

Review of State/Local Match Funding Structure and Level Shifts

Public School Capital Outlay Oversight Task Force
(PSCOOTF)

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Presenter:

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New Mexico Public School Facilities Authority

Partnering with New Mexico's communities to provide quality, sustainable school facilities for our students and educators.

Agenda

- History of State Local Match Formula
- State Local Match
- State Local Match Changes
 - Phase I to Phase II Time Line
 - Table reflecting State/Local Match 2004/2022
- School District State/Local Match Examples
- Revisit State Local/Share

History of the State/Local Funding Formula

2001 Legislature

- Responding to the court order from the Zuni Lawsuit, to “establish and implement a uniform funding system for capital improvements... and for correcting past inequities”
- Created the Deficiencies Correction Program (DCP) to identify and correct serious life, health, safety deficiencies in schools statewide, these projects were 100% state funded

History of the State/Local Funding Formula

2003 Legislature

- Concern that additional state funding through DCP would not change less wealthy districts' bonding capacity, while allowing wealthy districts to build superior facilities
- Enacted state / local share funding formula
- Availability of school district revenues from both bond levies and direct mill levies
- Relative property tax wealth, measured by assessed property tax valuation per student
- Total mill levy applicable to residential property of the district

Phase 1 Funding Formula FY 2005 – FY 2023

- The phase 1 formula, used since the inception of the Standards-based program, is determined by three main components:
 - land valuations
 - membership
 - amount of residential mills a school district has imposed
- The chart below reflects how the state share percentage may change if one of the components within the formula changes. The chart only reflects the results if only one of the components changes. The results may differ if changes occur to more than one of the factors.

	LAND VALUATIONS		MEMBERSHIP		RESIDENTIAL TAX MILL LEVIES	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
DISTRICT SHARE	↑	↓	↓	↑	↓	↑
STATE SHARE	↓	↑	↑	↓	↑	↓

Transition from Phase 1 to Phase 2 Formula

2015 Bureau of Business and Economic Research (BBER) at the University of New Mexico

- Contracted by the Public School Capital Outlay Oversight Task Force (PSCOOTF)
- Conducted a detailed assessment of the funding formula
- “While the formula is being correctly applied, there are reasonable concerns that the formula does not make the most effective use of state resources and does not provide predictability necessary for long-term planning.”
- BBER study identified 2 problematic factors in the funding formula:
 1. Property tax valuation may not be the best measure of a district’s ability to pay and property tax valuations are subject to significant fluctuations
 2. Does not account for differences in the per student facility construction and maintenance costs

Transition from Phase 1 to Phase 2 Formula

2018 Legislature: Senate Bill 30

Changes the proportion of state and local funding to potentially allow the state to fund more projects

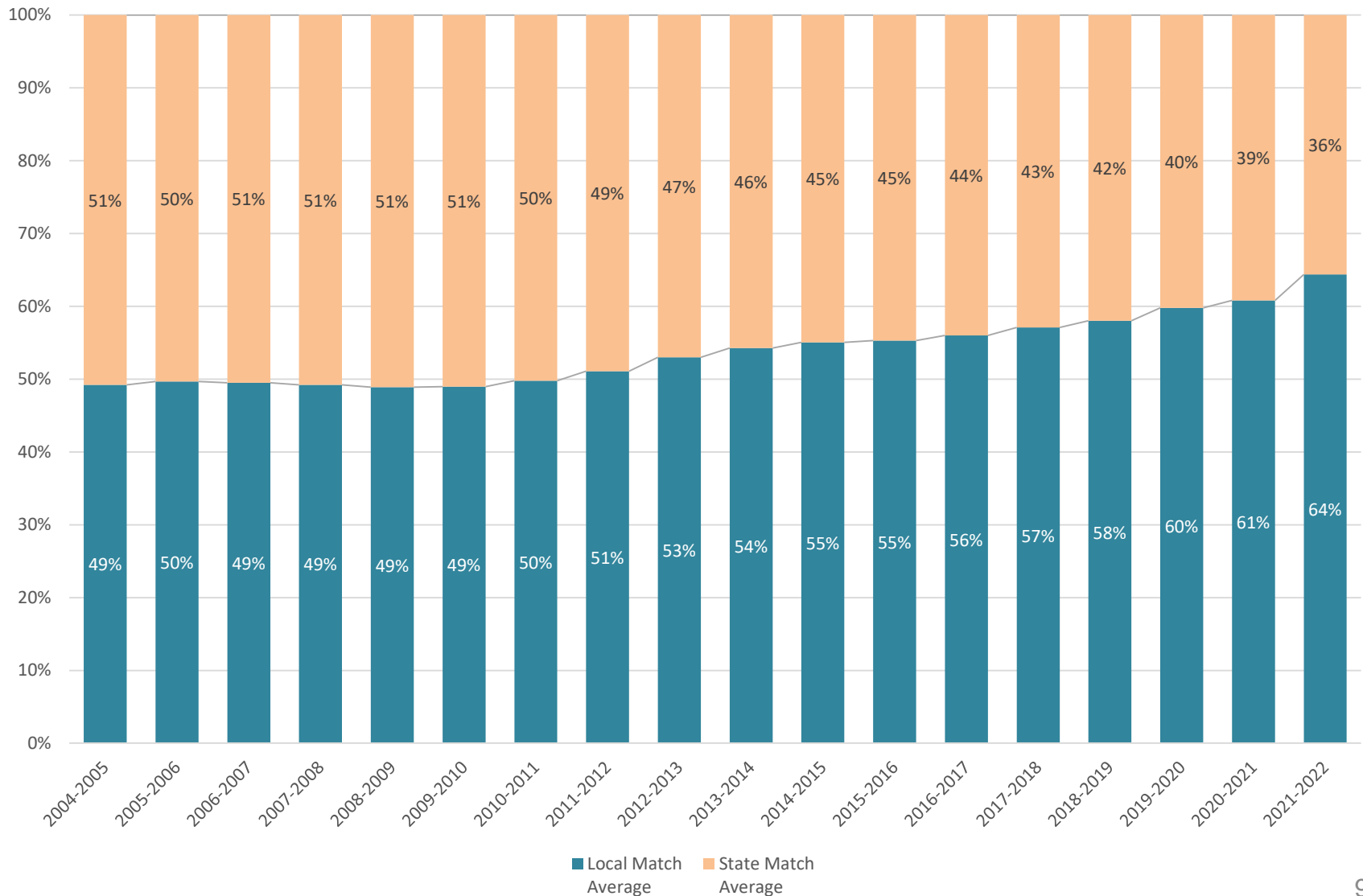
- However, the increase to local share has become a roadblock to district applications for PSCOC funding
- Gradual Phase-in from existing formula (Phase 1) to new formula (Phase 2)

Phase-In Timeline

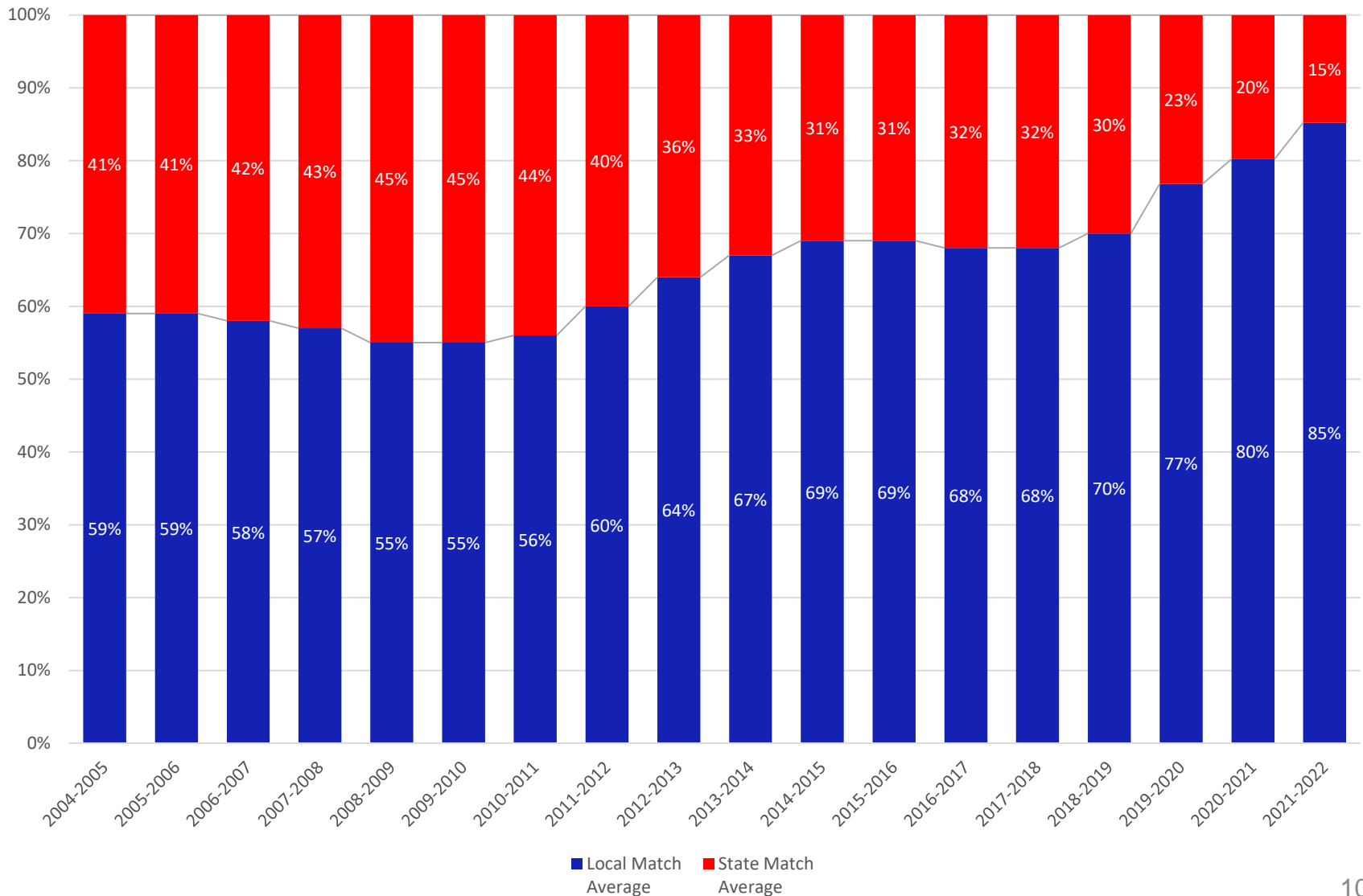
Funding Formula Phase II Time Line

- **FY19:** 100% of phase one formula
- **FY20:** 80% of phase one formula and 20% of phase two formula
- **FY21:** 60% of phase one formula and 40% of phase two formula
- **FY22:** 40% of phase one formula and 60% of phase two formula
- **FY23:** 20% of phase one formula and 80% of phase two formula
- **FY24:** 100% of phase two formula

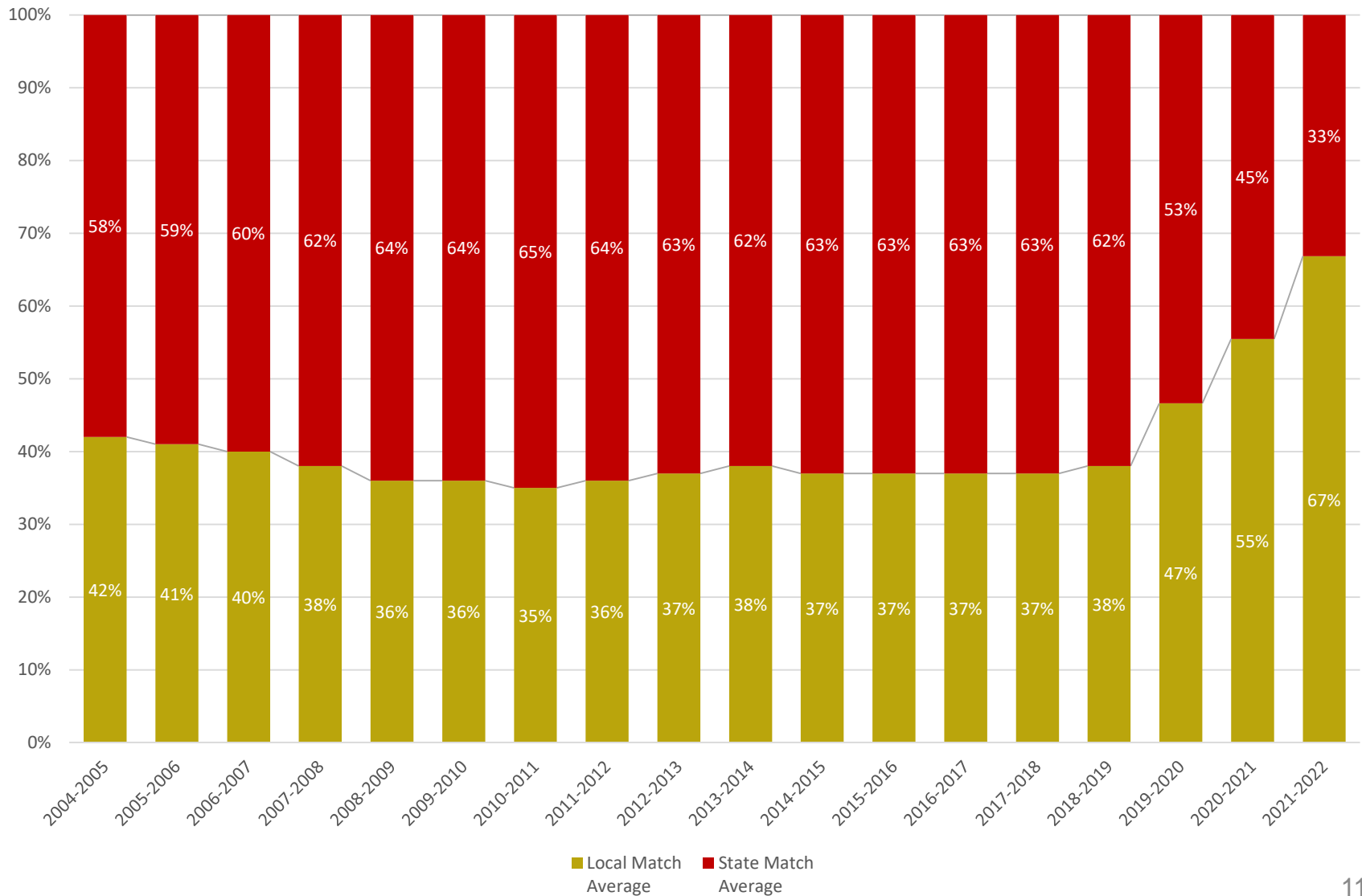
State/Local Match Yearly Average Comparison



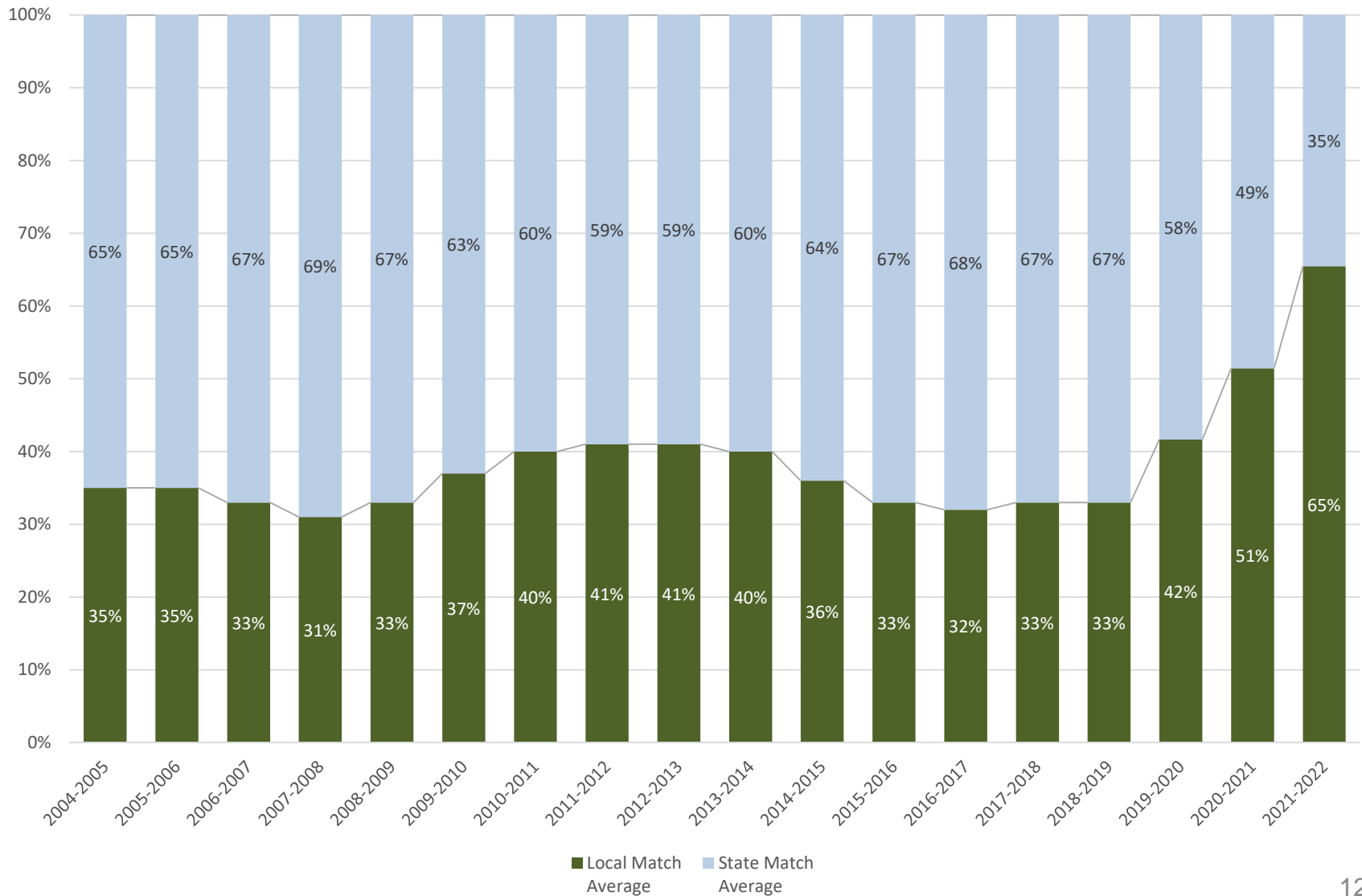
Truth or Consequences Municipal Schools



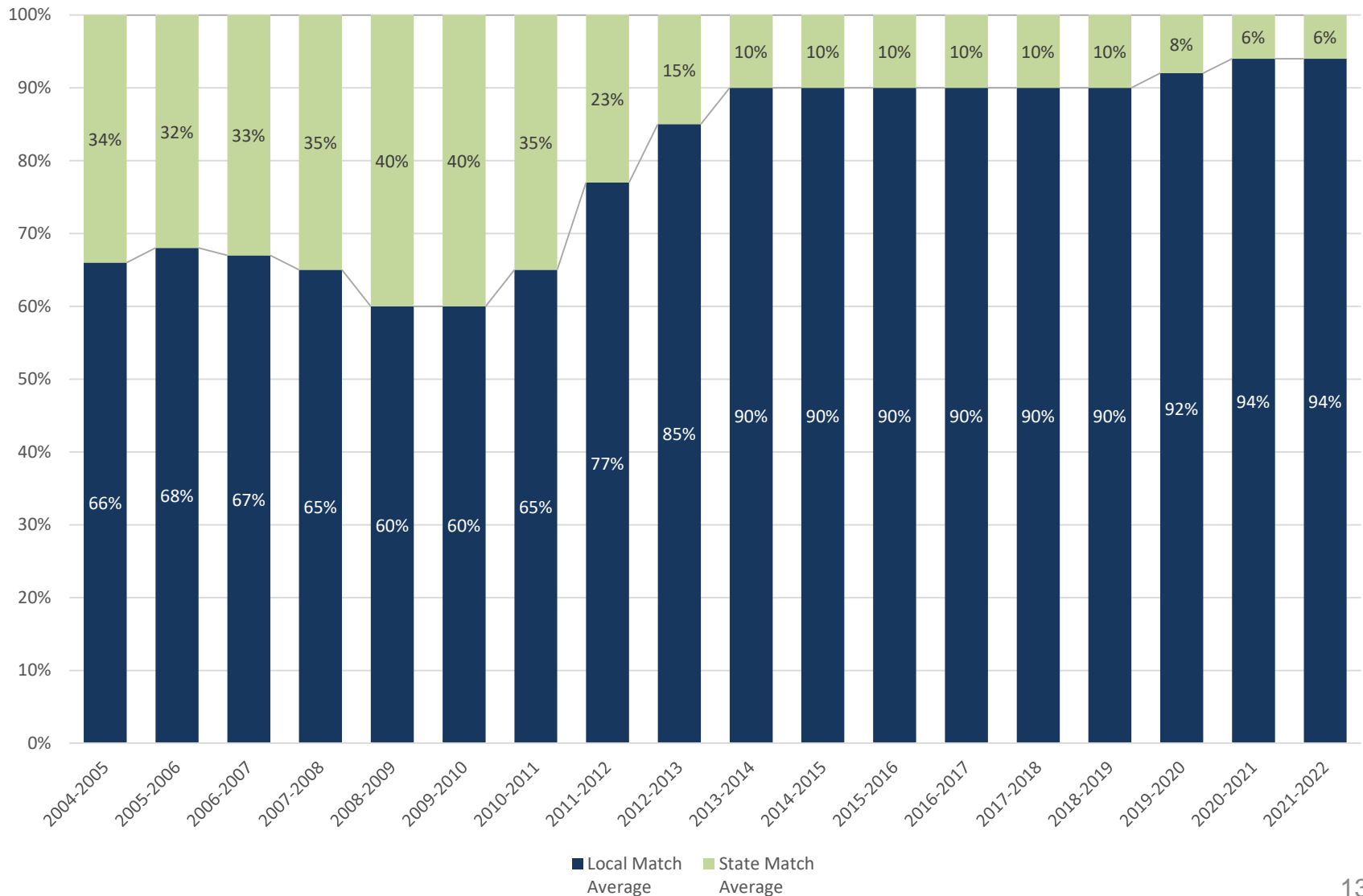
Espanola Municipal Schools



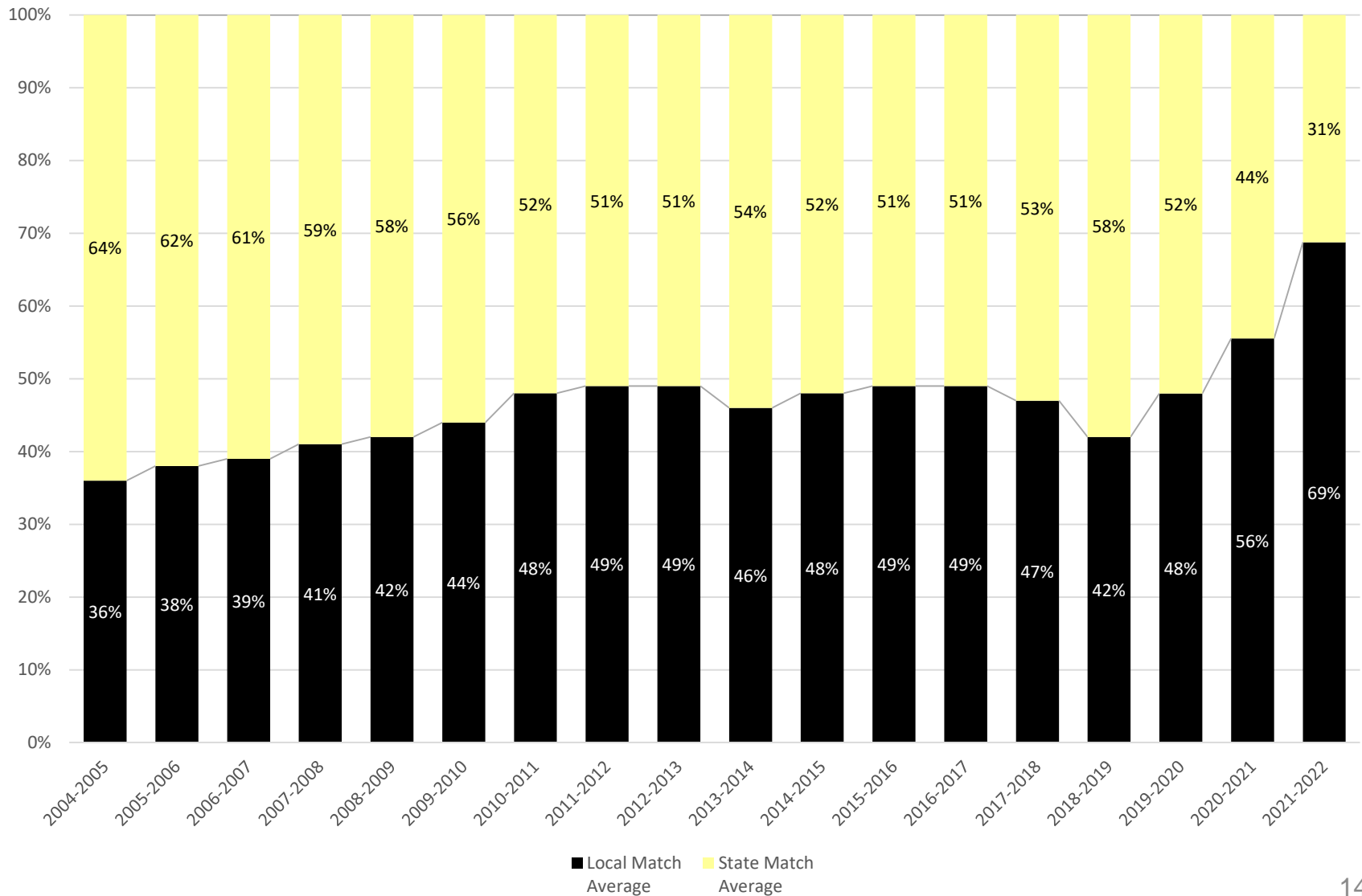
Rio Rancho Public Schools



Carrizozo Municipal School District



Hobbs Municipal Schools



Revisit State/Local Share

Re-examine current state/local latch formula:

- Assess severity of funding challenges to some school districts
- Determine if certain elements in funding formula over-or-under represent district's ability to fund capital outlay projects
- Identify up to five alternatives to the current formula, with a minimum of two potential methods

Potential Alternatives:

- Original formula
- Adjusting weight factors
- Include alternate variables
- Comparison of outcomes
- Written report
- Proto type spread sheet for PSFA use if future information/data becomes available
- 4 presentations to relative groups

New Funding Sources for Districts

- **Impact Aid** – directly to districts, can contribute to local funding of capital needs
- **HB-6** – unrestricted revenue, applicable in 2024, will contribute to local funding sources
- **HB-119** – amends the existing Public School Capital Improvements Act calculation to increase capital outlay funding for all districts