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PRESENTATION TO NM PSCOOTF

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State/Local Match Background

❑ State/local match formula provides a funding share through Public School Capital Outlay Fund for facility investments made by schools/school districts throughout the state.

❑ Current formula has a few key parts:
  ❑ Sum of prior 5 years of net taxable value for a school district times 0.0009
  ❑ Max allowable gross sq-ft per student (#) multiplied by the replacement cost per square foot ($307.47) divided by the number of years to amortize (45 years)
  ❑ An adjustment which is based on (1) match % and (2) population density
  ❑ Over time, phase in to increase local shares

❑ Main issue: despite appropriately using to formula to calculate state/local match, some districts have local match percentages that are too high to afford taking advantage of funding.

The Objective?

❑ Keep local match generally as is?

❑ Reduce local match across the board?

❑ Reduce local match for smaller/rural school districts?

❑ Focus local match reduction on districts with most degraded facilities (i.e. highest FCI)?

❑ Are any of these possible objectives related/overlapping?

Formula Adjustments

❑ Leave formula as is.

❑ Formula simplification.

❑ Roll back matches or across the board change to local match percentages.

❑ Update parameters of existing matching formula.

❑ Keep existing formula but add new adjustment factors.

❑ Wholesale formula change.

Definitions – District Sizes

Difference in treatment may depend on categorizing districts based on student population size. For the purpose of this analysis, districts are broken into 5 size categories as given below:

Classification	Enrollment Count	Current # of Districts in Classification
Very Small	0 - 400	35
Small	400 - 1,499	23
Medium	1,500 - 4,999	17
Large	5,000 - 16,000	11
Very Large	16,001+	3

Top 150 FCI (Excluding Albuquerque)

Excluding Albuquerque, there are 90 schools in the state with high facility condition index values. Nearly 1/3 of the non-Albuquerque schools are subject to 90%+ local matches 2/3 of the schools are subject to 70+ local matches.

Local Match %	Districts	Schools	Schools per District
>90%	19	30	1.58
70% - 89%	10	26	2.60
50%-69%	8	17	2.13
<50%	13	17	1.31
Total	**50**	**90**	**1.80**

Note: including Albuquerque schools would increase the percent of schools within the top 150 with a local match above 90%.

Breakdown of Top 150 by District Size

A good percentage of schools in top 150 FCI are in very small, small, and medium sized districts (table excludes Albuquerque).

District Size	Local Match >90%		Local Match 70% - 89%		Local Match 50%-69%		Local Match <50%		Total	
	District Count	School Count	District Count	School Count	District Count	School Count	District Count	School Count	District Count	School Count
Very Small	9	10	1	2	3	4	4	6	17	22
Small	4	6	3	6	1	2	2	2	10	16
Medium	4	9	2	8	2	5	3	4	11	26
Large	2	5	1	3	2	6	4	5	9	19
Very Large	0	0	2	6	0	0	0	0	2	6
Total	19	30	9	25	8	17	13	17	49*	89*

*49 districts and 89 schools accounted for because a school in State Charter Schools Removed

About 75% of the schools with local matches 70%+ and in the top 150 (excluding Albuquerque) come from very small, small, or medium school districts.

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Leave Formula As Is

❑ Keep formula and adjustments as is. Allow for continued increases in local share.

❑ Already noted: local shares may already be too high for some districts.

❑ Benefit: we know how the formula operates.

❑ Perhaps allow for additional funding sources to count as "local share."

Formula Simplification

❑ Remove some of the factors in the current formula to generate local match.

❑ Most factors in current formula serve a conceptual purpose. In theory:
   - ❑ Net taxable value portion corresponds to a districts ability to raise revenue to pay.
   - ❑ GSF, $/sq ft, and amortization portion of formula relates to the value of buildings in a district.
   - ❑ Post-calculation adjustments recognize the different experiences of the districts.

❑ Perhaps the local match % should be determined solely based on a district's ability to pay?
   - ❑ Might still need to adjust based on expected total costs (e.g. a district with a low local match that requires a relatively large outlay may not be able to afford to pay).

❑ The model would need to be re-developed and target local match percentages would need to be generated.

Across the Board Change to Matches 1

❑ State/local match formula provides a funding share for facility investments made by schools/school districts throughout the state.

❑ PFSA provided 4 alternatives:
  ❑ Flat reduction of local share by 20%
  ❑ Reduction in local share by 50%
  ❑ The lesser of the 2022-2023 local match and pre-set percentages by enrollment size (very small = 30%; small = 40%; medium = 50%; large = 60%; very large = 70%)
  ❑ 2022-2023 local match reduced by a percentage of the local match by enrollment size (very small = 50%; small = 40%; medium = 30%; large = 20%; very large = 10%)

District Size	2022-2023 Shares	Flat Reduction of 20%	Percentage Reduction of 50%	Reduction Based on Enrollment	Enrollment Reduction by Percentage
Very Small	68.7%	49.9%	34.5%	28.3%	34.4%
Small	66.0%	47.6%	33.3%	36.3%	39.6%
Medium	73.4%	53.4%	36.7%	47.1%	51.4%
Large	57.5%	38.2%	28.7%	49.2%	46.0%
Very Large	79.3%	59.3%	39.7%	70.0%	71.4%

Across the Board Change to Matches 2

Flat or Percentage Reduction

How Accurately Does This Top 150 FCI Schools?

	Not in Top 150	In Top 150
Local Match Stays	1%	0%
Local Match Falls	44%	55%

As constructed 3 of 4 scenarios reduce the local matches

Reduction Based on Enrollment

How Accurately Does This Top 150 FCI Schools?

	Not in Top 150	In Top 150
Local Match Stays	12%	12%
Local Match Falls	33%	43%

Some districts see local match fall, others don't (in come cases, local match increases). Some districts that "keep" local match have schools with FCI in top 150.

Reduction Based on Enrollment Percent

How Accurately Does This Top 150 FCI Schools?

	Not in Top 150	In Top 150
Local Match Stays	1%	0%
Local Match Falls	44%	55%

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Update Formula Parameters

❑ $/Square foot

❑ Depreciation/amortization length

❑ Adjust population density weight factor from if/then statement from final value of "Calculation 3."

❑ Fully account for minimum size for small districts (or schools with few students).

Update Formula Parameters -$/sq foot

Price per Square Foot ($2022)
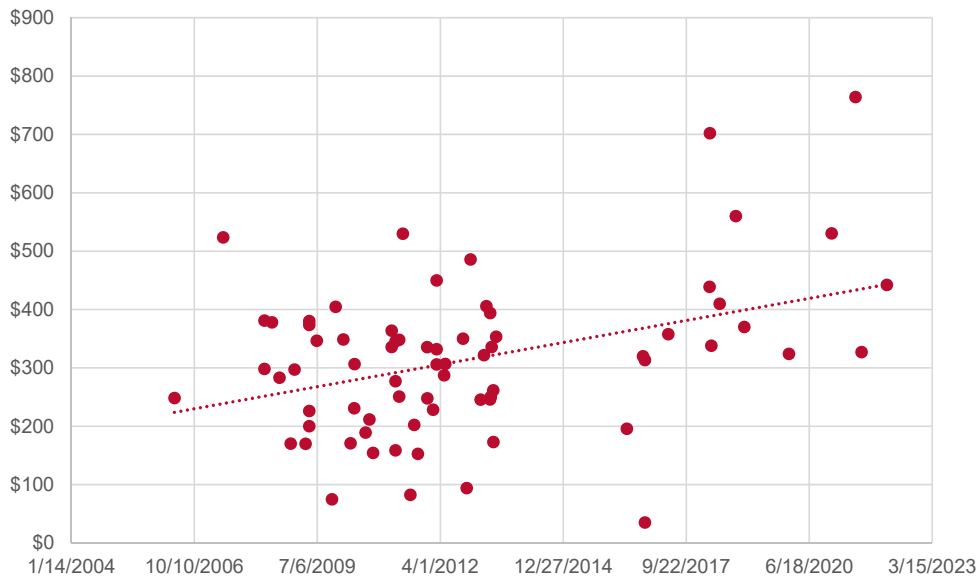
- Current formula assumes that $/sq foot is $307.47

- However, through June 2022 the estimated value is probably closer to $445/sq foot

- Adjusting the $/sq foot can change the match percentages

Results from Adjusting $/sq Foot

Local Match Percentage

Size	FY23 $307.47/sq ft	FY23 $445/sq ft	Change
Very Small	68.8%	57.8%	-11.0%
Small	66.1%	53.8%	-12.4%
Medium	73.4%	57.7%	-15.7%
Large	57.5%	45.3%	-12.2%
Very Large	79.1%	59.0%	-20.1%

This has the effect of reducing the local match percentages overall. However, the largest reductions come from very large and medium districts.

How Accurately Does This Top 150 FCI Schools?

	Not in Top 150	In Top 150
Local Match Stays	13%	10%
Local Match Falls	31%	45%

Change Amortization (to 40 years?)

Local Match Percentage

Size	FY23 45 Years	FY23 40 Years	Change
Very Small	68.8%	65.7%	-3.1%
Small	66.1%	62.0%	-4.2%
Medium	73.4%	69.7%	-3.7%
Large	57.5%	53.1%	-4.4%
Very Large	79.1%	73.9%	-5.2%

- If amortization period is reduced from 45 to 40 years, the local match percentages fall.

- However, largest reductions are in large and very large school districts.

How Accurately Does This Top 150 FCI Schools?

	Not in Top 150	In Top 150
Local Match Stays	20%	19%
Local Match Falls	25%	36%

Adjust % Pop. Density Weight Factor

Local Match Percentage

Size	FY23 Density Weight	FY23 Weight*2	Change
Very Small	68.8%	64.6%	-4.2%
Small	66.1%	61.5%	-4.6%
Medium	73.4%	70.6%	-2.8%
Large	57.5%	54.4%	-3.1%
Very Large	79.1%	79.1%	0.0%

Size	FY23 Density Weight	FY23 Weight*3	Change
Very Small	68.8%	60.9%	-7.8%
Small	66.1%	57.2%	-8.9%
Medium	73.4%	67.7%	-5.6%
Large	57.5%	51.7%	-5.8%
Very Large	79.1%	79.1%	0.0%

- Shown are equal adjustments for each district size. In practice different weights by district size could be chosen.

- The benefits are greatest to small districts with medium and large districts seeing similar benefits.

- Does not impact very large districts.

How Accurately Does This Top 150 FCI Schools?

|	Not in Top 150	In Top 150
Local Match Stays	26%	31%
Local Match Falls	19%	24%

Add Other Factors to Formula

❑ Formula already integrates many key elements.

❑ However, it may not fully incorporate two important factors with respect to facilities decisions: growth and need.

❑ Growth could require construction of new school or expansion of existing facilities. Some of this is accounted for in the formula through student counts.

　❑ Perhaps incorporate school district or relevant county population change statistics?

　❑ Maybe a simple adjustment to local share if growing?

❑ Need may be reflected by facility condition index.

　❑ Projects are chosen after examining condition index, but maybe consider allowing index to adjust local share?

❑ These are somewhat difficult to implement and methods of operationalization but may help to incentivize districts.

County-level Population Growth

New Mexico Population Growth (2019 to 2020)
Data from American Community Survey
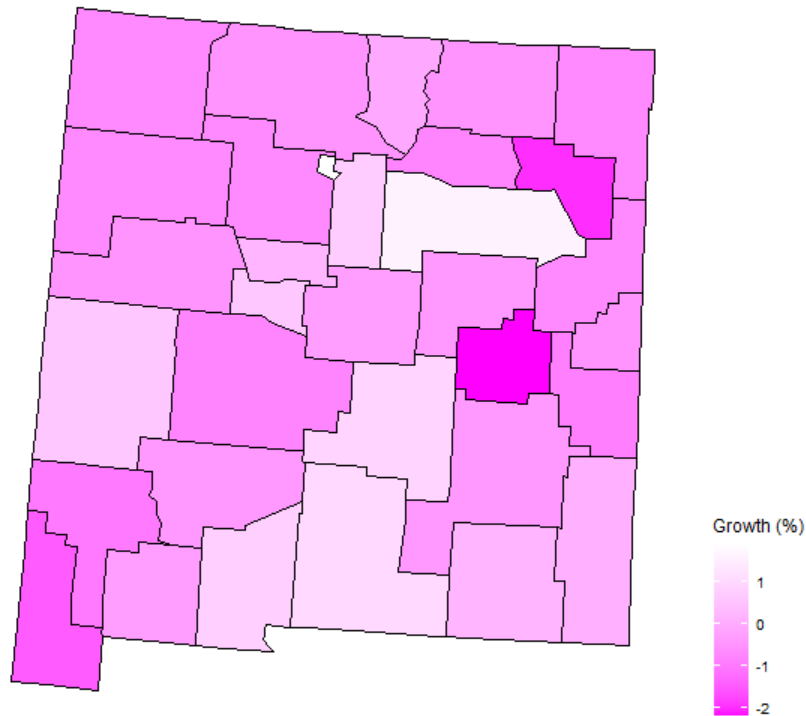
Growth (%)

- Perhaps adjust match based on population growth.

- Shown is growth at county level; some counties are growing faster than others.

- Faster growing counties are likely to be in need of additional facilities.

- Shown is total population growth; however, this could be refined to be school-aged population.

District-wide Facility Condition Index 1
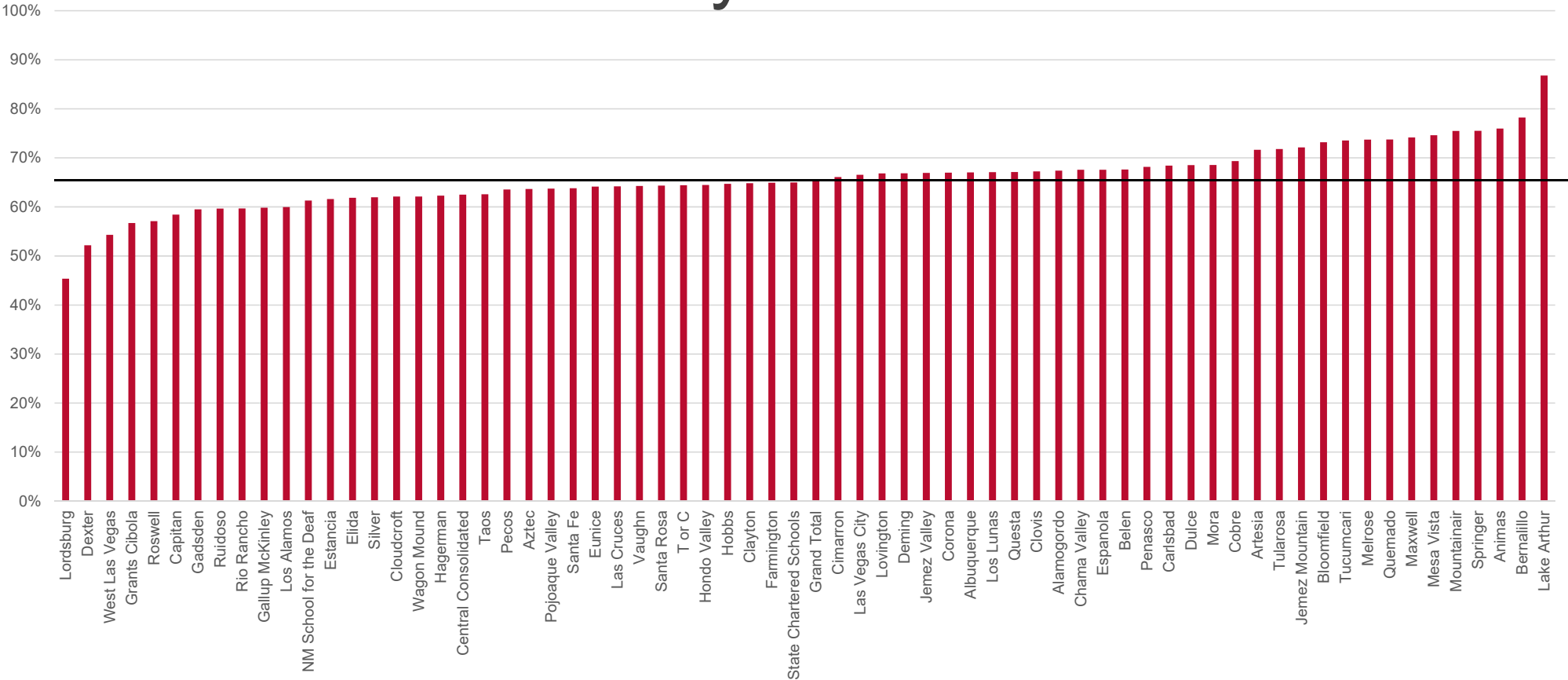
District-wide Facility Condition Index 2

❑ Districts with poorer facilities are likely in most need. Inclusion of a facility index should help to make it more cost effective for districts to invest.

❑ Doesn't have to be FCI; can choose the different/specific index.

❑ Note: data from last slide is based on a weighted average for each district.

Wholesale Formula Change

❑ Can be based on other state formulas/experience.

❑ Can also completely rethink the formula.

❑ Most difficult to do; untried and untested (at least for NM)