

**School District Changes in State and Local Share
Determinations**

The Case of Carlsbad Municipal Schools

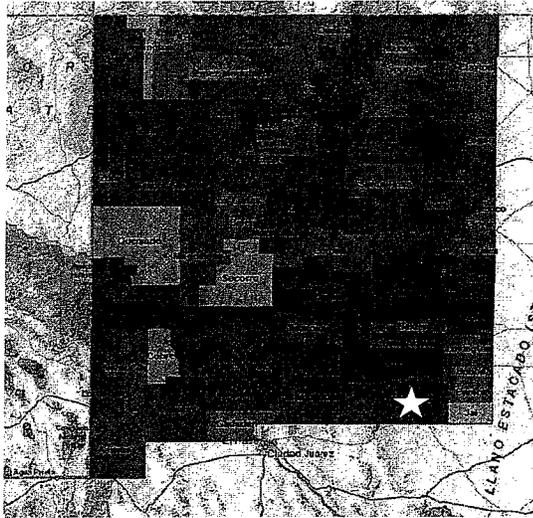
**Staff Briefing
Presented to the
Public School Capital Outlay Oversight Task Force
August 11, 2015**

By

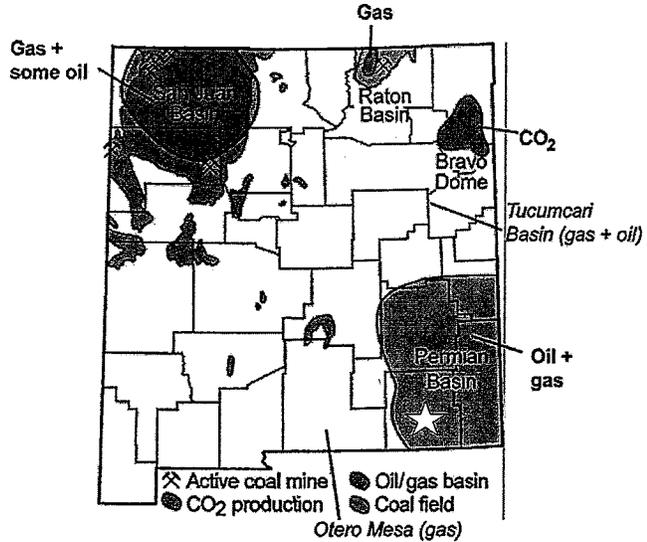
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The Carlsbad Municipal School District over two years has experienced an increase in the local share for Public School Capital Outlay Council (PSCOC) awards from 75% to 88%. In consultation with staff of the Public Education Department (PED), the following analysis indicates that the primary driver for the increase in the school district share is the increase in the net taxable value of property in the school district. This rise is due primarily to rising property values caused by recent natural resource (oil and gas) extraction activity in the Permian Basin where the district is located.

New Mexico School Districts



New Mexico Oil and Gas Basins



Source: NM Tech, Bureau of Geology & Mineral Resources, PSFA GIS Mapping Application.

Table 1. School District Assessed Property Valuations 2011-2014

| | 2011 Assessed Valuations (\$ millions) | 2012 Assessed Valuations (\$ millions) | 2013 Assessed Valuations (\$ millions) | 2014 Assessed Valuations (\$ millions) | 2011-2014 Change (%) |
|-----------------------------------|--|--|--|--|----------------------|
| Oil & Gas Producing Districts | 13,250.4 | 14,648.0 | 14,437.6 | 16,056.4 | 21.2% |
| Non-Oil & Gas Producing Districts | 39,595.8 | 39,842.9 | 40,283.3 | 40,366.6 | 1.9% |
| Total | 52,846.2 | 54,491.0 | 54,720.9 | 56,423.0 | 6.8% |

| | 2011 Assessed Valuations (\$ millions) | 2012 Assessed Valuations (\$ millions) | 2013 Assessed Valuations (\$ millions) | 2014 Assessed Valuations (\$ millions) | 2011-2014 Change (%) |
|----------------------------|--|--|--|--|----------------------|
| Carlsbad Municipal Schools | 1,423.2 | 1,757.0 | 1,849.3 | 2,576.7 | 81.0% |

Source: Public Education Department (PED).

The PSCOC state-local share is determined annually based upon three factors:

1. property values (school district prior year net taxable value);
2. school district enrollment (MEM); and
3. the sum of school mill levies (GO, SB 9, HB 33 & Ed Tech).

The chart below reflects how the district share percentage may change if one of the components of the formula changes.

| | LAND VALUATIONS | | ENROLLMENT | | MILL LEVIES | |
|----------------|-----------------|----------|------------|----------|-------------|----------|
| | Increase | Decrease | Increase | Decrease | Increase | Decrease |
| DISTRICT SHARE | ↑ | ↓ | ↓ | ↑ | ↓ | ↑ |
| STATE SHARE | ↓ | ↑ | ↑ | ↓ | ↑ | ↓ |

Analysis of the last five years indicates that property value changes have been moderate and mixed at 1.7% per year. School district average annual enrollment (2011-2015) has grown very modestly statewide (1.5% per yr.), and school district bonded indebtedness remained very stable growing from 7.79 mills to 7.95 mills. Some school districts experienced modest increases in property valuations while others, like Carlsbad, saw double-digit annual growth. (See **APPENDIX A: School District Assessed Valuations 2011-2014** for a complete list of school district property valuations 2011-2014.)

The state-local match formula is designed to calibrate the state-local share in an equitable manner by increasing the state's share (percentage) of a PSCOC project award in districts that have low per capita property values and a high level of bonded indebtedness. Relatively poor districts and districts that make a good "effort" (i.e., levy taxes on themselves) receive a higher share of project funding from the state. Conversely, school districts with high per capita property values (greater property wealth) have a lower state match percentage. Rapidly increasing property values relative to other school districts are the chief cause driving up the local share match percentage for Carlsbad Municipal Schools and other oil- and natural gas-producing school districts.

To decrease the shocks of year-over-year changes to inputs in the state-local share formula, the formula employs a three-year moving average. Despite this measure, the change in the assessed valuations in Carlsbad caused a 13-point swing over two years. Table 2 highlights the Carlsbad state match history along with the Clovis and Hobbs school districts for comparison.

Table 2. Carlsbad, Clovis & Hobbs Five-Year District Match History

| CARLSBAD | | | | | | | | | |
|-----------|----------------|------------|-----------------------------|-------------------------|-------------|----------------|--|-------------------------|-------------------------|
| YEAR | LAND VALUATION | MEMBERSHIP | ASSESSED VALUATION PER MEM. | TOTAL RESIDENTIAL MILLS | STATE SHARE | DISTRICT SHARE | | 3 YEAR AVG. STATE SHARE | 3 YEAR AVG. STATE SHARE |
| 2011-2012 | 1,207,375,592 | 5,919.25 | 203,974.42 | 5.701 | 34% | 66% | | 25% | 75% |
| 2012-2013 | 1,423,243,859 | 6,013.00 | 236,694.47 | 5.3633 | 26% | 74% | | 25% | 75% |
| 2013-2014 | 1,756,950,459 | 6,216.25 | 282,638.32 | 5.741 | 14% | 86% | | 25% | 75% |
| 2014-2015 | 1,849,262,907 | 6,343.75 | 291,509.42 | 5.671 | 12% | 88% | | 17% | 83% |
| 2015-2016 | 2,576,636,054 | 6,485.75 | 397,276.50 | 8.155 | 10% | 90% | | 12% | 88% |

| CLOVIS | | | | | | | | | |
|-----------|----------------|------------|-----------------------------|-------------------------|-------------|----------------|--|-------------------------|-------------------------|
| YEAR | LAND VALUATION | MEMBERSHIP | ASSESSED VALUATION PER MEM. | TOTAL RESIDENTIAL MILLS | STATE SHARE | DISTRICT SHARE | | 3 YEAR AVG. STATE SHARE | 3 YEAR AVG. STATE SHARE |
| 2011-2012 | 581,331,079 | 8,469.75 | 68,636.16 | 7.394 | 78% | 22% | | 79% | 21% |
| 2012-2013 | 629,728,819 | 8,495.75 | 74,122.80 | 7.412 | 78% | 22% | | 79% | 21% |
| 2013-2014 | 662,823,489 | 8,426.25 | 78,661.74 | 7.403 | 77% | 23% | | 77% | 23% |
| 2014-2015 | 696,099,024 | 8,355.75 | 83,307.78 | 7.323 | 75% | 25% | | 76% | 24% |
| 2015-2016 | 713,656,345 | 8,286.50 | 86,122.77 | 7.288 | 75% | 25% | | 76% | 24% |

| HOBBS | | | | | | | | | |
|-----------|----------------|------------|-----------------------------|-------------------------|-------------|----------------|--|-------------------------|-------------------------|
| YEAR | LAND VALUATION | MEMBERSHIP | ASSESSED VALUATION PER MEM. | TOTAL RESIDENTIAL MILLS | STATE SHARE | DISTRICT SHARE | | 3 YEAR AVG. STATE SHARE | 3 YEAR AVG. STATE SHARE |
| 2011-2012 | 1,141,238,064 | 8,284.75 | 137,751.66 | 9.692 | 56% | 44% | | 51% | 49% |
| 2012-2013 | 1,295,379,675 | 8,583.00 | 150,923.88 | 8.843 | 53% | 47% | | 51% | 49% |
| 2013-2014 | 1,436,105,897 | 8,947.75 | 160,499.11 | 8.19 | 52% | 48% | | 54% | 46% |
| 2014-2015 | 1,468,778,992 | 9,246.25 | 158,851.32 | 8.847 | 52% | 48% | | 52% | 48% |
| 2015-2016 | 1,717,033,221 | 8,748.75 | 196,260.41 | 8.834 | 49% | 51% | | 51% | 49% |

Source: Public Education Department (PED).

APPENDIX A: School District Assessed Valuations 2011-2014

| | 2011 Assessed Valuations (\$ millions) | 2012 Assessed Valuations (\$ millions) | 2013 Assessed Valuations (\$ millions) | 2014 Assessed Valuations (\$ millions) | 2011-2014 Change (%) |
|----------------------------|--|--|--|--|-------------------------|
| Alamogordo | 670.6 | 701.7 | 721.9 | 744.0 | 10.9% |
| Albuquerque | 14,703.6 | 14,646.0 | 14,757.2 | 14,931.5 | 1.5% |
| Animas | 31.2 | 31.6 | 33.4 | 33.6 | 7.7% |
| Artesia | 1,593.1 | 2,021.4 | 2,204.7 | 2,386.6 | 49.8% |
| Aztec | 921.0 | 901.6 | 706.7 | 767.2 | -16.7% |
| Belen | 545.7 | 549.8 | 567.9 | 571.3 | 4.7% |
| Bernalillo | 602.5 | 615.3 | 607.5 | 617.2 | 2.4% |
| Bloomfield | 834.8 | 905.8 | 747.0 | 784.1 | -6.1% |
| Capitan | 354.0 | 370.2 | 376.9 | 388.4 | 9.7% |
| Carlsbad Municipal Schools | 1,423.2 | 1,757.0 | 1,849.3 | 2,576.7 | 81.0% |
| Carrizozo | 50.4 | 53.5 | 57.6 | 59.0 | 17.2% |
| Central | 823.1 | 807.2 | 772.8 | 676.8 | -17.8% |
| Chama Valley | 128.0 | 137.7 | 136.4 | 140.2 | 9.6% |
| Cimarron | 447.1 | 442.7 | 429.8 | 442.2 | -1.1% |
| Clayton | 132.8 | 165.0 | 167.7 | 173.8 | 30.9% |
| Cloudcroft | 158.7 | 164.9 | 170.9 | 176.0 | 10.9% |
| Clovis | 629.7 | 662.8 | 696.1 | 709.0 | 12.6% |
| Cobre | 195.0 | 153.3 | 176.9 | 211.4 | 8.4% |
| Corona | 41.4 | 41.8 | 40.6 | 44.5 | 7.5% |
| Cuba | 55.0 | 58.6 | 64.2 | 100.2 | 82.3% |
| Deming | 509.7 | 520.3 | 539.1 | 549.7 | 7.9% |
| Des Moines | 24.4 | 25.9 | 27.3 | 28.8 | 18.1% |
| Dexter | 65.0 | 71.7 | 72.2 | 77.8 | 19.7% |
| Dora | 27.5 | 30.8 | 31.9 | 30.6 | 11.4% |
| Dulce | 674.1 | 706.0 | 476.2 | 518.3 | -23.1% |
| Elida | 22.2 | 23.6 | 24.2 | 23.7 | 6.7% |
| Espanola | 532.3 | 562.0 | 572.5 | 576.3 | 8.3% |
| Estancia | 91.9 | 98.2 | 103.8 | 104.5 | 13.7% |
| Eunice | 609.6 | 664.2 | 607.6 | 674.9 | 10.7% |
| Farmington | 1,416.5 | 1,460.0 | 1,432.5 | 1,471.7 | 3.9% |
| Floyd | 16.4 | 16.2 | 16.6 | 16.1 | -2.0% |
| Fort Sumner | 54.1 | 58.8 | 61.9 | 67.0 | 23.7% |
| Gadsden | 757.1 | 800.3 | 827.0 | 867.7 | 14.6% |
| Gallup-McKinley | 750.2 | 758.1 | 817.4 | 826.4 | 10.2% |
| Grady | 8.2 | 8.2 | 8.5 | 8.7 | 5.9% |
| Grants-Cibola County | 298.6 | 304.2 | 301.6 | 316.0 | 5.8% |
| Hagerman | 29.5 | 30.6 | 30.3 | 33.5 | 13.5% |
| Hatch Valley | 67.8 | 74.9 | 72.7 | 73.9 | 9.1% |
| Hobbs | 1,295.4 | 1,436.1 | 1,468.8 | 1,718.4 | 32.7% |
| Hondo Valley | 31.7 | 32.3 | 33.0 | 34.0 | 7.0% |
| House | 10.5 | 11.3 | 11.9 | 12.2 | 16.1% |
| Jal | 287.0 | 398.2 | 486.2 | 785.0 | 173.5% |
| Jemez Mountain | 307.1 | 326.5 | 258.8 | 275.3 | -10.3% |

APPENDIX A: School District Assessed Valuations 2011-2014

| | 2011 Assessed Valuations (\$ millions) | 2012 Assessed Valuations (\$ millions) | 2013 Assessed Valuations (\$ millions) | 2014 Assessed Valuations (\$ millions) | 2011-2014 Change (%) |
|-----------------------|--|--|--|--|-------------------------|
| Jemez Valley | 80.1 | 83.8 | 86.3 | 86.2 | 7.6% |
| Lake Arthur | 88.0 | 106.8 | 92.9 | 77.8 | -11.6% |
| Las Cruces | 2,953.4 | 3,011.5 | 3,041.3 | 3,082.4 | 4.4% |
| Las Vegas City | 242.4 | 249.9 | 258.8 | 256.2 | 5.7% |
| Logan | 66.7 | 69.0 | 70.1 | 55.7 | -16.5% |
| Lordsburg | 115.6 | 116.1 | 122.0 | 126.5 | 9.4% |
| Los Alamos | 702.4 | 699.7 | 692.8 | 665.5 | -5.2% |
| Los Lunas | 739.9 | 753.2 | 767.2 | 794.4 | 7.4% |
| Loving | 156.8 | 175.3 | 289.0 | 202.3 | 29.0% |
| Lovington | 773.7 | 908.3 | 874.6 | 886.0 | 14.5% |
| Magdalena | 28.3 | 28.5 | 29.5 | 31.6 | 11.7% |
| Maxwell | 13.7 | 14.0 | 14.4 | 15.2 | 10.8% |
| Melrose | 24.0 | 25.4 | 27.0 | 28.5 | 19.0% |
| Mesa Vista | 67.6 | 71.7 | 74.1 | 74.8 | 10.6% |
| Mora | 83.3 | 85.2 | 87.9 | 93.7 | 12.5% |
| Moriarty-Edgewood | 481.4 | 491.5 | 498.7 | 506.1 | 5.1% |
| Mosquero | 93.3 | 103.0 | 101.8 | 114.9 | 23.2% |
| Mountainair | 56.5 | 60.4 | 58.4 | 59.0 | 4.6% |
| Pecos | 113.4 | 114.7 | 120.8 | 122.7 | 8.1% |
| Penasco | 45.8 | 47.7 | 48.6 | 50.8 | 11.0% |
| Pojoaque Valley | 179.9 | 180.4 | 179.5 | 184.6 | 2.6% |
| Portales | 218.6 | 230.9 | 245.1 | 252.7 | 15.6% |
| Quemado | 88.6 | 88.7 | 89.9 | 87.9 | -0.8% |
| Questa | 184.6 | 180.1 | 183.3 | 188.3 | 2.0% |
| Raton | 151.4 | 159.9 | 151.5 | 152.5 | 0.7% |
| Reserve | 44.7 | 42.6 | 43.3 | 43.4 | -2.9% |
| Rio Rancho | 2,151.2 | 2,088.4 | 2,086.5 | 2,069.2 | -3.8% |
| Roswell | 913.1 | 908.0 | 939.4 | 970.7 | 6.3% |
| Roy | 7.9 | 8.1 | 7.6 | 8.1 | 3.0% |
| Ruidoso | 594.5 | 621.1 | 637.0 | 648.8 | 9.1% |
| San Jon | 13.5 | 13.6 | 14.0 | 14.2 | 5.0% |
| Santa Fe | 6,382.9 | 6,357.5 | 6,338.1 | 5,926.2 | -7.2% |
| Santa Rosa | 89.1 | 89.0 | 92.8 | 94.7 | 6.3% |
| Silver | 537.4 | 550.1 | 573.1 | 580.0 | 7.9% |
| Socorro | 162.3 | 157.2 | 163.1 | 166.6 | 2.7% |
| Springer | 30.0 | 31.2 | 31.3 | 32.6 | 8.9% |
| Taos | 1,056.8 | 1,056.2 | 1,088.3 | 1,102.3 | 4.3% |
| Tatum | 130.1 | 133.6 | 128.7 | 125.3 | -3.8% |
| Texico | 61.2 | 66.5 | 70.2 | 69.4 | 13.4% |
| Truth or Consequences | 288.0 | 287.4 | 296.3 | 298.5 | 3.7% |
| Tucumcari | 89.5 | 92.5 | 99.5 | 98.1 | 9.6% |
| Tularosa | 82.9 | 85.5 | 88.4 | 90.8 | 9.5% |
| Vaughn | 46.4 | 49.1 | 53.8 | 59.9 | 29.0% |

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|----------------|--|--|--|--|-------------------------|
| Wagon Mound | 22.7 | 24.4 | 20.4 | 27.0 | 19.2% |
| West Las Vegas | 162.5 | 165.0 | 173.6 | 174.1 | 7.1% |
| Zuni | 2.3 | 2.4 | 2.2 | 2.3 | -2.5% |

| | 2011 | 2012 | 2013 | 2014 | 2011-2014 Change (%) |
|-----------------------------------|----------|----------|----------|----------|-------------------------|
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| Non-Oil & Gas Producing Districts | 39,595.8 | 39,842.9 | 40,283.3 | 40,366.6 | 1.9% |
| Total | 52,846.2 | 54,491.0 | 54,720.9 | 56,423.0 | 6.8% |

| Change | | |
|----------------------------|-----------|-----------|
| | 2011-2014 | 2011-2014 |
| Oil & Gas Producing | 2,806.0 | 78.4% |
| Non-Oil and Gas Producing | 770.8 | 21.6% |
| Total Change (\$ Millions) | 3,576.8 | 100.0% |