



Update on 2026 Public School Formula Issues

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Formula Issues

Hearing Brief
Prepared by LFC and LESC staff
Date: November 2025
Presenters: Mark Montoya, David Brasing, and Dany Valenzuela

Public School Capital Outlay Local-State Match Funding Formula

New Mexico public school facilities are funded through a mix of local district revenues and state support. Since 2001, New Mexico has spent nearly \$3.1 billion to help school districts repair and build educational facilities. The Public School Capital Outlay Council awards funding for school replacements, remodels, system upgrades, and similar projects. Annual amounts vary by district, as determined by the local-state match funding formula. New Mexico's 19 school districts vary widely in available property tax revenue, and the formula attempts to equalize funding by calculating a ratio of district revenue to potential facility replacement costs. The formula is designed to encourage consistent local effort while accounting for each district's ability to contribute, with the state providing the remainder to ensure all students have access to adequate educational facilities.

In recent years, two key indicators suggest the formula is not accurately capturing district revenue. First, a growing number of districts have requested waivers, or local-match reductions, citing an inability to pay—no more than problems were inflation exacerbated. Second, several very small districts remain locked at the maximum local match rate, raising concerns about equity. These pressures suggest the need to re-examine the formula and related policies and practices that contribute to rising costs for the state and districts. The Legislature charged us with the task of examining districts through broader reductions of their local match in 2023 and again in 2025. Despite this relief, districts continue to apply for waivers in record numbers.

In response to these trends, the Public School Capital Outlay Oversight Task Force directed Legislative Education Study Committee (LESC), Legislative Finance Committee (LFC), and the Public School Facilities Authority (PSFA) and to study the formula and recommend potential remedies in advance of the 2027 legislative session. This report reflects the value of a shared-cost system that balances consistent local effort with equitable state support, recognizing both are essential to ensuring adequate facilities and maintaining the state's long-term fiscal health. In line with the task force's directive, the report focuses specifically on the local-state match formula—examining how district ability to pay is measured, how the cost-sharing aligns with the state's fiscal realities, and how existing guardrails and transfer authority are used. The report also analyzes the variables included in the current formula, and to capture a full picture of districts' capacity to pay for their share of the match. In response, the report proposes refinements that preserve the formula's structure and intent—such as recalibrating key inputs, strengthening procedural guardrails, and putting a district's readiness to reduce its share in jeopardy—and ensure the system continues to allocate resources fairly and sustainably.

Key Points

- The underlying intent of the current formula is sound and less arbitrary than the formulas of other states, but formula accuracy should be improved.
- The current formula does not capture the full picture of a district's ability to pay nor does it account for escalating construction costs, leading to an increase of waiver requests.
- State support should rest on an expectation that districts utilize local resources while responding to inequities among districts.
- Improved guardrails and timelines will maximize the state's ability to fund projects now and in the long term.

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Policy Brief
Distance Learning
Analyst: Daniel A. Estuafian, Senior Fiscal Analyst II
Date: May 28, 2025

Two unique and complex issues with significant health and safety implications are emerging. These frameworks will shape the professional development of teachers and the technological devices, and the use of these devices in the classroom. The state's public schools are being impacted by these trends. The state's public schools are being impacted by these trends. The state's public schools are being impacted by these trends.

Key Takeaways

- Distance learning students are not adequately representative of students in New Mexico (page 2-3).
- There are two primary types of distance learning programs in the state (page 5).
- The Legislature created guardrails for distance learning programs in June 2020. Chapter 180, Section 2-3, including reporting requirements and responses to the public school funding formula (page 6).
- LESC's study of distance learning will be guided by statutory requirements and key trends in distance learning (page 7-8).

Distance learning programs function and in the characteristics of the state hearing programs have been created to meet specific students in one area, and student safety. Building a greater understanding of the students enrolled in these models, is how to choose these programmatic models.

Distance learning student as one who is enrolled in one or more courses, or an educational course that is taught where the student and primary instructor are separated by time or space and linked by technology." With the passage of HB233, the definition of a distance learning student was revised to "a qualified student who receives full-time virtual instruction and is not required to attend school at a school building." In this definition, the word "required" is key to distinguish these programs from hybrid and other programs.

Distance learning can include synchronous and asynchronous instructional time. Synchronous instructional time typically involves live interactions with teachers, including daily one-on-one instruction, and other forms. Asynchronous instructional time is often independent and self-directed, such as offline assignments, the learning management system, and progress completion on homework assignments. However, neither of these terms are defined in statute and there may be variability in how programs implement the statutory minimum instructional hours using these two distinct categories of instructional time.

Policy Brief
Distance Learning

Mexico Legislative Finance Committee
Progress Report

Instructional Time and
Extended Learning
Opportunities in
Public Schools

June 17, 2026

Local-State Match Formula

- Temporary reductions set to expire in FY28

Distance Learning

- Enrollment growth units for online students reinstates in FY28

Instructional Time

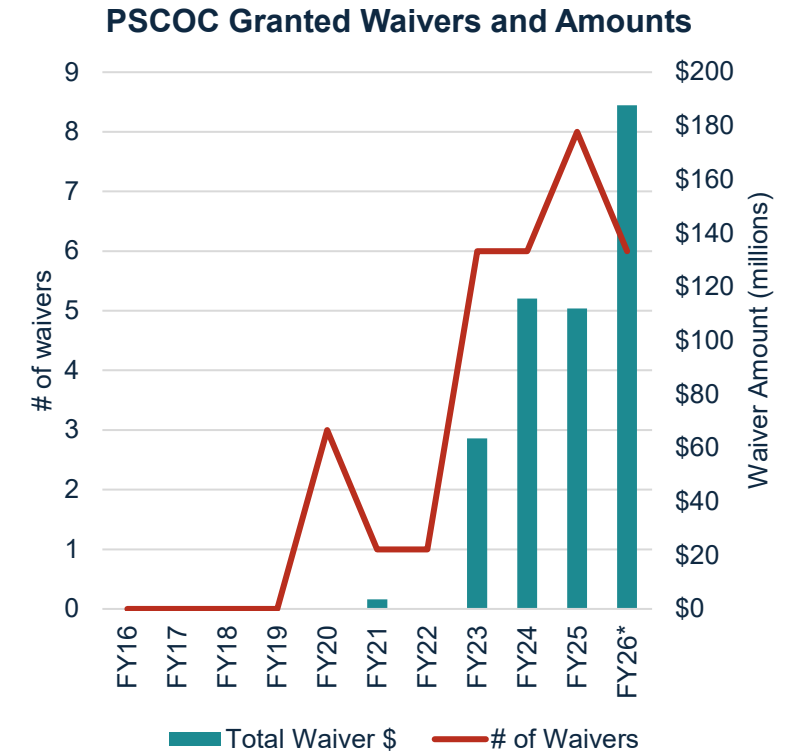
- Schools are switching to 4-day school weeks and encouraging families to apply for universal childcare on the 5th day
- Schools are decreasing calendar days and learning time but generating more funding



Local-State Match Formula

Key Findings from the 2026 LESC-LFC Report

- Schools continue to request waivers of their local match requirement for capital projects
- Temporary local match reductions enacted in 2023 and renewed in 2025 will expire in 2027
- School construction costs have soared, reaching nearly \$760 per square foot in FY24
- Recommendations included formula adjustments to:
 - Reward local mill efforts,
 - Consider bonded indebtedness in the formula,
 - Update cost assumptions for inflation,
 - Modify the population density factor,
 - Requiring preventative maintenance and project readiness, and
 - Use a project-specific match formula rather than a district formula.



Note: FY26 is an estimate.
Source: LESC analysis

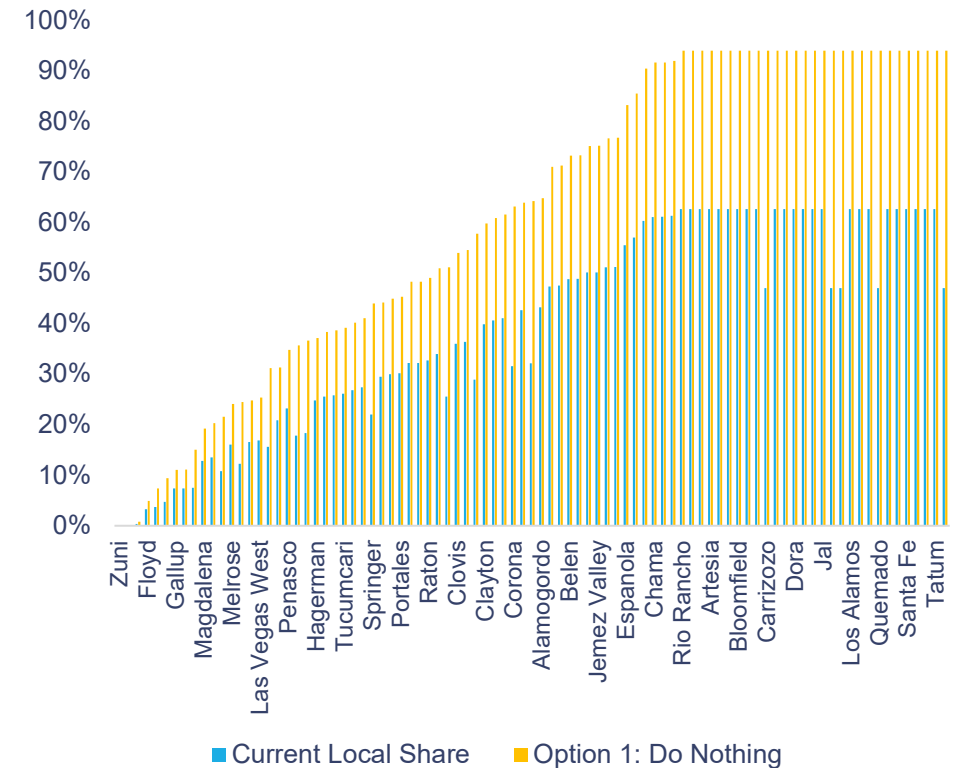


Local-State Match Formula

Potential Options

- Do nothing – allow local match reductions to expire
- Adjust the existing local-match formula components to improve accuracy of district ability to contribute
 - Inflation-adjusted construction costs per square foot
 - Reduce amortization period
 - Sliding scale for population density
- Revise waiver criteria to reward local efforts to:
 - Use cost-effective, prototype designs
 - Prioritize schools used more often
 - Right-size facility spaces
 - Increase mills levied
 - Improve maintenance practices and budgeting
 - Prioritize schools with good student outcomes
- Switch to a project-based formula or new process

Local Match Rates by District



Source: LFC analysis

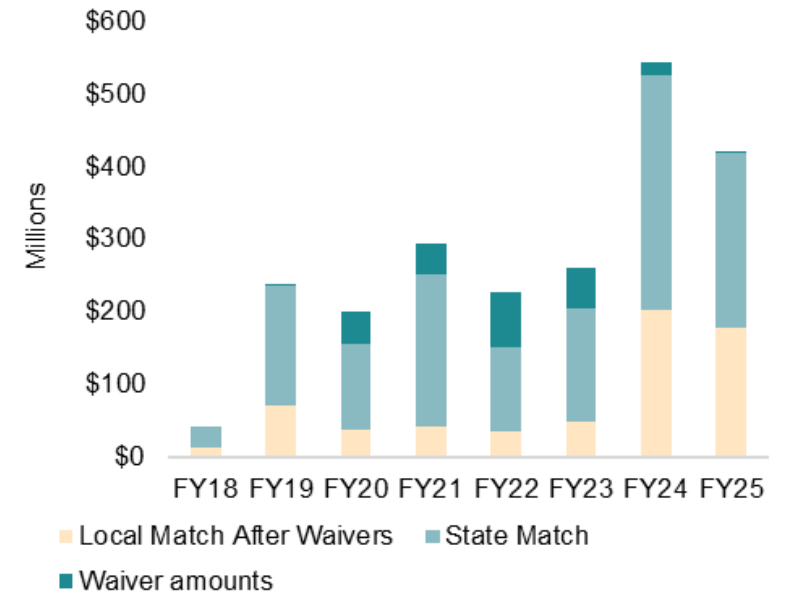


Local-State Match Formula

Guiding Principles for Recommendations

- Meet constitutional obligations
- Ensure equity, fairness, and accuracy
- Ensure accountability for performance
- Expect local participation and coordination
- Promote long-term planning and sustainability
- Encourage efficient design and utilization of space
- Collaborate and engage with stakeholders

Local-State Match Amounts



Source: LFC, LESC files

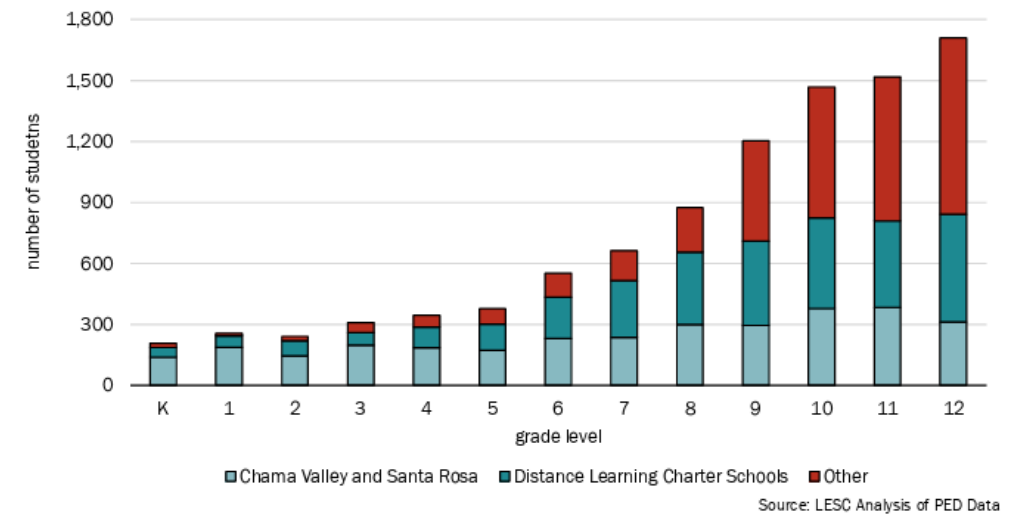


Distance Learning

Key Findings from the 2026 LESC Report

- Transfer of an online school of 3,174 students between districts in FY26 created a \$35 million shortfall for the state equalization guarantee (SEG) due to new enrollment growth units in the formula
- Distance learning students are not demographically representative of students in New Mexico
- Distance learning programs in the state follow three primary models: locally-managed and operated, third-party management, and virtual charter schools
- Laws 2026, Chapter 8 (HB253) created definitions, reporting requirements, evaluation requirements, and SEG formula changes for distance learning programs

Figure 2: Distance Learning Enrollment by Location
SY26

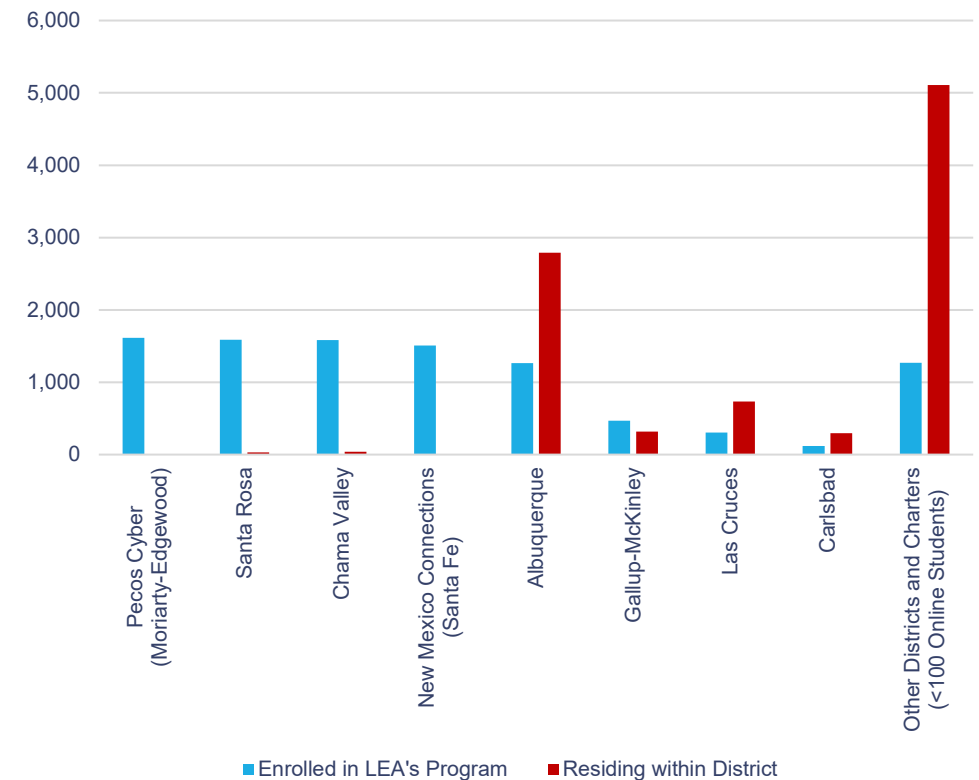


Distance Learning

Potential Options

- Do nothing – allow generation of enrollment growth units for movement or enrollment of online students
- Adjust the SEG formula to account for cost differences or preventing duplicate units
- Define cases where distance learning is an appropriate option for students
- Define instances where programs can serve students outside their geographic boundary
- Define who should operate or oversee distance learning programs

FY26 Distance Learning Students



Source: LFC analysis of LESC data

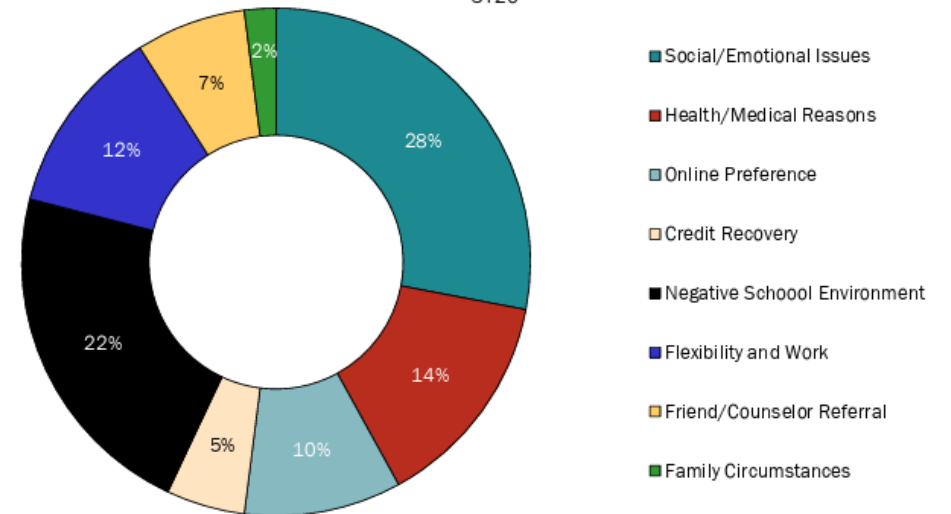


Distance Learning

Guiding Principles for Recommendations

- Ensure equality and equity in SEG formula
- Ensure programs are the student's best option
- Ensure accountability for performance
- Limit administrative burden
- Reduce volatility of budgets
- Encourage evidence-based practices
- Collaborate and engage with stakeholders

Figure 3: Survey Results for Student Enrollment
SY26



Source: Pecos Cyber Academy

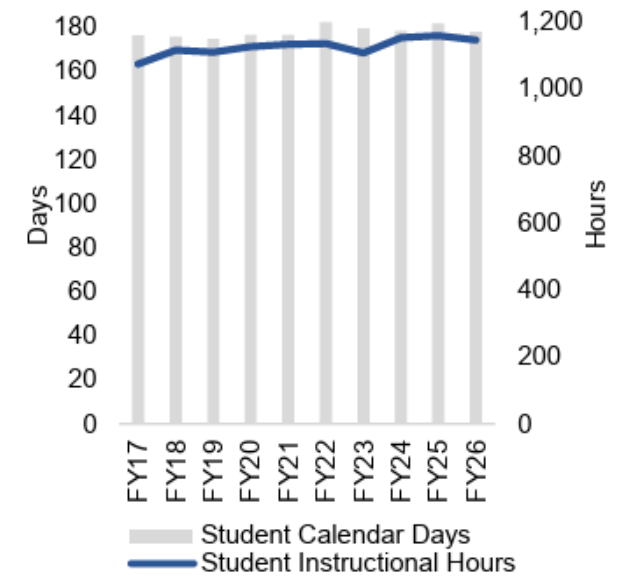


Instructional Time

Key Findings from the 2026 LFC Report

- The court in the *Martinez-Yazzie* case found at-risk students needed additional learning time to catch up
- Schools generated \$175 million in K-12 Plus funding in FY26; the average school has added 3 days for students since FY18
- Two-thirds of K-12 Plus funding is generated from professional work time when students are not in class
- Schools with a 5-day school week and less than 180 days get K-12 Plus funding more easily by switching to a 4-day school week
- After the ban on new 4-day school weeks ended in 2024, 23 districts and charters switched to a 4-day school week, including 10 districts in FY27
- Scheduled instructional time and time-related interventions are not reaching the students who need them the most

New Mexico Student Calendar Days and Instructional Hours



Note: Weighted by student enrollment
Source: LFC analysis of PED data

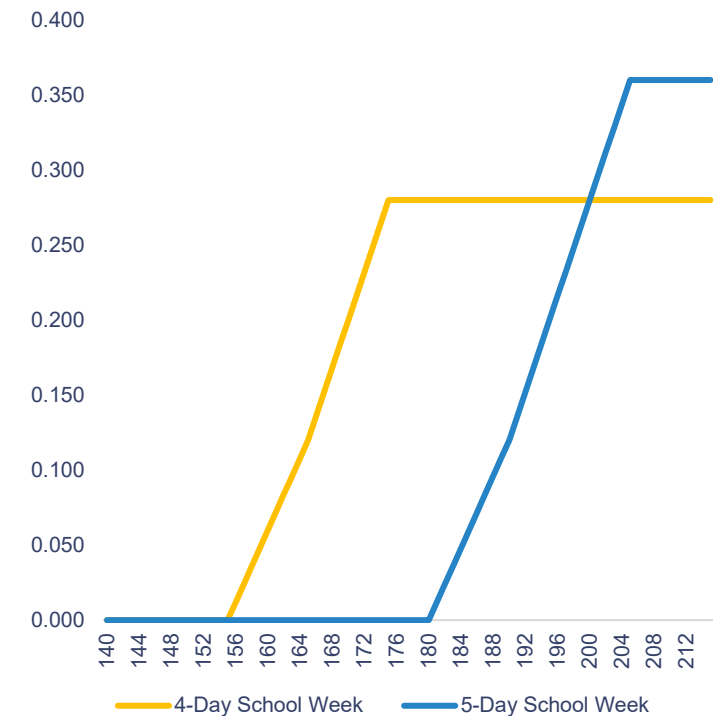


Instructional Time

Guiding Principles for Recommendations

- Improve the quality of instruction
- Support students who need more learning time
- Account for differences in economies of scale
- Remove incentives to decrease time for more funding
- Provide flexibility when in the best interest of students
- Clarify definitions to reduce ambiguity
- Collaborate and engage with stakeholders

K-12 Plus Funding Formula Units
Generated by Days



Source: LFC Files





For More Information

- <https://www.nmlegis.gov/Entity/LFC/Default>

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