

PUBLIC SCHOOL FUNDING FORMULA OVERVIEW

Fiscal Staff

Legislative Education Study Committee – June 25, 2015

Contents

1. BACKGROUND
2. CURRENT FUNDING FORMULA
 - a) BASICS –goals of the Public School Funding Formula (PSFF);
 - b) MECHANICS – how the PSFF is calculated; and
 - c) MODIFICATIONS – what happens when a change is made to the PSFF.

3

BACKGROUND

Context and history related to the PSFF.

Background

4

- Prior to 1974 the funding method for NM schools was based on local district wealth (property tax).
- During the 1974-1975 school year, the current funding formula was implemented.
- This formula was based on a model developed by the National Education Finance Project in the late 1960s and early 1970s.

Background

- In 2008 the American Institutes for Research (AIR) conducted an independent comprehensive study of the NM PSFF and found that:
 - additional funding would be required to bring school districts and charter schools to sufficient spending levels; and
 - in FY 2008 an additional \$334.7 million or a 14.5 percent increase in funding would be required to achieve sufficiency under the *proposed* formula.

Background

- AIR recommended that the state consider a revised, simplified funding formula, including:
 - ▣ a smaller and simplified set of student-needs weighting factors to achieve an equitable distribution of funds according to student 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.

Background

7

- Several funding formula issues were included in the LESC 2015 Interim work plan topics for potential discussion, including:

- Training and Experience (T&E) Index Realignment
- Size Adjustment Units:
 - Small School Units
 - Rural Isolation Factors
 - Alternative Schools
- Enrollment Growth Units
- At-Risk Units
- Variable Calendar Factors
- Special Education Weighting
- Local/Federal Income Deductions

CURRENT FUNDING FORMULA

- ✓BASICS
- ✓MECHANICS
- ✓MODIFICATIONS
- ✓EXAMPLE

Basics

The PSFF:

- recognizes different costs for various educational programs including grade level, special education (SPED), bilingual, fine arts and physical education (PE);
- is designed to distribute operational funds to school districts and charter schools in a non-categorical manner;
- provides for local school district autonomy in meeting local priorities and needs;

Basics

The PSFF:

- is student driven;
- operates under the principle that all students are entitled to an equal educational opportunity despite differences in local school district wealth; and
- establishes the educational need of each school district and charter school, based on the average number of students enrolled on the prior year's second and third reporting dates, and participating in the legislatively defined programs.

Mechanics

11

In order to determine the State Equalization Guarantee (SEG) distribution, the following information is required:

1. The appropriation to the SEG;
2. The appropriated **program cost**;
3. The **total statewide units**; and
4. The **unit value**.

Mechanics

TABLE 2
FY 16 PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS
(dollars in thousands)
 Strikethrough indicates Executive Veto

	School Year 2014-2015 Final Unit Value = \$4,007.75 School Year 2015-2016 Preliminary Unit Value = \$4,027.75	FY 15 Appropriation Laws 2014, Ch. 63	FY 16 Appropriation Laws 2015, Ch. 101
1	PROGRAM COST	\$2,426,395.8	\$2,544,811.0
2	ENROLLMENT GROWTH	\$11,154.8	
3	Enrollment Growth Units		\$5,171.7
4	Eliminate Enrollment Growth for New Programs		(\$2,924.2) ¹
5	INSURANCE Increases	\$13,500.0	\$4,351.0
6	FIXED COSTS	\$5,827.8	\$5,000.0
7	0.75 percent ERB Retirement Contribution Increase (Final Year in FY 15)	\$11,554.6	
8	Compensation Increase		
9	3.0 percent average increase for all certified and non-certified school personnel	\$56,042.9	
10	3.0 percent additional average increase for licensed educational assistants	\$2,651.9	
11	Teacher Minimums		
12	FY 15: Increase Level 1, Level 2, and Level 3 Minimum Teacher Salaries by \$2,000 [partial language veto]	\$10,000.0	
13	FY 16: Increase Level 1 Minimum Teacher Salaries to \$34,000		\$6,670.0 ²
14	Funding Formula Changes		
15	At-Risk Unit Increase (Laws 2014, Ch. 55) [appropriation veto for FY 15]	\$15,222.0	\$12,561.0
16	Micro District Size Adjustment (Laws 2014, Ch. 57)	\$5,761.6	
17	College and Career Readiness (ACT, SAT, PSAT, Explore, Plan)		(\$309.4)
18	H4 Science Retest - New Mexico Standards Based Assessment (NMSBA)	\$264.0	
19	PARCC School Year 2015-2016 Assessments (see categorical appropriation on line 45)		(\$6,000.0)
20	Reinstitute Statutory Class and Teaching Loads	\$6,000.0	
21	Statewide Formative Assessments (Short Cycle Grades 4-10)	\$1,000.0	
22	Teacher Mentorship Program for Beginning Teachers	\$1,500.0	
23	FY 15 Section 11 Adjustment -- 0.275 percent Sanding Reduction	(\$6,842.4)	
24	PROGRAM COST	\$2,544,811.0	\$2,569,331.1
25	Dollar Difference Over Previous Year's Appropriation	\$118,415.2	\$24,520.1
26	Percent Change	4.9%	1.0%
27	LESS PROJECTED CREDITS	(\$62,000.0)	(\$56,000.0)
28	LESS OTHER STATE FUNDS (from driver's license fees)	(\$1,500.0)	(\$5,000.0)
29	STATE EQUALIZATION GUARANTEE (after Executive Action)	\$2,481,311.0	\$2,508,331.1
30	Dollar Difference Over Previous Year's Appropriation	\$119,415.2	\$27,020.1
31	Percent Change	5.1%	1.1%

"OPENING THE DOORS"



Mechanics

13

Total Statewide Units

The steps of calculating the sum of the Total Statewide Units:

- Step 1) Calculate and total the **Program Units**;
- Step 2) Multiply the **Program Units** by the Instructional Staff Training & Experience (T&E) Index to obtain the **Adjusted Program Units**; and
- Step 3) Calculate the other **Add-on Units** using the individual cost differentials and calculation methods that recognize:
 - Local school and district needs;
 - Economies of scale;
 - Enrollment growth from one year to the next;
 - At-risk students;
 - National Board for Professional Teaching Standards certified teachers; and
 - Creation of a new district.
- Step 4) Sum the **Adjusted Program Units** and the **Add-on Units** to determine the **Total Statewide Units**

Mechanics

Total Statewide Units Cont'd

		<u>State Equalization Guarantee Computation</u>				
Program Units	<u>Grade Level/Program Membership</u>		<u>Times</u>	<u>Cost Differential = Units</u>	S U M O F U N I T S	
	Kindergarten & 3- and 4-Year-Old DD	FTE MEM	×	1.44		
	Grade 1	MEM	×	1.20		
	Grades 2-3	MEM	×	1.18		
	Grades 4-6	MEM	×	1.045		
	Grades 7-12	MEM	×	1.25		
	<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			
<u>Bilingual Education</u>		FTE MEM	×	0.50		
<u>Fine Arts Education</u>		FTE MEM	×	0.05		
<u>Elementary Physical Education</u>		FTE MEM	×	0.06		
= TOTAL PROGRAM UNITS						

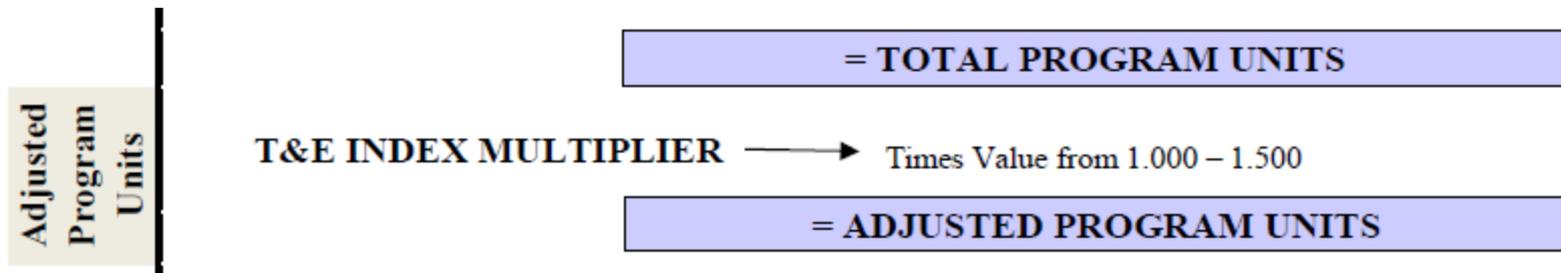
Mechanics

15

Total Statewide Units Cont'd

- Multiply the TOTAL Program Units by the district or state-chartered charter schools Instructional Staff Training & Experience Index (T&E Index) to obtain the:

ADJUSTED PROGRAM UNITS.



Mechanics

Total Statewide Units Cont'd

TABLE 1. T&E INDEX CALCULATION

Academic Classification	Years of Experience				
	0-2	3-5	6-8	9-15	Over 15
Bachelor's Degree or Less	0.75	0.90	1.00	1.05	1.05
Bachelor's Plus 15 Credit Hours	0.80	0.95	1.00	1.10	1.15
Master's or Bachelor's Plus 45 Credit Hours	0.85	1.00	1.05	1.15	1.20
Master's Plus 15 Credit Hours	0.90	1.05	1.15	1.30	1.35
Post-Master's or Master's Plus 45 Credit Hours	1.00	1.15	1.30	1.40	1.50

The following calculations for the T&E index shall be computed:

1. multiply the number of full-time equivalent (FTE) instructional staff in each academic classification by the numerical factor in the appropriate “years of experience” column provided in the table above;
2. add the products calculated in step 1; and
3. divide the total obtained in step 2 by the total number of FTE instructional staff.

There are two additional instructions included in statute regarding the T&E Index that require:

- the cost differential factor not be lower than 1.00 or higher than 1.50; and
- 1.12 to be the designated T&E Index for newly created school districts.

Mechanics

17

Total Statewide Units Cont'd

- D-Level Non-Profit Training Center Special Education Units
- Size Adjustment Program Units
 - School Size: Elementary/Junior High, Senior High
 - District Size
 - Rural Isolation Units
 - Micro District Units
- New District Adjustment Units
- At-Risk Factor
- Enrollment Growth Units
- National Board for Professional Teaching Standards Units
- Charter School Activities Units
- Home School Student Activities Units
- Home School Student Program Units
- Save Harmless Units

After including these units, we have obtained our:

ADJUSTED + Add-on Units = GRAND TOTAL UNITS

= ADJUSTED PROGRAM UNITS

Plus

D-Level NPTC Special Education Units
Size Units (Elementary/Jr. High; Senior High; District;
Rural Isolation; Micro District)
New District Adjustment Units
At-Risk Units
Enrollment Growth Units
National Board for
Professional Teaching Standards Units
Charter School Activities Units
Home School Student Activities Units
Home School Student Program Units

= TOTAL UNITS

Plus Save Harmless Units

= TOTAL STATEWIDE UNITS

Mechanics

Unit Value

- 1) Since the *General Appropriation Act (GAA) of 1992*, the Secretary of Public Education has been required to **establish a preliminary Unit Value** for the SEG to be used for districts to establish tentative budgets based on projected units.
- 2) Each GAA since the *GAA of 1992* has authorized the Secretary of Public Education, upon verification of the number of units statewide, to **adjust the program unit value**.
- 3) Beginning with the *GAA of 1998*, and in each GAA since, it has been specified that any adjustment to the program unit value (as referenced in #2, above) may occur **no later than January 31st for the corresponding fiscal year** (e.g. for FY 13, no later than January 31, 2013).

Mechanics

19

Unit Value Cont'd

The Unit Value is established using the following formula:

$$\text{Unit Value} = \frac{\text{Appropriated Program Cost}}{\text{Total Statewide Units}}$$

Modifications

20

- The PSFF has been modified multiple times since 1974 in efforts to improve equity of educational funding.

What happens when a change is made to the PSFF?

- Generally, due to the equalized nature of the PSFF, when modifications are made to the PSFF that affect **total statewide units**, it has an impact on the distribution to districts and state-chartered charter schools.

Modifications Cont'd

21

Types of Changes:

- A change that increases the **Total Statewide Units**
 - ▣ Modifying a cost differential factor; or
 - ▣ Modifying or adding new programs or components to the funding formula.

- A change that decreases the **Total Statewide Units**
 - ▣ Modifying a cost differential factor; or
 - ▣ Modifying or removing programs or components of the funding formula.

Modifications Cont'd

22

Identifying the Winners & Losers – Questions to Ask:

- 1) Will this change result in an increase or decrease in the Total Statewide Units?
- 2) How does this increase or decrease in the Total Statewide Units impact the Unit Value?
- 3) Based on the changed Unit Value, how will districts and state-chartered charter schools see their SEG distribution change?

Summary

- Most modifications to the PSFF increase the number of Total Statewide Units.
- When that happens, ask how will the Unit Value be affected?
- If there is a change to the Unit Value, ask how the distribution to school districts and state-chartered charter schools will change and if there is an appropriation included with the legislation.
- Ask the bottom line question: who are the winners and who are the losers as a result of this change?

Thank You!

24

Questions?