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June 22, 2009

MEMORANDUM

TO: Legislative Education Study Committee

FR: Peter van Moorsel

RE: STAFF REPORT: PROPOSED PUBLIC SCHOOL FUNDING FORMULA

INTRODUCTION

As explained more fully under "Background," below, the Legislative Education Study Committee (LESC) has endorsed legislation in both the 2008 and 2009 legislative sessions to implement a new public school funding formula based on a two-year study and the recommendations of the contractor retained for the study. The bill introduced in 2009 (HB 331) reflected some of the points raised during debate in the 2008 session; and the debate during the 2009 session refined some of these points and raised still others. This report addresses three main issues raised during the 2009 session:

- the use of the Educational Plan for Student Success (EPSS) of a school district or charter school as a budget accountability tool;
- the funding options considered by the 2008 and 2009 legislatures for funding the implementation of the proposed funding formula; and
- the business community's perspective of the proposed formula.

In addition to discussing these issues, this report, through its attachments:

- (1) enumerates revenue-related legislation introduced in 2008 and 2009;
- (2) reviews the LESK hearings on the proposed funding formula during the 2008 interim; and

- (3) and (4) provide a brief comparison of the current and the proposed funding formulas.

EDUCATIONAL PLAN FOR STUDENT SUCCESS (EPSS) PILOT

Discussions regarding accountability for the increased funding required to implement the proposed funding formula was initiated before the 2009 legislative session. During the 2008 interim, the LESC convened a subcommittee to examine how use of the EPSS¹ as an accountability tool could ensure that the new money generated under the proposed funding formula is used to support programs. In testimony to the subcommittee, the Secretary of Public Education proposed that the EPSS be used as an addendum to the budget of a district or charter school to address two levels of accountability:

- (1) a basic educational programming checklist, which includes such items as bilingual and multi-cultural education, career-technical education, art and music, gifted education, and special education; and
- (2) a connection between program outcomes and performance indicators, in which PED and a district's EPSS budget review team:
 - examine the results of standards-based assessments and short-cycle assessments;
 - review the operating budget for that fiscal year;
 - align the assessment results with the budget; and
 - depending on performance indicators, make program recommendations.

Responding to a recommendation of the subcommittee, the Secretary reported that the Public Education Department (PED) would establish a pilot project with three school districts and three charter schools to assess the EPSS as a budget accountability tool. However, upon initiating the pilot, PED decided to shift the scope of the pilot to include the original districts and charter schools and 23 other school districts that are classified as Corrective Action districts in the School Improvement Framework.

PED reports that to effect this expanded project, the department, in cooperation with the federally funded Southwest Comprehensive Center (SCC)², developed an online tool to serve as an online support system that provides both state and local education agencies with a process for monitoring implementation of categorical programs – both state and federal – as well as monitoring progress on district improvement plans. According to PED:

¹ The Educational Plan for Student Success is a district-level, student-centered, long-range strategic plan to improve academic achievement and success for all students. It is implemented at the school level through site-specific school plans developed by each public school, and both the school plans and the EPSS take into account the importance of parental and community involvement in public education.

² The purpose of the SCC is to build the capacity of states to implement, in accordance with the *Educational Technical Assistance Act of 2002*, the goals and provisions of the *No Child Left Behind Act* (NCLB). The SCC is housed at WestEd, a national nonpartisan, nonprofit research, development, and service agency.

- during the project, PED staff will import the EPSS of the 26 school districts and two charter schools into the online tool and train the districts and charter schools in using the tool so that they may update their EPSS;
- the online tool will allow PED and the project participants to conduct the EPSS approval process electronically while avoiding compatibility issues with the information technology used by a district or charter school; and
- PED will be able to shift away from using Program Budget Questionnaires to review the EPSS, as program and budget information can be retrieved directly from the tool itself.

REVIEW OF PROPOSED REVENUE SOURCES

The additional cost of funding marginal sufficiency³ was discussed during committee hearings in both 2008 and 2009, and different approaches were taken during each of the two legislative sessions to fund the implementation of the formula.

In January 2009, American Institutes for Research (AIR), the contractor for the funding formula study, provided an updated estimate of funding marginal sufficiency and the first year of the three-year hold harmless provision for school districts and charter schools that may see their program cost reduced. This estimated additional cost was \$345.3 million.

To ensure that sufficient funding would be available, the 2009 bill was amended to add a contingency clause stating that bills generating revenue for the formula's implementation must be enacted and result in at least \$350.0 million in additional state revenue for FY 11 or the proposed public school funding formula and all other provisions in the bill would not be implemented.

To generate the marginal sufficiency funds during the 2009 legislative session, HB 346, *Education Gross Receipts Surtax*, was introduced; however, it did not pass. Originally, the provisions of HB 346 would have:

- added an "education surtax" of 0.5 percent to both the state Gross Receipts Tax and the statewide Compensating Tax;
- repealed and added a new section to the *Income Tax Act* that reinstates the tax categories and tax rates, with the exception of the highest rate per category, that were in effect from January 1 through December 31, 2004; and
- required that the receipts attributable to the education surtax and to the increase in certain personal income tax rates be distributed to the Public School Fund.

The Taxation and Revenue Department (TRD) estimated that the education surtax and the increase in personal income tax rates combined would generate an additional \$360.2 million in revenue for FY 10, \$472.0 million for FY 11, \$493.0 million for FY 12, and \$515.5 million for FY 13. The following table, adapted from the TRD analysis of HB 346, shows the estimated revenue per tax source:

³ Marginal sufficiency is the difference between the projected statewide cost of providing a sufficient education as determined by the funding formula study and the current statewide program cost.

ESTIMATED INCREASE IN REVENUE TO THE PUBLIC SCHOOL FUND

(in millions)

Revenue Source	FY 10	FY 11	FY 12	FY 13
Compensating Tax	\$8.9	\$8.6	\$9.0	\$9.4
Gross Receipts Tax	\$252.4	\$260.9	\$271.9	\$283.4
Personal Income Tax	\$98.9	\$202.5	\$212.1	\$222.7
Total	\$360.2	\$472.0	\$493.0	\$515.5

The bill was substituted in committee, however, and the provisions of CS/HB 346, the substitute bill, would have:

- required no increase in personal income tax;
- added an “education surtax” of 0.75 percent to the state Gross Receipts Tax and to the state Compensating Tax; and
- appropriated the first \$600,000 of the revenue raised from the education surtax to PED for expenditure in FY 10 and FY 11 for costs associated with preparing for the implementation of the proposed public school funding formula set forth in HB 331, as amended.

TRD estimated that, based on the February 2009 consensus revenue forecast, the education surtax required in CS/HB 346 would have generated an additional \$389.2 million in revenue for FY 10; \$401.7 million for FY 11; \$420.2 million for FY 12; and \$438.3 million for FY 13.

A similar revenue bill was introduced in the Senate. If it had passed, SB 412, *Education Gross Receipts Surtax*, would also have added an “education surtax” of 0.75 percent to both the state Gross Receipts Tax and the statewide Compensating Tax; and it would have required that the net receipts attributable to the education surtax be distributed to the Public School Fund. Unlike CS/HB 346, SB 412 would not have appropriated the first \$600,000 of the revenue raised from the education surtax to PED; however, it too did not pass.

The approach to funding the implementation of the new funding formula in 2009 differed significantly from that taken in 2008 when, rather than using a single increase in the Gross Receipts Tax, several pieces of legislation were introduced for the Funding Formula Study Task Force (see Attachment 1, *2008 Proposed Public School Funding Formula Revenue-related Legislation*); however, none of this legislation passed.

BUSINESS COMMUNITY PERSPECTIVE

During the 2009 legislative session, discussions of the proposed funding formula included input from the New Mexico business community on the two previous issues. Concerns included the identification of a sufficient and sustainable revenue source for the funding formula and accountability measures to ensure that the public is comfortable with this use of public money.

BACKGROUND

At least since 2001, the LESC has heard concerns about a number of issues related to the current public school funding formula, including the alignment of the Training and Experience (T&E) Index with the three-tiered licensure system for teachers, recognition of instructional support providers, and the fiscal difficulties faced by school districts with a membership of 200 or fewer. After repeated appropriations to fund a study of the formula were vetoed, the LESC endorsed successful legislation in 2005 to create the Funding Formula Study Task Force and in 2006 to extend the term of the task force through December 2007. Also in 2006, the Legislature appropriated \$500,000 for an independent study of the funding formula. As specified in current law, the study of the public school funding formula was a three-year process scheduled to culminate in December 2007.

In August 2006, in order to carry out its charge, the task force selected American Institutes for Research, headquartered in Palo Alto, California, to conduct an independent study of the funding formula. Based on the tasks identified in the request for proposals and other discussions, the contractor provided the task force with several recommendations, which were based on the premise that districts and charter schools should be ensured sufficient resources to provide a comprehensive instructional program designed to meet the needs of all students. The contractor also provided an estimate of the cost of implementing those recommendations: approximately \$350.0 million in addition to the current funding level. On January 7, 2008, the task force adopted a discussion draft of a bill that incorporated most of those recommendations. Later that month the LESC accepted the task force recommendations; and, during the 2008 session, the committee endorsed legislation (HB 241, *Public School Funding Formula Changes*) to implement those recommendations.

Introduced in the 2008 legislative session, HB 241 proposed that the state move from a formula based on multiple program factors to a formula with fewer factors that are based on indicators of student need. The bill was heard in committee and on the floor of the House, and it was amended twice; but it did not pass.

During the 2008 interim, the LESC heard extensive testimony from all 89 school districts and a representative sample of charter schools about the likely effects of the proposed funding formula (see Attachment 2 for a summary of this testimony). At the end of the interim, the committee included in its legislative package, for the 2009 session, another bill to implement the proposed funding formula. Amended twice, HB 331 passed one house but not the other. Nonetheless, the LESC remains committed to implementing the proposed formula (see Attachments 3 and 4 for a comparison of the current public school funding formula with the proposed formula per HB 331, as amended).

PRESENTERS

- Dr. Veronica C. García, Secretary of Public Education, will provide a presentation concerning the PED Educational Plan for Student Success (EPSS) Pilot, which is intended to assess the EPSS as an accountability tool; and
- Mr. Larry Langley, President and CEO, New Mexico Business Roundtable for Educational Excellence; and Dr. Beverlee J. McClure, President and CEO, Association of Commerce and Industry of New Mexico, will provide a presentation on the perspectives of the New Mexico Business Community regarding the proposed funding formula.

**Proposed Public School Funding Formula Revenue-related Legislation
(2008 and 2009 Legislative Sessions)**

2008 Legislative Session:

Introduced for the Funding Formula Study Task Force

House Bill 51, *Corporate Income Tax to Public School Fund*, Rep. Wirth – to require corporations that are made up of at least two integrated corporations to file as combined corporations for income tax purposes; and to distribute to the Public School Fund the projected 20 percent in additional corporate income tax collections.

Projected Revenue (to Public School Fund)

FY 08: \$90.2 million
 FY 09: \$108.0 million
 FY 10: \$108 million
 FY 11: \$107.3 million

House Bill 229, *End Yield Control on School Mill Levy*, Rep. Moore – to remove the half-mill levy for school district operating purposes from yield control limitations. (Yield control generally limits the annual amount of additional revenues that can be generated from property tax levies for purposes other than debt to an increase of the lesser of inflation or 5.0 percent).

Projected Revenue

FY 09: \$7.5 million
 FY 10: \$7.9 million

House Bill 311, *Increase Gross Receipts & Send to School Fund*, Rep. Gonzales – to increase to 5.5 percent (from 5.0 percent) the state gross receipts and compensating tax rate; and to distribute to the Public School Fund an amount equal to 9.09 percent of state gross receipts and compensating tax collections, prior to any other distributions.

Projected Revenue (to Public School Fund)

FY 08: \$36.8 million
 FY 09: \$251.7 million
 FY 10: \$260.3 million
 FY 11: \$269.6 million
 FY 12: \$279.3 million

House Bill 626, *Oil & Gas Emergency Tax Act Funds to Schools*, Rep. Stewart – to increase the school tax rates on oil and other liquid hydrocarbons to equal the 4.0 percent tax rate on natural gas; and to require 12.5 percent of the revenues provided from the *Oil and Gas Emergency School Tax Act* to be distributed to the Public School Fund.

Projected Revenue (to Public School Fund)

FY 09: \$56.8 million
 FY 10: \$55.4 million

FY 11: \$54.0 million
FY 12: \$52.0 million

CS/House Joint Resolution 8, *Land Grant Fund Education Distribution, CA, Rep. Stewart* – to amend the New Mexico Constitution to increase to 6.5 percent (from the current 5.0 percent) the annual distribution from the Land Grant Permanent Fund for FY 09 through FY 19; for FY 20 and subsequent years, the annual distribution rate would revert to 5.0 percent.

Projected Additional Revenue (for all Land Grant Permanent Fund beneficiaries; public schools would receive 82.82 percent of total revenue)

FY 09: \$66.1 million
FY 10: \$71.6 million
FY 11: \$76.4 million
FY 12: \$79.9 million
FY 13: \$119.9 million
FY 14: \$121.3 million
FY 15: \$121.2 million
FY 16: \$119.8 million
FY 17: \$196.6 million
FY 18: \$195.3 million
FY 19: \$192.5 million

Other Related Introduced Legislation

HJR 10, *Statewide Millage Rate for School Funds, CA, Rep. Varela* – to amend the New Mexico Constitution to increase to 25 mills (from 20 mills) the statewide millage rate; and to dedicate the additional 5 mills to the Public School Fund.

Projected Revenue (to Public School Fund)

FY 10: \$251.0 million
FY 11: \$259.5 million
FY 12: \$268.3 million
FY 13: \$277.5 million
FY 14: \$286.9 million
FY 15: \$296.6 million
FY 16: \$306.7 million

Senate Joint Resolution 18, *Permanent Fund Money for Funding Formula, CA, Sen. Nava* – to amend the New Mexico Constitution to provide a one-time distribution in FY 09 of \$500.0 million from the Land Grant Permanent Fund to implement the new Public School Funding Formula.

Projected Revenue (to fully implement new funding formula)

FY 09: \$500.0 million

2009 Legislative Session:

CS/House Bill 346, *Education Gross Receipts Surtax*, Rep. Stewart and Rep. Miera – to amend the *Gross Receipts and Compensating Tax Act* and *Tax Administration Act* to add an “education surtax” of 0.75 to the state Gross Receipts Tax and state Compensating Tax, including both tangible property and services; require that the net receipts attributable to the education surtax be distributed to the Public School Fund; and appropriate the first \$600,000 of the revenue raised from the education surtax to the Public Education Department for costs associated with preparing for the implementation of the proposed public school funding formula.

Projected Revenue (first \$600,000 to PED; remainder to Public School Fund)

FY 10: \$389.2 million
FY 11: \$401.7 million
FY 12: \$420.2 million
FY 13: \$438.3 million

Senate Bill 389, *Corporate Tax to Public School Fund*, Sen. Wirth – to amend the *Corporate Income and Franchise Tax Act* to mandate combined reporting and eliminate consolidated corporate income tax returns; and to amend the *Tax Administration Act* to require that 16.66 percent of the net receipts attributable the Corporate Income Tax be distributed to the Public School Fund.

Projected Revenue (to Public School Fund)

FY 10: \$81.1 million
FY 11: \$59.9 million
FY 12: \$64.6 million
FY 13: \$70.9 million

Senate Bill 412, *Education Gross Receipts Surtax*, Sen. Nava – to amend the *Gross Receipts and Compensating Tax Act* and the *Tax Administration Act* to add an “education surtax” of 0.75 percent to both the state Gross Receipts Tax and the statewide Compensating Tax; and require that the net receipts attributable to the education surtax be distributed to the Public School Fund.

Projected Revenue from net receipts (to Public School Fund)

FY 10: \$391.9 million
FY 11: \$404.3 million
FY 12: \$421.3 million
FY 13: \$439.1 million

LESC OUTREACH TO SCHOOL DISTRICTS AND CHARTER SCHOOLS

Although the legislation that would have created the proposed funding formula did not pass during the 2008 legislative session, the LESC remained in support of the new funding formula and developed its 2008 interim workplan around testimony addressing the effects of the proposed funding formula. The LESC invited all 89 school districts and a representative sample of 14 charter schools to work with the committee to examine the potential impact on school programs and student achievement if the public school funding formula proposed during the 2008 session were implemented with the additional funds necessary to reach sufficiency. In order to facilitate this effort, the districts were grouped according to 2007-2008 funded membership, representing the large, medium, and small districts in their geographic areas. Prior to each meeting, the districts and charter schools scheduled to present were sent a memorandum that included a set of questions jointly developed by LESC staff and the Secretary of Public Education; the discussions between the LESC and the districts and charter schools centered on those questions.

School District Responses

All 89 school districts provided written or oral testimony or both regarding the proposed public school funding formula. In almost all cases – except Los Alamos Public Schools, Mosquero Municipal Schools, and Pecos Independent Schools – school districts would receive more funding under the proposed formula than under the new one. Testimony from the school districts focused on their planned uses of these funds.

Overall, school districts of all sizes shared many of the same plans and concerns. Regarding school programs and student services, school districts identified such priorities as hiring additional instructional coaches, particularly in math and reading; providing high-quality, targeted professional development; extending the school day or year; enhancing services for gifted students and services in bilingual education or English as a second language; providing after-school programs; and adding nurses, counselors, social workers, or other instructional support personnel. Another frequent priority was to enhance the Response to Intervention program, an approach to instruction prescribed by PED rule to address the academic and behavioral needs of all students in a timely fashion.

Common ground also emerged under such points as the use of the EPSS as an accountability tool and sources of revenue to support the proposed formula:

- EPSS - the proposed funding formula uses the EPSS to ensure that districts provide a sufficient educational program for all students; and most districts agreed that the EPSS could serve that purpose, perhaps with some minor modifications.
- Revenue - most districts stated that their communities would support a 1.0 percent increase in the Gross Receipts Tax if there were assurances that the revenue would be used exclusively to support the sufficiency funding needed to implement the proposed funding formula.

Another recurring theme throughout the testimony about the proposed funding formula was its effect on gifted education. Whereas current state law defines gifted education as a component of special education, the proposed funding formula defines special education according to the federal *Individuals with Disabilities Education Improvement Act of 2004* (IDEA), which excludes gifted education. However, the proposed formula would require school districts and charter schools to offer educational programming for “gifted education, advanced placement and honors programs.” Nevertheless, the stated intentions of the district superintendents to enhance gifted education notwithstanding, at several of the hearings during the interim and through responses to an LESC survey, various advocates for gifted education objected to the absence of a specific provision in the proposed formula, fearing that services and programs for gifted students would be either ignored or under-funded. This issue approached resolution toward the end of the interim, when advocates and committee members generally agreed to amend the bill to require an educational plan for gifted students. HB 331a (2009) included such a provision.

Charter School Responses

Nine of the 14 charter schools that were invited to participate in the discussion with the LESC regarding the proposed funding formula did so. Unlike most school districts, a number of charter schools might lose substantial funding under the proposed formula. In fact, of the 58 charter schools for which the American Institutes for Research (AIR) was able to calculate a program cost using the proposed formula, 22 indicated a loss. However, testimony by the charter schools and discussions with the committee revealed that this reduction in revenue would be mitigated or eliminated altogether if better means were developed to assist charter schools in collecting and reporting poverty data derived from applications for the free and reduced-fee lunch program. With regard to the potential impact of the proposed funding formula on their operations, the charter schools that would receive stable or increased funding expressed a variety of needs similar to those identified by school districts.

COMPARING THE CURRENT FORMULA AND THE PROPOSED FORMULA

Both the current and the proposed funding formulas are based on the principle that the education of a child should not be dependent upon the wealth of the community in which that child lives. Therefore, both formulas provide a means of distributing dollars equitably, although the equity of both formulas depends on the use of accurate data. PED and the school districts share the responsibility for ensuring that data submitted through the department's Student Teacher Accountability Reporting System (STARS) are correct.

The current formula (see Attachment 4 for a side-by-side comparison of the current and proposed funding formulas) establishes the educational need of each school district based on the number of students participating in legislatively mandated programs and the cost differentials assigned to these programs. The current formula also determines a district's program cost by multiplying the total number of program units by the unit value. The Secretary of Public Education establishes the unit value each year based on that year's program cost divided by the total statewide program units.

The proposed funding formula does not begin with the calculation of units but with the base per-student cost, which is defined as the sufficient per-student cost for the average-sized district (3,532 students) with average shares of K-5, 6-8, and 9-12 enrollment (44 percent, 23.4 percent, and 32.5 percent, respectively) and no additional student needs (poverty, English language learners, special education, or mobility). Once the base per-student cost has been determined, it is then multiplied by a series of cost factors – among them the following four measures of student need:

- poverty, which is measured by the percentage of qualified students in a school who qualified for free or reduced-price lunch as of September 30 of the prior school year;
- English language learners, which is measured by the percentage of qualified students designated as English language learners based on a department-approved English language proficiency assessment;
- special education, which, for school districts, is measured by 16 percent¹ of the total number of qualified students; and which, for charter schools, is measured by the percentage of qualified students required by the federal *Individuals with Disabilities Education Improvement Act of 2004* (IDEA) to have an individualized education program for the delivery of special education, including developmentally disabled three- and four-year-old students; and

¹ The 16 percent special education census-based rate for school districts in the proposed formula is the 2006-2007 statewide average identification rate of students who are required by the federal IDEA to have an individualized education program. Because gifted students are not included in the federal definition of special education, they are not included in the 16 percent. However, the proposed funding formula does require that school districts and charter schools offer programs for students identified as gifted. Funding for these programs is included in the sufficient per-student cost.

- mobility, which is the district-level student-weighted average percentage of total enrollment that entered or left the school over the school year.

The remaining cost factors that determine the sufficient per-student cost for a school district or charter school are:

- the percentage of the district's or charter school's students enrolled in grades 6-8;
- the percentage of the district's or charter school's students enrolled in grades 9-12;
- the scale of operations, which is based on the total enrollment of the district or charter school; and
- the weighted (adjusted) Index of Staff Qualifications (ISQ). Although the Training and Experience Index (T&E) and the ISQ calculations include the same instructional personnel, there are several important differences:
 - in addition to training and experience, the ISQ recognizes the three-tiered licensure levels for teachers;
 - although both indexes start at 1.00, the value of 1.00 in the ISQ corresponds to the average, not the lowest, personnel compensation levels; and
 - although the T&E is applied to all costs associated with programs, the ISQ is adjusted to reflect only that proportion of a district's or charter school's expenditures that is used for salaries and benefits.

All eight cost factors are multiplied together and then multiplied by the base per-student amount to determine the sufficient per-student amount for each school district and charter school. To determine total sufficient program cost² for each school district and charter school, the sufficient per-student program cost is multiplied by the district's or charter school's total enrollment. For other than growth districts, total enrollment is the average of the prior year's December and February enrollments. For a growth district (a district that has a higher current year than prior year October enrollment), total enrollment is the higher of the current year October enrollment or the average of the prior year December and February enrollments.

Another difference between the two formulas is that the proposed formula provides two means of calculating sufficient per-student cost: one for school districts and another for charter schools. The formula calculations differ only with regard to two items: base per-student cost, which is higher for charter schools than for school districts; and the manner in which special education is measured (for school districts, as noted above, the formula uses a census-based figure of 16 percent; for charter schools, the adjustment is based on the actual percentage of students receiving special education services).

² According to the Funding Formula Study Task Force, the total sufficient program cost should include enough resources to support "a comprehensive instructional program that includes the...core academic programs"; bilingual and multicultural education, including culturally relevant learning environments, educational opportunities, and culturally relevant instructional materials; health and wellness, including physical education, athletics, nutrition, and health education; career-technical education; visual and performing arts and music; gifted education, advanced placement, and honors programs; special education; and distance education.

State Equalization Guarantee Computation

<u>Grade Level/Program Membership</u>		<u>Times</u>	<u>Cost Differential = Units</u>	S U M M E R I S
Kindergarten & 3- and 4-Year-Old DD	FTE	×	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	×	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	×	0.50	
<u>Fine Arts Education</u>				
	FTE	×	0.05	
<u>Elementary Physical Education</u>				
	FTE	×	0.06	

= TOTAL PROGRAM UNITS

T&E INDEX MULTIPLIER → Times Value from 1.000 – 1.500

= ADJUSTED PROGRAM UNITS

Plus

D-Level NPTC Special Education Units
 Size Units (Elementary/Junior High; Senior High;
 District; Rural Isolation)
 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

= TOTAL UNITS

Plus Save Harmless Units

= GRAND TOTAL UNITS

Grand Total Units × Unit Value = Program Cost

– 75% Noncategorical Revenue Credits

– Excess Cash Balance

– Utility Conservation Program Contract Payments

– 90% of the Certified Amount (*Energy Efficiency and Renewable Energy Bonding Act*)

= STATE EQUALIZATION GUARANTEE

Proposed Funding Formula

Base Per-Student Cost

- × Poverty Adjustment (Free and Reduced Lunch)
- × English Learner Adjustment
- × Special Education Adjustment (Census-based)
- × Mobility Adjustment
- × Share 6-8 Enrollment Adjustment
- × Share 9-12 Enrollment Adjustment
- × Scale (Total District Enrollment) Adjustment
- × Adjusted Index of Staff Qualifications (Not less than 1.000)

= Sufficient Per-Student Cost

Sufficient Per-Student Cost × Total District Enrollment = Sufficient Total Program Cost