

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: HB 228

50th Legislature, 2nd Session, 2012

Tracking Number: .188718.2

Short Title: New Public School Funding Formula

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Bill Summary:

HB 228 amends various sections of the *Public School Code*, including portions of the *Public School Finance Act* and the *Charter Schools Act*, to:

- create a new public school funding formula;
- establish a maximum age for all public school students; and
- require legislative approval of new charter schools.

The following is a section-by-section analysis of HB 228:

Section 1: 2012 Funding Formula—Findings and Purpose (pp. 1-4)

Section 1 provides a description of and the rationale for the new formula, including the specific cost factors:

To begin, the Legislature finds that the state, school districts, and charter schools would be better served by a new, simplified funding formula:

- that is based on student need, grade composition, and scale of operations for school districts and charter schools; and
- that avoids unnecessary complexity, preserves equity among school districts, minimizes incentives to pursue funding not directly linked to student needs, and more precisely measures student need and scale.

The Legislature further finds that the new formula better measures and addresses such cost factors as poverty, English language learners, special education, student mobility, grade-level enrollment, and relative economies of scale, as measured by total district or charter school enrollment.

The final legislative finding is that the new formula better meets the requirements of the federal *No Child Left Behind Act of 2001* and the *Individuals with Disabilities Education Act* (IDEA) that states employ highly qualified teachers by replacing the training and experience index with an index of staff qualifications that covers the personnel costs of increased academic credentials and experience.

Section 2: Definitions (as used in the *Public School Finance Act*) (pp. 4-6)

Section 2 repeals and reenacts Section 22-8-2 NMSA 1978, which includes definitions of terms specific to public school finance. (The *Public School Finance Act* is part of the *Public School Code*.) Some definitions that are no longer needed, such as “program unit,” have been eliminated; and other terms, most of which pertain to the new formula and which are used in the calculation of program cost and the State Equalization Guarantee (SEG), have been added.

Those definitions that specifically pertain to the new formula are:

- “adjusted per-student cost” means the base per-student cost multiplied by the applicable formula adjustments;
- “base per-student cost” means the reference value cost of providing an educational program to a qualified student attending the average size district with the average composition of enrollment across grade ranges kindergarten through five, six through eight and nine through twelve and with no formula adjustments applied;
- “cost factor” means a measure of student need, grade level composition, scale of operations or staff qualifications;
- “cost factor demographic data” means a school district’s or charter school’s student-need data pertaining to poverty, English language learners, special education, and mobility;
- “enrollment” means the number of qualified students on the current roll of a class or public school on a specified day;
- “formula adjustment” means a component of the funding formula that accounts for a differential cost associated with a cost factor;
- “growth” means that a school district’s or charter school’s current-year October total enrollment is greater than its prior-year October total enrollment;
- “mobility rate” means the district-level student-weighted average percentage of total enrollment that entered or left the school over the school year;
- “total enrollment” means the number of qualified students on a school’s or charter school’s roll on a specified day in all grade levels and in programs for three- and four-year-old developmentally disabled qualified students; and
- “total program cost” means the adjusted per-student cost multiplied by the number of students in a school district or charter school.

Although a definition of “mobility rate” is included among the additional definitions in Section 2, the other three components of “cost factor demographic data” are not expressly defined in this section; however, they are included in Section 9.

Current statute permits an individual above the age of 21, who is not receiving special education services, to be regularly enrolled in a public school so long as the individual has not yet graduated from high school. Section 2 amends the definition of a “qualified student” to set a maximum age of 21 for all students enrolled in a public school.

Section 3: Establishment of Enrollment (p. 7)

For purposes of establishing “enrollment,” the substantive language for the definition of “membership” in the *Public School Finance Act* has been placed in this section. The methodology for calculating total enrollment remains the same.

Section 4: Budgets—Submission—Failure to Submit—Disapproval (pp. 7-9)

Section 4:

- specifies that the Public Education Department (PED) must not approve an operating budget that “is not aligned with the school district’s approved educational plan and, beginning with the 2013-2014 school year, performance measures pursuant to the Accountability in Government Act”; and
- removes the requirement that the individual proposed operating budgets for district-chartered charter schools be included with the district’s submission.

Section 5: Charter School Budgets (pp. 9-10)

This section repeals and reenacts Section 22-8-6.1 NMSA 1978 to clarify that both district-chartered and state-chartered charter schools are subject to the same budget submission procedures. Current statute directs district-chartered charter schools to submit their budgets to the local school board; the local board is directed to submit the charter school’s budget along with the district’s budget to PED. Section 5 requires the district-chartered charter school to submit its budget to the local board and to PED at the same time.

Section 5 also requires that, beginning with the 2013-2014 school year, all charter schools submit performance-based budgets that comply with the requirements of the *Accountability in Government Act*.

Section 6: Budgets—Approval of Operating Budget (pp. 11-12)

Section 6 reiterates that PED must not approve and certify a school district or charter school budget that “does not align with the educational plan and, beginning with the operating budget for the 2013-2014 school year, the performance measures pursuant to the Accountability in Government Act.”

Section 7: Adjusted Per-Student Cost Projections and Budget Requests (pp. 12-14)

Section 7 changes membership to enrollment by grade level and amends statute to add “cost factor demographic data by grade level” to the list of data elements that school districts and charter schools must submit to PED in order to project the succeeding fiscal year’s budget and to calculate total program cost.

Section 8: Total Program Cost Determination—Required Information (p. 14)

Section 8 changes the term “program cost” to “total program cost” to correspond with the definition in Section 2.

Section 9: Projected Adjusted Per-Student Cost Calculation for School Districts and Charter Schools—Local Responsibility (pp.14-19)

Section 9 establishes the new public school funding formula. The calculation begins with the base per-student cost, which is defined in Section 2 as the reference value cost of providing an educational program to a qualified student attending the average-sized district with average shares of K-5, 6-8, and 9-12 enrollment and no additional student needs.

Once the base per-student cost has been determined, it is then multiplied by a series of cost factors to arrive at the adjusted per-student cost.

Section 9 includes two formulas used to calculate adjusted per-student cost, one for school districts (Subsection C) and one for charter schools (Subsection D). The two formulas differ only with regard to scale; that is, the charter school formula recognizes that a single charter school does not have the complexity of a school district (see Attachment).

To determine total program cost for each school district and charter school, the adjusted 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.

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

- 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 percent of the number of qualified students; and which, for charter schools, is measured by the actual percentage of qualified students who are required by the federal IDEA to have an individualized education program for the delivery of special education, including developmentally disabled three- and four-year-old qualified students; and
- mobility.

Other factors used in the calculation are:

- the percent of the district's or charter school's students enrolled in grades 6-8;
- the percent of the district's or charter school's students enrolled in grades 9-12; and
- the weighted Index of Staff Qualifications (see Section 10, below).

In outline form, the new public school funding formula may be represented as follows:

$$\begin{aligned} & \text{Base Per-Student Cost} \\ & \quad \times \text{Poverty Adjustment} \\ & \quad \times \text{English Learner Adjustment} \\ & \quad \times \text{Special Education Adjustment} \\ & \quad \times \text{Mobility Adjustment} \\ & \quad \times \text{Share 6-8 Enrollment Adjustment} \\ & \quad \times \text{Share 9-12 Enrollment Adjustment} \\ & \quad \times \text{Enrollment (Size) Adjustment} \\ & \quad \times \text{Weighted Index of Staff Qualifications} \\ & = \text{Adjusted Per-Student Cost} \end{aligned}$$

$$\text{Adjusted Per-Student Cost} \times \text{Total District Enrollment} = \text{Total Program Cost}$$

Section 10: Index of Staff Qualifications (pp. 19-22)

Section 10 replaces the current Training and Experience (T&E) matrix and index calculation with the Index of Staff Qualifications (ISQ). However, unlike the T&E which includes both classroom teachers and instructional support staff, the ISQ is restricted to classroom teachers only.

On the surface, the T&E and the ISQ appear similar: both are calculated in basically the same manner and both default to 1.0 if the actual calculation is less than 1.0. However, the differences are significant:

- First, the default “1.0” does not represent the same thing. With regard to the T&E, 1.0 represents the base level of funding, indicating an instructional staff with minimal experience and/or training. However, the value of 1.0 in the new ISQ corresponds to the average compensation levels used in the school prototypes developed by the Professional Judgment Panels and the Project Advisory Panel to develop the sufficiency cost estimates. Because the average educator in New Mexico has approximately 11 years of experience and a master’s degree, the American Institutes for Research (AIR) research team recalibrated the ISQ around this category. As a result, an ISQ of 1.0 corresponds to a T&E Index of 1.15.
- Second, the T&E Index is used as a multiplier to increase units, and, as such, is not directly tied to personnel costs. In contrast, the ISQ is directly tied to personnel costs because it is used to adjust the base per-student cost in proportion to the percentage of the school district’s or charter school’s budget that is expended for the salaries and benefits attributable to the individuals included in the calculation of the ISQ.

Section 11: State Equalization Guarantee Distribution—Definitions—Determination of Amount (pp. 22-25)

Although the calculation remains basically the same, Section 11 amends the provisions of the *Public School Finance Act* to simplify the language prescribing the manner in which PED determines the amount of the SEG distribution.

To determine the amount of the SEG distribution, PED must determine the total program cost for each school district and charter school and subtract:

- the local and federal revenue (the credits);
- the total amount of guaranteed energy savings contract payments that PED determines will be made to the school district from the Public School Utility Conservation Fund for the year for which the SEG distribution is being computed; and
- 90 percent of the amount certified for the district by PED pursuant to the *Energy Efficiency and Renewable Bonding Energy Act*.

Although this section of the bill includes both federal and local credits in the calculation of SEG, the US Department of Education (USDE) will have to make a new determination regarding New Mexico’s status as an equalized state, because the new public school funding formula is different than the current funding formula.

Section 12: Special Education Catastrophic Aid Fund—Created—Distribution—Local Effort (pp. 25-26)

Section 12 establishes a contingency fund, the Special Education Catastrophic Aid Fund, from which districts can apply for money to help pay for the cost of educating high-cost special education students.¹

For the purposes of this section, “high-cost special education” is defined as the provision of special education and related services to a qualified student, the cost of which exceeds the established threshold amount above the base per-student cost.” PED will determine the threshold amount annually, based on the legislative appropriation.

Maintenance of the fund will require an annual appropriation by the Legislature for the specific purpose intended. HB 228 does not make an appropriation to this fund.

Money remaining in the fund at the end of the fiscal year will revert to the General Fund.

Section 13: New Public School Funding Formula Fund—General Fund Reserves (pp. 26-27)

Section 13 creates the non-reverting New Public School Funding Formula Fund and specifies that:

- the fund will consist of money from the separate account of the Appropriation Contingency Fund created in Section 12 of Chapter 114 of Laws 2004 (“Education Lock Box”) and any other appropriations made to the fund; and
- money appropriated to the fund will be used to hold school districts and charter schools harmless in the implementation of the proposed new public school funding formula in the 2013-2014 school year.

HB 228 appropriates \$40.0 million from the “Education Lock Box” in FY 13.

Section 14: New Charter Schools—Fiscal Impact Study—Legislative Approval for Funding Prior to Final Authorization (pp. 27-28)

Section 14 adds a new section to the *Charter Schools Act*:

- requiring the chartering authority to conduct a fiscal impact study before approving a new charter school;
- requiring that the fiscal impact study be reviewed and approved by PED; and
- specifying that a charter school cannot receive final authorization for establishment until the Legislature has approved categorical funding for the school.

¹ According to AIR, this type of contingency fund serves as an insurance provision to protect districts against extraordinarily high special education costs that may arise, especially for small districts. In its final report to the Public School Funding Formula Task Force, AIR reported that, as of school year 1999-2000, 31 states had contingency funds for high-cost students. To define what constitutes a high-cost student, most states establish a threshold per-pupil cost based on a multiple of the average costs of a regular education student. Other states, such as Kansas, reimburse expenditures over a base cost per student. Finally, the percentage of spending above this threshold covered by states varies from 65 to 80 percent.

Specifically, the section states:

After final authorization for establishment by the chartering authority and after the charter school's planning year, the legislature shall fund the charter school through categorical funding and the charter school shall not receive a state equalization guarantee distribution for its first year of operation.

Similarly, Sections 21-1-26.9, 21-13-4.1, 21-14-2.2, and 21-16-3.1 NMSA 1978 together prohibit the creation of any new public postsecondary educational institution, branch campus, off-campus instructional center, or technical and vocational institute branch campus or off-campus instructional center after January 1, 1998 unless "specifically created by the legislature." However, these sections do not address the question of how new postsecondary institutions created by the Legislature will be funded.

Current statute gives PED the duty to assess and evaluate public schools for accreditation purposes to determine, among other items, the "functional feasibility of public school and school district organization." In addition, PED rule states that:

Any change in a school district or charter school's organizational pattern, **including the establishment or closing of a school** [emphasis added], shall have the secretary's approval prior to implementation. Requests for change shall be submitted using the department's organization of grade levels and establishing/closing school waiver request form. This form shall include: name of superintendent; district/school; mailing address; phone; fax; email address; name of a secondary contact person including the same information; date of submission; local board policy requirement and approval, if required; date of board approval; statement of applicable district or charter school policy and rationale for request. The waiver request shall outline the expected educational benefits.

Funding the operational costs of a select category of new public schools outside the Public School Funding Formula may raise questions of unequal treatment.

Section 15: Distance Learning Students (pp. 28-29)

In order to comply with the "Anti-Donation Clause" (Article 9, Section 14) of the New Mexico constitution, Section 15 amends the *Cyber Academy Act* to specify that non-public schools must pay tuition for any of their students who participate in the Statewide Cyber Academy. Article 9, Section 14 states in part, "Neither the state nor any county, school district or municipality...shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person, association or public or private corporation...."

Section 15 also makes the following changes:

- the term "home school student" is changed to "home school school-age person"; and
- the reference to "unit value per curricular unit" is changed to "base per-student cost."

Section 16: Temporary Provision—Enrollment Reports—MEM—Statutory References
(pp. 29-30)

Section 16 states that all references in the *Public School Code* to the 40th, 80th, and 120th day memberships are to be construed as references to the total enrollments on the second Wednesdays in October, December, and February; and that, likewise, all references to MEM or membership are to enrollment. However, legislation passed by the 2011 Legislature changed the date for the December membership report to “December 1 or the first working day in December” (see “Technical Issues,” below).

Section 17: Appropriations (p. 30)

HB 228 includes two appropriations:

- \$40.0 million from the “Education Lock Box” to the New Public School Funding Formula Fund to hold school districts and charter schools harmless in the implementation of the proposed public school funding formula; and
- \$200,000 from the General Fund to PED for expenditure in FY 13 and FY 14 to plan and implement the proposed public school funding formula, including data collection and reporting.

Section 18: Repeal (p. 31)

Section 18 repeals the following sections of current statute:

- Section 22-8-3 NMSA 1978, which abolished the Office of Education at the Department of Finance and Administration when the responsibility for overseeing school district budget was moved by means of a constitutional amendment to PED;
- Section 22-8-7.1 NMSA 1978, which requires school districts with a membership greater than 30,000 (Albuquerque Public Schools) to do school-based budgeting. HB 228 requires all school districts to tie their budgets to their Educational Plan for Student Success (EPSS) and with performance measures developed in accordance with the *Accountability in Government Act*;
- Sections 22-8-19 and 22-8-20 through 22-8-23.8 NMSA 1978, which contain the formulas for calculating units included in the current funding formula; and
- Section 22-8-25.1 NMSA 1978, which includes the calculation for an additional per unit distribution from the Public School Fund that, according to PED, is no longer used.

Section 19: Effective Date (p. 31)

Section 19 provides effective dates for the provisions in the various sections of the act:

- July 1, 2012 for sections 1, 4 through 7, 13, 14 and 17; and
- July 1, 2013 for sections 2, 3, 8 through 12, 15, 16 and 18.

Fiscal Impact:

\$40.0 million is appropriated from the separate account of the Appropriation Contingency Fund dedicated for the purpose of implementing and maintaining educational reforms created in Section 12 of Chapter 114 of Laws 2004 to the New Public School Funding Formula Fund in

FY 13 to carry out the purposes of the fund. The fund is created in Section 13 as a non-reverting fund.

A written report provided by the Department of Finance and Administration to the House Education Committee indicates that approximately \$44.6 million remains in the Appropriation Contingency Fund “Education Lock Box.”

\$200,000 is appropriated from the General Fund to PED for expenditure in FY 13 and FY 14 to plan and implement the New Public School Funding Formula, including data collection and reporting. Unexpended or unencumbered funds remaining at the end of FY 14 revert to the General Fund.

The proposed public school funding formula in HB 228 has an effective date of July 1, 2013, meaning that it will be fully implemented for school year 2013-2014. The actual fiscal impact will be dependent upon the legislative appropriation for the SEG and whether the \$40.0 million appropriation in HB 228 to the New Public School Funding Formula Fund is sufficient to hold school districts and charter schools harmless during the first year of implementation.

Fiscal Issues:

In January 2009, AIR, the contractor for the funding formula study, provided an updated estimate of the additional cost of funding marginal sufficiency² and the first year of the three-year hold harmless provision for school districts and charter schools that may see their program cost reduced due to the new formula. This estimated additional cost was \$345.3 million.

Article XII, Section 1 of the Constitution of New Mexico states: “A uniform system of free public schools sufficient for the education of, and open to, all the children of school age in the state shall be established and maintained.” HB 228 removes all references to the concept of sufficiency from the proposed public school funding formula, which is, in most respects, identical to the formula developed by AIR.

HB 3, *as amended by the House Education Committee*, includes an appropriation of \$100,000 from the General Fund to the Legislative Council Service to update data from the 2007-2008 public school funding formula study.

In its analysis of a similar bill introduced during the 2009 legislative session (HB 331), the Attorney General’s Office noted the following:

It is unclear as to the effect the new public school formula established in this bill would have on New Mexico’s designation by the United States Secretary of Education as an “equalized” state, thereby allowing the New Mexico State Department of Education to “take credit” or reduce operational state funding to an impacted district by the amount of the Federal Impact Aid subsidy. That designation has been the subject of litigation against the United States Secretary of Education, which was ultimately decided by the United States Supreme Court on April 17, 2007 in favor of the Secretary, resulting in the continuation of New Mexico’s status as an “equalized” state. *Zuni Public School District No. 89 v. Department of Education*, 550 U.S. 81 (2007), Case No. 05-1508. Although the

² 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.

bill does require consultation with the United States Department of Education to ensure that the funding formula meets impact aid requirements, the bill does not appear to provide a contingency plan in the event that the Secretary of the United States Department of Education determines that the funding formula does not comply with impact aid requirements, and/or that the new formula could jeopardize New Mexico's status as an "equalized" state.

If the new funding formula becomes law, the state will have to apply to the USDE Impact Aid Office for a determination of whether the state can retain its status as an equalized state for the purpose of taking credit for operational Impact Aid funds. The USDE allows certain factors to be excluded from the calculation if the state can show that they are directly related to a verifiable special need. Section 1 helps make the state's argument for exclusion of the cost factors in the formula.

Technical Issues:

Section 16 directs that "references in the Public School Code to the eightieth day membership shall be deemed to be references to the total enrollment on the second Wednesday in December" (p. 30, lines 1-3). However, legislation passed by the 2011 Legislature amended the *Public School Finance Act* to designate "December 1 or the first working day in December" as the second membership reporting date.

The sponsor may wish to consider an amendment to strike "the second Wednesday in December" and insert in lieu thereof "December 1 or the first working day in December."

Substantive Issues:

In its analysis of HB 228, PED cites the following issues:

- Establishing 21 as the maximum age for determining who is a qualified student could have unintended consequences. New Mexicans who dropped out of school for any number of reasons and who are seeking to reenter an educational setting to improve their socioeconomic status often turn to charter schools. Some 16 charter schools provide educational and other services to the following students, many of whom are over the age of 22:
 - high school drop outs, including veterans who obtained a GED but are returning from military service to obtain a high school diploma;
 - students who need an alternative curriculum to programs offered by regular public schools where they were not successful in the first instance (e.g. Cesar Chavez Community Charter School);
 - students with mental health issues who need an alternative to the regular school setting (e.g. La Academia de Esperanza);
 - students who need a program where they can accelerate their curriculum to recover high school credits and close the educational gap as a result of missing school (e.g. SIA Tech);
 - adults who are incarcerated and who wish to obtain a high school diploma to create opportunities for a job on release (e.g. Gordon Bernell Charter School);
 - students who need vocational training (e.g. ACE Leadership High School);

- young parents who had to leave school for a period of time to raise children; and
 - at-risk students who need an individualized education program that will assist them to close the achievement gap.
- HB 228 continues to account for the credit taken against federal Impact Aid, the local 0.5 mill levy and forest reserve. Based on prior analyses of this formula, it is unlikely that this new formula would meet the disparity test required for the state to take credit for the basic federal impact aid payment to school districts unless the federal Impact Aid office would allow the state to exclude the special adjustments that modify the basic per student cost in the calculation. The Impact Aid credit is approximately \$50.0 million a year.
 - The final approval of a new charter school by the state Legislature may be a conflict with the Constitution of New Mexico, Article III, Section 1 which provides for the separation of powers. This bill would essentially permit the Legislature to deny authorization of charter schools.

Background:

During both the 2008 and 2009 legislative sessions, the Legislative Education Study Committee (LESC) endorsed legislation to enact a new public school funding formula based on a two-year study by the AIR. Had either of these bills passed, this funding formula would have moved the state from a formula based on multiple program factors to a formula with fewer factors that are based on indicators of student need. During the 2008 interim, the LESG heard testimony, both oral and written, from all school districts and a representative sample of charter schools on the potential impact on school programs and student achievement if the proposed formula were implemented with the additional funds necessary to reach sufficiency, as defined by the AIR study. During the 2009 interim, the LESG heard additional testimony on other aspects of the proposed formula.

Reviewing the issue and the testimony, LESG staff reported that the proposed formula, like the current funding formula, is 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. Both formulas provide a means of distributing dollars equitably, albeit differently:

- the current formula 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; and
- the proposed funding formula begins with the base per-student cost, which is multiplied by a series of cost factors, including four measures of student need: poverty, English language learners, special education, and mobility.

Testimony also addressed the proposed revenue sources for the new funding formula. On this point, LESG staff was joined by economists from the Taxation and Revenue Department, the Department of Finance and Administration, and the Legislative Finance Committee. Together, they discussed the prospects, advantages, and disadvantages of several sources that had been proposed in recent legislation, among them:

- increasing tax revenue by changing the way corporations made up of two integrated corporations file income taxes; and transferring 20 percent of corporate income tax revenue to the Public School Fund;
- ending the yield control on school mill levies;
- increasing the gross receipts and compensating tax;
- increasing school tax rates on oil and other liquid hydrocarbons; and
- amending the constitution to increase the annual distribution from the Land Grant Permanent Fund to 6.5 percent (from 5.0 percent).

The Secretary of Public Education testified about a pilot project to use the Educational Plan for Student Success (EPSS) as an accountability tool in conjunction with the proposed funding formula – an idea proposed by a subcommittee of the LESC. As a district-level, student-centered, long-range strategic plan to improve academic achievement and success for all students, the Secretary testified, the EPSS is implemented at the school level through site-specific school plans developed by each public school.

Finally, representatives of the New Mexico Business Roundtable for Educational Excellence and the Association of Commerce and Industry of New Mexico testified about the main concerns of the business community regarding the proposed funding formula:

- the identification of a sufficient and sustainable revenue source; and
- accountability measures to ensure that the public is comfortable with this use of taxpayer money.

Related Bills:

HB 229 *Public School Funding Formula Changes*

ATTACHMENT

| HB 228 Proposed Funding Formula School Districts | HB 228 Proposed Funding Formula Charter Schools |
|---|---|
| <p>Base Per-Student Cost = TBD*</p> <ul style="list-style-type: none"> × (Poverty Index)^{0.375} × (English Learner Index)^{0.094} × (Special Education Index: Census-based)^{1.723} × (Mobility Rate Index)^{0.190} × (Grade 6-8 Enrollment Index)^{0.291}/1.063 × (Grade 9-12 Enrollment Index)^{0.608}/1.187 × (Enrollment)^{-0.5750} × exp((ln(Enrollment))²)^{0.0287}/0.0619 × Weighted Index of Staff Qualifications (Not less than 1.000) <p>= Adjusted Per-Student Cost</p> <p>Adjusted Per-Student Cost × Total District Enrollment = <b style="text-align: right;">Total Program Cost</p> | <p>Base Per-Student Cost = TBD*</p> <ul style="list-style-type: none"> × (Poverty Index)^{0.375} × (English Learner Index)^{0.094} × (Special Education Index: Actual)^{1.723} × (Mobility Rate Index)^{0.190} × (Grade 6-8 Enrollment Index)^{0.291}/1.074 × (Grade 9-12 Enrollment Index)^{0.608}/1.241 × (Enrollment)^{-0.3071} × exp((ln(Enrollment))²)^{0.0122}/0.2881 × Weighted Index of Staff Qualifications (Not less than 1.000) <p>= Adjusted Per-Student Cost</p> <p>Adjusted Per-Student Cost × Total District Enrollment = <b style="text-align: right;">Total Program Cost</p> |

Pink denotes a difference between the two formulas.

In its final report to the Funding Formula Study Task Force, American Institutes for Research (AIR) explains the reason for the difference in size calculations as follows: "Because charter schools generally have enrollment levels that are far smaller than districts, the district-level formula adjustment for this cost factor is not applicable. Simply put, charter schools cannot be treated the same way districts are in analyzing the impact of scale. To address this difference, an additional regression procedure was run for charter schools that constrained all of the student need adjustments (i.e., for poverty, English learners, special education and mobility) and enrollment composition to be identical to those produced by the district-level equation, but estimated a different relationship between enrollment and sufficient per pupil cost."

Note: "exp" is the inverse of the natural log (ln). Natural logarithms are based on the constant e (2.71828182845904).

***In January 2009, AIR provided an updated cost estimate for implementing the funding formula proposed by the Funding Formula Study Task Force, including new base per student costs for both school districts and charter schools. The estimated 2008-2009 base per-student cost for a school district was \$5,202.82 and that for a charter school was \$7,038.11. It is important to note that there are several major differences between the proposed formula in HB 228 and that proposed by the Funding Formula Study Task Force. In particular, the calculation of the ISQ in HB 228 excludes instructional support providers, such as counselors and nurses, and neither the base per-student cost nor the adjusted per-student cost is based on the concept of providing "a sufficient education comprehensive enough to meet the needs of all students" as delineated in the 2007-2008 AIR study.**