



PRIMER

Public School Funding Formula Overview

The Public School Finance Act, enacted in 1974, created the state equalization guarantee (SEG) and sets out the “funding formula” designed to equitably distribute state resources for operations of school districts and charter schools. Prior to the act, differences in local wealth led to vast differences in the public education resources available across the state.

New Mexico’s funding formula, recognized for its innovation, is based on models developed by the National Educational Finance Project, a 1968 effort by the U.S. Office of Education focused on equity. While some states use highly variable local property taxes to fund their schools, New Mexico school funding relies on the state’s revenues.

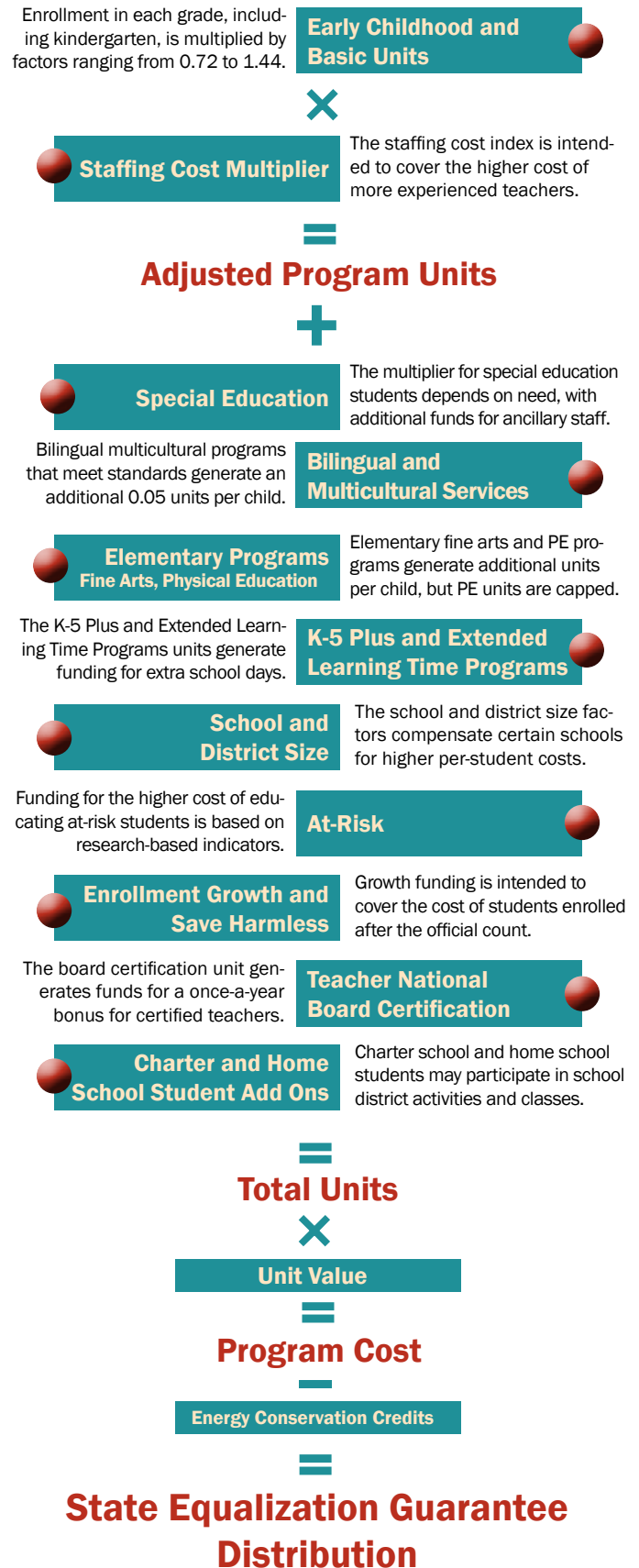
The formula, designed to equalize educational opportunity, allocates the same amount of funding for students in the same circumstances, starting with grade level and with additional funding for additional need. For example, a first grade student receiving special education services is allocated the same amount of funding as every other first grade student in the state receiving the same level of special education services, regardless of where they live.

The Public School Finance Act allows the Legislature to set a single, statewide amount for public school funding, which is then allocated to each school district and charter school based on their number of program units. Units, although primarily based on student enrollment, are weighted for school size, teacher qualifications, the special needs of students, and other factors. Currently, the formula has 17 components. To determine the value of each program unit, the Public Education Department (PED) divides the appropriation to the SEG by a forecast of the statewide total number of program units.

Generally, use of formula funds – 75 percent of a school district’s or charter school’s operating budget, on average – is discretionary, although certain programs have mandatory requirements and PED is required to ensure schools prioritize programs and methods linked to student achievement. This allows local school officials to spend funding formula dollars to best meet the specific needs of their communities and encourages schools to minimize costs to allow funding to be used for other priorities.

	Program Units	Final Unit Value	Total Funding	Funding per Student
FY19	631,458	\$4,190.85	\$2,646,344,502	\$8,099.27
FY20	656,370	\$4,602.27	\$3,020,789,880	\$9,350.85
FY21	671,830	\$4,536.75	\$3,047,926,068	\$9,482.97

Source: LESC Files





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Early Childhood Education and Basic Funding Units

The largest distribution of formula-based funds to public schools is allocated based on the number of students enrolled in a particular grade level on a specified reporting date. The “basic” program units account for about 60 percent of total formula funding, although the percentage has been falling in recent years as the Legislature increases the number of units allocated for students at risk of failing and extended learning programs.

Under the Public School Finance Act, which refers to the calculation of enrollment it uses for funding as “membership,” or “MEM,” public school students enrolled at least half time in first through 12th grade count as 1 MEM. Students in full-day kindergarten program count as 1 MEM, but those in half-day programs and 3- and 4-year-old developmentally disabled students count as 0.5 MEM.

Students are counted three time during the school: the second Wednesday in October, the first working day in December, and the second Wednesday in February. A school district’s or charter school’s funded membership is equal to the average number of students enrolled on the second and third reporting dates of the prior school year. Data from the first reporting date of the current year is used to calculate [enrollment growth program units](#).

Grade-Level Weights

The number of units allocated for each student varies by grade, reflecting class size limits and program requirements. A student in kindergarten, where class size is limited to 15 students for a teacher or 20 for a teacher with an educational assistant, generates 1.44 units. The units per student drop for first through third grade, where classes are limited to 21 for a teacher or 22 for a teacher with an assistant. Fourth through sixth grade has the lowest weighting, due to the higher class limit of 24 students.

FY22 Basic Program Unit Funding per Student

Grade	Weight	Amount*
Half-Day Kindergarten	0.720	\$3,434.90
Fully Day Kindergarten	1.440	\$6,869.81
1st Grade	1.200	\$5,724.84
2nd and 3rd Grade	1.180	\$5,629.43
4th through 6th Grade	1.045	\$4,985.38
7th through 12th Grade	1.250	\$5,963.38

*Based on preliminary unit value.

Source: LESC Files

At the secondary level, the 1.25 weighting results not only from class limits but also from additional programming requirements. Although the funding formula initially included a component for vocational education, this factor was later removed and rolled into a single weight of 1.25 for seventh through 12th grade, which includes support for vocational programs.

Early Childhood Education Units

Kindergarten units are technically “early childhood education program units” and separate from basic program units, a vestige of the initial treatment of kindergarten programs as an “add-on” to the basic educational program.

Over time, kindergarten has increasingly been seen as part of a basic educational program and the “early childhood” term has become more associated with prekindergarten and other programs for children before they reach school age. This has the potential to create confusion. Although many public schools offer prekindergarten programs, these programs are funded outside of the public school funding formula, not with the program units labeled “early childhood education.”

	FY20			FY21		
	Membership	Funds	Funds per Member	Membership	Funds	Funds per Member
Basic Program	297,131	\$1,614,747,937	\$5,434.47	295,656	\$1,585,574,476	\$5,362.90
Early Childhood	25,919	\$171,773,837	\$6,627.27	25,675	\$167,729,455	\$6,532.92

Source: LESC Files



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Staffing Multiplier and National Certification Units

Local public schools generate funding for staff costs through a funding formula factor multiplied by basic enrollment units plus an additional number of units for instructors with national board certification.

Staffing Cost Multiplier

Both the teacher cost index (TCI), being phased in, and the training and experience (T&E) index, being phased out, use an index calculated for the entire district or charter school multiplied by the funding units generated by basic enrollment. The additional units that result are intended to generate funding to offset the higher cost of teachers with more advanced licenses and more experience.

The TCI calculation, to be fully implemented by FY23, is based on the average across the district or charter school of teachers' years of experience and licensure levels multiplied by the number of units generated by early education and basic units. Unlike the T&E index it is replacing, which focused more on degree attainment, the TCI is tied to the tiered, license-level-based salary structure in state statute. Both include consideration of years of teacher experience.

Teacher Cost Index

License Level	Years of Experience				
	0 to 2	3 to 5	6 to 8	9 to 15	Over 15
1	0.755	0.785	0.800		
2		0.994	1.023	1.050	1.123
3			1.184	1.208	1.277

Source: LESC Files

The TCI was adopted in 2018 in response to several studies that identified flaws with the T&E index, which does a poor job of reflecting actual staff costs because it is not tied to the salary structure. A 2012 legislative study found the T&E index rewards more affluent districts, which find it relatively easy to hire and keep teachers and can require advanced degrees while high-poverty and rural districts struggle with recruitment. Numerous studies also indicate educational level is not a good predictor of teacher effectiveness; however, legislative analysis suggests neither is teacher licensure level.

Notably, until the beginning of the TCI phase-in in 2020, the T&E index was applied to a much larger block of units, not just basic and early childhood units but also the units generated for special education, bilingual multicultural education, fine arts, and elementary physical education. As a result, the T&E index generated substantially more units than the TCI.

National Board Certification Units

Units for teachers with certification from the National Board for Professional Teacher Standards were added to the public school funding formula in FY04 to cover the cost of bonuses. The number of certified teachers in a district or charter school is multiplied by 1.5 to generate the funds to pay for a once-a-year salary differential equal to at least 150 percent of the unit value. Notably, national board certification also impacts TCI by making teachers eligible to advance from a level 2 teaching license to a level 3A teaching license, which means national certification likely generates additional, longer-term funds.

Minimum National Board Bonuses (150% of Unit Value)	
FY17	\$5,969.45
FY18	\$6,173.40
FY19	\$6,286.28
FY20	\$6,903.41
FY21	\$6,805.13
FY22	\$7,156.05

Source: LESC Files

National research shows board-certified teachers tend to be more effective than other teachers and have a positive impact on student outcomes. In some studies, board-certified teachers increased student learning by an additional one to two months compared with their peers with similar experience. Additionally, one study by the University of Washington and the Urban Institute found board-certified teachers have an even greater impact for minority and low-income students. Other studies found that, while certification can identify effective teachers, it does not make teachers more effective than they were before certification.

The Legislature in 2020 and 2021 funded scholarships for level 2 and level 3A teachers to cover the cost of national board certification, and the Permian Strategic Partnership, a coalition of oil producers in southeast New Mexico, is working with the New Mexico National Board for Professional Teaching Standards to support teachers in the region in pursuing the credential.

	FY20		FY21	
	Units	Funds	Units	Funds
Staff Cost Factor	31,839	\$146,532,466	30,093	\$136,524,589
National Board Units	1,097	\$5,046,389	1,116	\$5,063,013

Source: LESC Files



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Special Education Units and Program Grants

Most state funding for special education and related services, required by federal and state law, is distributed through the funding formula based on the number of students in the district or charter school who qualify as “exceptional” because their educational needs cannot be met in the regular classroom. This includes gifted students. Special education programs, as defined in the Public School Code, are those provided outside of the regular classroom that involve “systematic” modification of instructional techniques and materials.

The Public School Finance Act classifies special education programs by the level of student need as identified in a student’s individual education program (IEP), with funding increasing as need increases. Special education students and developmentally disabled 3- and 4-year-olds generate from 0.7 to 2 additional units per child depending on the level of need.

In addition, the public school funding formula multiplies the number of full-time-equivalent certified or licensed staff providing diagnostic services or speech therapy and other ancillary services by 25 to generate additional special education units, although the staff count cannot include hours spent with 3- and 4-year-olds.

Federal IDEA-B Funding

Part B of the federal Individuals with Disabilities Education Act includes a grant program for states to provide special education and related services for students between 3 and 21 years old who have disabilities. State education agencies can reserve a portion of their IDEA-B funds for administration and statewide special education activities, while distributing the majority of funds to school districts and charter schools. Additionally, each state can reserve a portion of its funding for a fund to offset the high impact of educating high-needs children.

PED typically receives about \$100 million annually in federal IDEA-B funding, setting aside about 2 percent a year for administrative costs and to provide technical assistance to school districts and charter schools. Of that, the department typically allocates about a \$1 million a year to Puente Para los Ninos, to cover costs asso-

ciated with providing direct special education and related services. School districts and charter schools must apply to PED’s Special Education Bureau for these funds.

Maintenance of Effort Requirements

IDEA-Part B mandates states and local school agencies maintain their levels of financial support for special education and related services from year to year, on the state level and local level – targets known as maintenance of effort (MOE).

State-Level MOE. New Mexico’s state-level MOE target is based on funding for students with disabilities provided through the public school funding formula and appro-

riations to the Children, Youth and Families Department, the Corrections Department, the Vocational Rehabilitation Division, the New Mexico School for the Deaf, and the New Mexico School for the Blind and Visually Impaired. In recent years, the Legislature has included a provision in

the General Appropriation Act allowing PED to transfer funds from the state equalization guarantee distribution fund to a separate distribution for special education to ensure New Mexico meets state-level MOE distributed in the same proportion as SEG funding.

If the state fails to meet target, its IDEA-B allocation can be reduced by the shortfall amount. While IDEA allows for an unforeseen, precipitous decline in state revenues, the U.S. Department of Education (USDE) determined a state with year-end reserves or year-over-year revenue growth cannot qualify for a waiver.

Local-Level Reporting. Section 22-8-6 NMSA 1978 requires school districts and charter schools report to PED annually on the program costs and planned expenditures for services for students with disabilities and for personnel providing ancillary and related services. However, it remains unclear how and to what degree PED scrutinizes these budgets and expenditures for compliance with service requirements. PED has in the past noted challenges in ensuring accuracy of local-level spending reports for special education.

Program	Index	FY20		FY21	
		Membership	Funds	Membership	Funds
Class A/B	0.7	46,441.5	\$149,615,426	47,276.0	\$150,135,575
Class C	1	9,172.5	\$42,214,322	9,299.5	\$42,189,507
Class D	2	8,731.5	\$80,369,441	8,528.0	\$77,378,808
DD for 3- and 4-year-olds	2	4,125.5	\$37,973,330	4,074.5	\$36,969,976
Ancillary Staff	25	1,833.3 FTE	\$210,931,239	1,860.5 FTE	\$211,018,987

Source:LESC Files



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Bilingual Multicultural Education Units

New Mexico funds bilingual multicultural education mostly through a funding formula factor that counts each full-time-equivalent student enrolled in an eligible program. Under the Public School Finance Act, 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, by 0.5. Students receive different levels of service – from one to three hours – and that level of service is used to determine the FTE.

The Bilingual Multicultural Education Act 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 the student achieves proficiency in language proficiency assessments in both English and the home language. The program is to be delivered as part of the regular academic program and students cannot be segregated by ethnic group, race, or national origin.

In addition, classroom staff 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 through the use of two languages.

Further, a qualifying program must establish a parent advisory committee, representative of the languages and cultures of the students, to assist and advise in the development, implementation, and evaluation of the program. Notably, state law requires written instruc-

tional materials for bilingual multicultural education programs to ensure consistency among programs, unless written materials are not permitted by a Native American nation, tribe, or pueblo.

Program Benefits

National studies show bilingual and multicultural education programs are beneficial for all students, including non-minority students. Specifically for English learners, developmentally appropriate instruction in the student’s home language teaches students the value of their culture and improves academic outcomes. The move toward culturally responsive teaching has been seen as a way to better serve minority students by acknowledging and addressing inequities built into various aspects of education, such as curriculum design, classroom discipline, and student-teacher relationships.

FY20				FY21			
Students Served	FTE	Program Units	Funds	Students Served	FTE	Program Units	Funds
46,524	16,022	8,011	\$36,869,521	46,429	15,906	7,976	\$36,183,145

Source: LESC Files

In the consolidated *Martinez-Yazzie* education sufficiency lawsuit, the 1st Judicial District Court ruled deficiencies in the education of at-risk students included failing to provide culturally and linguistically responsive instruction. English learners score lower than non-English learners in reading and math, and English learners generally take fewer advanced courses and have lower graduation rates. A January 2021 Legislative Finance Committee report found early studies indicate culturally and linguistically responsive education increase student engagement and outcomes but noted quantitative research on such teaching practices remained limited.

In New Mexico, 16 percent of public school students are identified as English learners – substantially higher than the national rate of 10 percent – but most do not participate in bilingual programs and most students in bilingual programs are not English learners. More than 400 schools offer programs in nine languages: American sign language, Spanish, and seven indigenous languages – Dineh, Jicarilla Apache, Keres, Tewa, Tiwa, Towa, and Zuni.



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Elementary Fine Arts and Physical Education Units

Fine Arts Education

New Mexico generates additional funding units to pay for elementary school art 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 0.05. The purpose of the Fine Arts Education Act is to encourage school districts and charter schools to offer fine arts activities to elementary school students, including visual arts, music, theater, and dance.

The Fine Arts Education Act does not set curriculum standards or require that schools offer identical instruction; however, the act requires the Public Education Department to issue guidelines and for each district or charter school to develop a plan subject to annual review by PED and a parent advisory committee from the school or district. 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 that students at all grade levels are to be actively engaged in comprehensive, sequential programs of arts education that include creating, performing, and producing, as well as study, analysis, and reflection. Approved program 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.

The New Mexico Content Standards and Benchmarks for the Arts are mandated for students in kindergarten through 12th grade, and the state has a fine arts or practical arts graduation requirement, as adopted by local school districts.

Physical Education

While state statute requires physical education courses for all students in kindergarten through sixth grade, the formula funding factor created to support the programs has never been fully implemented. The 2007 law creating the factor provided for it to be phased in as funding became available, with implementation to start with the

schools with the highest percentages of students from low-income families, elementary schools serving an entire district, and schools with available space.

To qualify for funding, a PE 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. Each student in a qualifying programming generates an additional 0.06 program units; however, the statewide total of PE program units has been capped since FY08 when the phase in was suspended and no additional funding provided.

Initially, as part of the phase in, the Legislature raised the cap on physical education units in FY07 and FY08, but it has not added units since. According to FY20 enrollment data, 65 thousand students are funded for physical education programs out of 154.8 thousand total elementary students, representing a 58 percent gap in funded students. An estimated additional \$25 million would fully fund elementary physical education units.

The limit on the number of PE units does not mean other school districts and charter schools do not offer PE. Because formula funds are not earmarked, local education agencies can support PE programs with funds generated by other factors. The continued practice of only funding a fraction of students in elementary PE programs poses equity concerns.

Also raising equity concerns, some school districts with declining enrollment have been receiving funding for more students than actually enrolled because PED does not reallocate PE program units regularly. Although the number of program units was adjusted in FY21 due to language in the annual appropriation bill, similar language for FY22 was vetoed.

Program	FY20		FY21	
	Membership	Funds	Membership	Funds
Fine Arts	162,540	\$37,402,533	165,564	\$37,556,124
PE	65,129	\$17,984,475	65,129	\$16,943,264

Source: LESC Files



PRIMER Public School Funding Formula

K-5 Plus and Extended Learning Time Programs Units

Evidence-based programs that extend learning time for students, particularly students from low-income households, have the potential to close the persistent achievement gap between at-risk students and their peers. The court ruling in the *Martinez-Yazzie* education sufficiency lawsuit acknowledged the value of programs that extend learning time but noted schools lacked funding for these programs. In response, the Legislature created two new funding formula factors – K-5 Plus and Extended Learning Time Program – that provide funding to school districts and charter schools to increase instructional time. The Legislature has made extended learning time a pillar of education reform and has made significant investments in those programs.

K-5 Plus

K-5 Plus adds 25 days to the school year and, when implemented in alignment with best practices and along with prekindergarten, can improve the performance of low-income students through high school. Initially implemented in kindergarten through third grade and funded through a grant program, the program was expanded in 2019 to all grades in an elementary school, including sixth to eighth if part of an elementary school, and funding was moved into the funding formula, with funding available to any district or charter school with a qualifying program. The K-5 Plus funding factor adds 0.3 units for every student in a qualifying school.

Implementation Challenges. For FY20, the Legislature provided funding for 87 thousand students to participate in K-5 Plus programs; however, only 18 percent of funded students participated. Several of the statutory requirements of K-5 Plus in place at the time proved challenging for school districts and charter schools, in addition to the short time period to implement summer 2019 programs. School districts focused their concerns on the requirements to implement the program schoolwide and ensure students stay with the same teacher and classmates during the regular school year and reported challenges with recruiting teachers and students for the program and adjusting school calendars.

Program Requirements. In 2021, new program requirements were adopted that addressed some of the implementation concerns. A goal of the revised rules is to encourage school districts and charter schools to implement K-5 Plus programs as a route to school-year

calendar reform. Qualifying programs must

- Be implemented schoolwide with participation mandatory for all students in the school, which provides for full funding even if a child transfers classrooms;
- Allows for a student to move from the child’s cohort if in the best interest of the child; and
- Requires 205 instructional days or 25 additional days for five-day-a-week schools and 175 instructional days or 20 additional days for four-day-a-week schools, whichever requires the fewest days. School districts have flexibility to add days at any point in the year.

The K-5 Plus Act prioritizes funding for low-performing schools with high numbers of low-income students.

Extended Learning Time Program

The Extended Learning Time Program funding formula factor was created to increase instructional time and provide professional development time for educators at the middle school and high school levels, in addition to the elementary school levels.

To qualify for funding, a public schools with a five-day school week must provide at least 190 instructional days, or 10 additional instructional days, whichever requires the fewest days. Public schools with a four-day school week must provide 160 days, or eight additional instructional days, whichever requires the fewest days. All program must have at least 80 hours of professional development time for teachers and after-school programs. The program must be implemented schoolwide. The funding factor adds 0.11 units for every student in a qualifying school.

In response to concerns that larger school districts might shift to four-day school weeks and apply for extended learning time funding, only school districts with fewer than 1,000 students may receive funds while operating a four-day school week.

Program	FY20		FY21	
	Membership	Funds	Membership	Funds
K-5 Plus	15,949	\$22,020,481	14,199	\$19,325,194
ELTP	83,293	\$42,167,056	141,622	\$70,675,275

Source: LESC Files



PRIMER Public School Funding Formula

School and District Size Units

The public school funding formula provides additional funding for small school districts and charter schools in rural areas to compensate for higher per-student costs. Larger schools and school districts benefit from economies of scale – the per-student savings that result from spreading certain fixed costs out over a larger group – but small, rural school districts have similar fixed costs but fewer students. The strongest indicator of per-student funding is the number of students enrolled by the school district.

Some of the size adjustment factors in the funding formula provide additional funding if an individual school site has relatively few students, while others look at overall school district enrollment. A recent addition to the formula looks at the rural nature of the school district.

Additional Funding for Small Schools

Elementary schools or junior high schools with fewer than 200 students and senior high schools with fewer than 400 students generate additional program units through a calculation that increases units as the school approaches the midpoint of the size limit then slowly decreases units until the school site hits the maximum enrollment allowed to receive funding. Statute provides two calculations for senior high schools.

Small School Calculation

For elementary schools and junior high schools:

$$\frac{200 - \text{membership}}{200} \times 1 \times \text{membership} = \text{units}$$

For senior high schools with fewer than 200 members:

$$\frac{200 - \text{membership}}{200} \times 2 \times \text{membership} = \text{units}$$

For senior high schools with fewer than 400 members:

$$\frac{400 - \text{membership}}{200} \times 1.6 \times \text{membership} = \text{units}$$

Phase-Out of Small School Factor. In previous years, some school districts and charter schools have been accused of exploiting loopholes in the small school factor to boost per-student funding. Multiple small school were set up either at the same location or at a nearby location. The law allowed multiple schools to share a building and teaching staff and be led by the same principal and still be classified as separate school sites. Manipulation of the size adjustment component was included in the court findings in the consolidated *Martinez-Yazzie* lawsuit, with the court suggesting this practice diverted needed resources away from programs to support at-risk students.

In response to the court’s findings, the Legislature began a five-year phase out of small school funding for large districts. In FY22, schools in school districts with more than 2,000 students will receive 40 percent of the calculated small school units; beginning in FY24, no school in a district with more than 2,000 students will receive small school units.

Additional Funding For Small School Districts

The small district factor in the funding formula provides additional funding for school districts with fewer than 4,000 students: 74 of the 89 school districts. To qualify, the Public Education Department must certify the district has implemented practices to reduce inefficiencies, such as sharing services through a regional education cooperative.

In 2014, the Legislature added a funding factor for “micro” school districts – school districts with fewer than 200 students – to reduce the need for annual “emergency” supplemental appropriations. Some school districts relied on this appropriation, and before the creation of the factor, emergency supplemental appropriations were as high as \$9 million per year. That appropriation has since shrunk to between \$1 million and \$3 million, with a larger share reserved for schools with unexpected events.

Rural Population

Although most size adjustment program units are awarded to school districts with relatively few students, some larger school districts have many students spread over a large geographic area. Traditionally, these school districts were eligible for small school units, but with the phase-out of that factor for large districts, these school districts will no longer be eligible beginning in FY24. To replace these program units for large but rural districts, the Legislature created a factor for any school districts with at least 40 percent of its population in a rural area as defined by the U.S. Census Bureau. After a five-year phase that ends in FY24, the number of units will be calculated by multiplying the percent of the school district living in a rural area by the school district’s full-time-equivalent membership by 0.15.

	FY20		FY21	
	Program Units	Funding	Program Units	Funding
Size Adjustment Units	26,983	\$124,183,746	26,153	\$118,650,666

Source: LESC Files



PRIMER Public School Funding Formula

At-Risk Index

The public school funding formula provides school districts and charter schools with additional funding to address the needs of students at risk of failing. Under current law, this amount is calculated for each school district, including the charter schools within the district, based on student poverty, English proficiency, and mobility (transience).

Calculation and Requirements

Currently, the at-risk index is based on the three-year averages of the percentages of students identified as low-income as defined by Title I of the federal Elementary and Secondary Education Act, English learners as defined by the U.S. Department of Education, and mobile as defined by the Public Education Department. An “at-risk student” is any student in any of these three populations.

The average percentages are added together and multiplied by 0.3 to determine the at-risk index for the district. The index is then multiplied by the district’s or charter school’s total membership to determine the number of units.

To be eligible for at-risk units, statute requires a school district or charter school to report, within its department-approved educational plan, on its effort “to assist students to reach their full academic potential.” School districts and charter schools have significant flexibility in the use of at-risk funds, and while “services” must be research- or evidence-based, they can include a wide range of programs, from culturally relevant curriculum to school-based health centers to services to engage and support parents and families.

Development

Until an independent evaluation in 1995 and 1996, the public school funding formula addressed the needs of at-risk students through a “density factor” that provided additional funding to large schools districts. Ten medium-size school districts legally challenged the constitutionality of the factor, arguing, among

other things, the state had a compelling interest to boost funding for small districts because of their diseconomies of scale but no such interest in awarding extra funds to large districts. The case was dismissed but led to the development of an “index of need” based on research that showed poverty, English language proficiency, mobility, and low standardized test scores were associated with student risk of failure. The “at-risk” factor was adopted in 1997.

Concerns

When the at-risk index was developed, state law allowed for only five charter schools, all of which were converted

from existing traditional public schools. As a result, the index for the encompassing district seemed likely to capture the socio-economic conditions of all the public schools in the area, including charter schools. With the expansion of charter schools – the state now has 96 – the single index now means charter schools that serve fundamentally different populations receive the same amount of per-student at risk funding if they are located in the same school district.

Further, while the index multiplier has increased multifold over the last few years, partly in response to the *Martinez-Yazzie* education sufficiency lawsuit, some stakeholders have argued

the current method undercounts low-income students because it uses Title I eligibility instead of eligibility for free or reduced-fee lunch, a benefit sometimes expanded schoolwide, and thus, considered an unreliable indicator of come by some. The Legislature in 2021 created a pilot project for providing additional funds to schools with low-income students that calculates a family income index for each individual school based on tax and public assistance data.

Elements of the At-Risk Factor

Income: As part of the at-risk index calculation, the number of students identified as low income under Title I is divided by the district’s total membership. The U.S. Department of Education determines Title I eligibility by using data from the U.S. Census Bureau. Eligible students are those between ages 5 and 17 who are

- From families with incomes below the poverty line (\$21,960 a year for a family of three in 2021);
- From families receiving cash assistance;
- In foster homes; or,
- In homes for neglected children.

Mobility: Student mobility is calculated using enrollment codes entered into the state’s student information reporting system. Students who frequently change schools, likely due to an unstable family situation, have a higher number of enrollment codes assigned to them. PED totals the enrollment codes and divides it by the number of students in the district.

English Proficiency: The number of students identified as English learners in accordance with guidelines from U.S. Department of Education Office of Civil Rights is divided by the school district’s total membership.

	Multiplier	Program Units	Total Funding
FY19	0.130	29,502	\$123,637,514
FY20	0.250	55,378	\$254,863,141
FY21	0.300	65,297	\$296,237,172

Source: LESC Files



PRIMER Public School Funding Formula

Enrollment Growth and Save Harmless Units

Most components in the public school funding formula use enrollment counts based on the average number of students enrolled on the second and third reporting date of the previous fiscal year. But enrollment growth program units and save harmless program units look at data from the first reporting date of the current year to determine if the school district or charter school needs additional funding to operate because of increased student enrollment.

Enrollment Growth Program Units

Since 1990, if a school district or charter school grows by at least 1 percent from the first reporting date of the prior school year to the first reporting date of the current school year, that school district or charter school is eligible for additional funding in the form of enrollment growth program units.

All school districts and charter schools, regardless of size, are eligible for enrollment growth program units at the same rates. A small school district or charter school with fewer than 100 students becomes eligible by adding a single student, while a large school district would need to add proportionally more students.

A school district or charter school with growth of at least 1 percent receives 0.5 program units for each new student and 1.5 program units for each student above 1 percent of current year enrollment. So a school district or charter school that grew from 100 students to 110 students would generate program units as follows:

$$(110 - 100) \times 0.5 = 5 \text{ program units}$$

plus

$$[(110 - 100) - (110 \times 0.01)] \times 1.5 = 13.35 \text{ program units}$$

For a total of 18.35 program units, or 1.835 program units per student. The number of units per student increases with the percentage increase in growth.

Save Harmless Program Units

The statute on “save harmless” program units, added to the funding formula in 1986, ensures that a small school district or charter school with a drop in enrollment will receive the same number of units as it would have without the decline in enrollment. In effect, a small school district with an enrollment decline is “saved” from the financial effects of that enrollment decline

and held “harmless” in the current school year. This section of law was added when school districts were funded based on current-year enrollment. In 1999, the state switched to a funding system based on prior-year student counts, essentially transforming the “save harmless” program from one that protects shrinking school districts from funding declines to a program that assists growing school districts.

Specifically, the provision provides that a school district or charter school with 200 or fewer students receives a number of units based on the greater of the current year enrollment, based on the first enrollment reporting date, or an average of prior-year enrollment, based on the second and third reporting date. In that way, the program functions similarly to enrollment growth program units.

Traditionally, calculations of save harmless program units excluded enrollment growth program units. Because the exclusion was not explicitly addressed in statute, some charter schools, added to the funding formula factor in 2006, raised concerns this exclusion did not align with the plain text of the statute.

For FY21, PED adopted an administrative rule to include those enrollment growth units for FY21, leading to a quadrupling of save harmless program units in FY21. The Legislature during the 2021 legislative session clarified the issue, stating explicitly the department was to exclude enrollment growth program units when calculating save harmless units, returning to the traditional method of calculation.

	FY20		FY21	
	Program Units	Funding	Program Units	Funding
Enrollment Growth Units	5,363	\$24,680,027	7,696	\$34,913,217
Save Harmless Units	230	\$1,056,727	999	\$4,530,303

Source: LESC Files



PRIMER Public School Funding Formula

Home School and Charter School Student Add Ons

Charter school student activities programs, home school student, and home school student activities units generate funds for school districts to cover the costs of a school district providing services to students not enrolled in traditional public schools. Home school students and charter school students in seventh through 12th grade may participate in school district extracurricular activities sanctioned by New Mexico Activities Association. In addition, home school students may take classes at traditional public schools. With some exceptions, the home school or charter school student must participate in activities or take classes at the school within student’s attendance zone, a condition legislative analysts have proposed is an attempt to prevent the student from choosing where to participate.

Charter School Student Activities Program Unit

The number of charter school student activities program units, created in 2006, is calculated by multiplying the number of charter school students participating in school district activities governed by the New Mexico Activities Association by 0.1. Those activities include sports and cheerleading, speech and debate, choir and band, theater, chess, mock trial, Future Farmers of America, and science competitions. The funds generated by the units are allocated to the school district providing the services. If the student chooses to participate at a public school outside the attendance zone, the student is subject to NMAA transfer guidelines.

Home School Student Activities Program Unit

Like the charter school student activities unit, the number of home school student activities units, also created in 2006, is calculated by multiplying the number of home school students participating in

NMAA-sanctioned activities by 0.1, and the funds are paid to the school district. NMAA guidelines provide that a home school student can participate in up to three athletic, co-curricular, and extracurricular school district activities through the school district.

Home School Student Program Units

Created in 2013, the number of home school student program units is calculated by multiplying the number of district school classes in which home school students are enrolled by 0.25. Home school students can take one or more classes at a public school up to the number that would make them a student of the school, a number set in statute as one-half or more of the minimum courses required by the Public Education Department. A 2014 amendment clarified home school student program units are not included in the calculation of the [staffing cost multiplier](#).

	FY20			FY21		
	Membership	Number of Classes	Funding	Membership	Number of Classes	Funding
Charter School Student Activities	199		\$91,585	173		\$78,486
Home School Student Activities	179		\$82,381	193.5		\$87,786
Home School Student Program	72.5	165	\$189,844	80	141	\$159,920

State Equalization Guarantee Computation, FY22

	<u>Grade Level/Program Membership</u>		<u>Times</u>	<u>Cost Differential = Units</u>	
Basic Program Units	Kindergarten & Three- and Four-Year-Old DD	FTE MEM	×	1.44	SUM OF UNITS
	Grade 1	MEM	×	1.20	
	Grades 2-3	MEM	×	1.18	
	Grades 4-6	MEM	×	1.045	
	Grades 7-12	MEM	×	1.25	
Staffing Cost Multiplier	Staffing Cost Multiplier: 25 percent T&E Index (years of experience and academic degree)	= TOTAL PROGRAM UNITS			Times Value from 1.000 to 1.500
	75 percent TCI (years of experience and licensure level)	= ADJUSTED PROGRAM UNITS			
	PLUS				
Special Education Units	<u>Special Education</u>				
	Related Services (Ancillary)	FTE STAFF	×	25.00	
	A/B Level Service Add-on	MEM	×	0.70	
	C Level Service Add-on	MEM	×	1.00	
	D Level Service Add-on	MEM	×	2.00	
	3- and 4-Year-Old DD Program Add-on	MEM	×	2.00	
Special Program Units	<u>Bilingual Education</u>	FTE MEM	×	0.50	
	<u>Fine Arts Education</u>	FTE MEM	×	0.05	
	<u>Elementary Physical Education</u>	MEM	×	0.06	
	<u>K-5 Plus Programs</u>	MEM	×	0.30	
	<u>Extended Learning Time Programs</u>	MEM	×	0.11	
Size Units	Elementary/Jr. High Size Units				
	Senior High Size Units				
	District Size Units				
	Micro District Size Units				
	Rural Population Units				
	Percentage of ((Title I + English Learners + Student Mobility) * 0.3) * Total MEM		At-Risk Units		
	Enrollment Growth Units				
Add-on Units	National Board for Professional Teaching Standards Units				
	Charter School Activities Units				
	Home School Activities and Program Units				
	= TOTAL UNITS				
	+ Save Harmless Units				
	= GRAND TOTAL PROGRAM UNITS				
	Grand Total × Unit Value = Program Cost				
	- 75% Noncategorical Revenue Credits				
	- Utility Conservation Program Contract Payments				
	- 90% of the Certified Amount (<i>Energy Efficiency and Renewable Energy Bonding Act</i>)				
	= STATE EQUALIZATION GUARANTEE				

Public School Funding Formula Distribution in FY21
 (dollars in millions)

