requirements outlined in the Fine Arts Education Act by 0.055.

Statutory Requirements. The Fine Arts Education Act does not set curriculum standards or require that schools offer identical instruction, but it does require PED to issue guidelines and for each LEA to develop a plan subject to annual review by PED and a local parent advisory committee.

To qualify for funding, the program must be in the areas of visual arts, music, theater, or dance; integrate fine arts in the curriculum; and use instructors or supervisors certified for fine arts instruction. PED standards require students be actively engaged in comprehensive, sequential programs of arts education that include creating, performing, and producing, as well as study, analysis, and reflection.

Approved programs must provide consistent, timely instruction in the arts by any combination of highly qualified arts specialists, visiting artists, performance groups, trained volunteers, or a variety of local arts-related resources.

Stakeholder Input

Fine Arts Education Programming

Dr. Kurt A. Schmidt, Executive Director of Fine Arts, Rio Rancho Public Schools

Statutory Requirements Related to Elementary Physical Education Programs

Funding Mechanism. Each student in a qualifying elementary physical education program generates 0.06 program units.

Statutory Requirements. To qualify for elementary physical education program funding, an physical education program must be in an elementary school for students in kindergarten through sixth grade and use a certified teacher with a license endorsement for physical education.

Physical education is defined in statute (Section 22-13-1.7 NMSA 1978) as including, “programs of education through which students participate in activities related to fitness education and assessment; active games and sports; and development of physical capabilities such as motor skills, strength and coordination.”

Stakeholder Input

Elementary Physical Education Programing

Sara Cordova, Director, School Budget Bureau, Public Education Department

Reflection Questions and Conversation

- Based on the information provided by LESC staff and relevant stakeholders, as well as your own personal and professional experience, is the SEG responsive to the statutory requirements related to fine arts, elementary physical education, and bilingual and multicultural education?
- Has the Legislature adequately responded to the findings of the *Martinez-Yazzie* education sufficiency lawsuit, as related to fine arts programs, elementary physical education, and bilingual and multicultural education programs? If the Legislature has not adequately responded to the court's findings, what role have the relevant components of the SEG played in preventing the Legislature from adequately meeting the diverse and evolving needs of applicable students?
- How do we define adequacy in funding in the context of fine arts programs, elementary physical education programs, and bilingual and multicultural education programs?

Timeline of Review

With a working group now convened, LESC staff have established the following meeting dates:

- August 3, 2023
- August 18, 2023
- August 30, 2023
- September 19, 2023
- October 23, 2023
- October 30, 2023

By the end of December 2023, LESC staff will present the working group's findings to the LESC. Upon consultation with LESC leadership, staff may proceed to phase two of the project: Collaborating with stakeholders in creating a proposal for redesigning the SEG. This proposal will be collaboratively drafted with stakeholders throughout the 2024 interim session, with the goal of presenting legislation to the LESC for committee endorsement before the 2025 legislative session.

Summary

- The SEG is a student-based budgeting framework that leverages objective and measurable characteristics to identify student need and allocate appropriate resources to provide students with access to relevant and responsive programs and services.
- Funds flowing as a result of the SEG are discretionary and may be used for programming deemed appropriate by school districts and charter schools, provided they meet statutory requirements.
- The differentials for fine arts programs, bilingual and multicultural education programs, and elementary physical education programs are assumed to adequately support the statutory requirements associated with each of the programs.

Appendix

- **Formula Weight:** A variable in the SEG used to differentiate the costs of serving students with different needs in different school districts and charter schools. Each weight is typically multiplied against student membership to generate program units.
- **Program Cost:** The result of multiplying a school district or charter school's total number of program units by the preliminary and/or final unit value.
- **Program Units:** The result of multiplying formula weights by student membership and the primary mechanism through which formula funding is ultimately generated.
- **State Equalization Guarantee (SEG):** The public school funding formula used by New Mexico with the intention of equalizing educational opportunity throughout the state.
- **SEG Distribution:** The amount of funding a school district or charter school is entitled to after adjusting its program cost for energy conservation credits.
- **Unit Value:** The dollar value, as established by the Public Education Department, for each program unit a school district or charter school generates through the SEG.

Thank You

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