

PAYING FOR PUBLIC SCHOOLS IN NEW MEXICO

October 2010

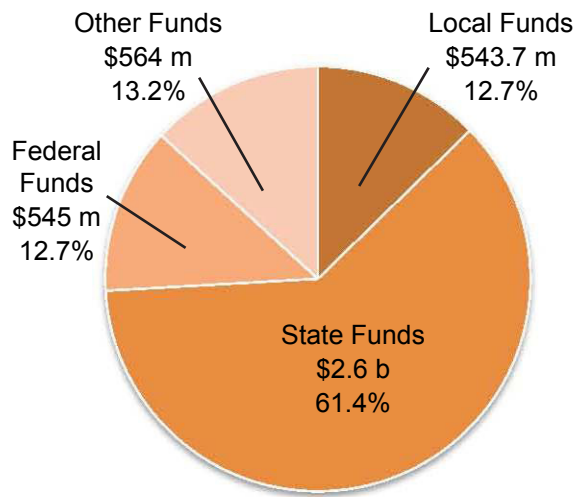
New Mexico’s method of paying for public schooling is much more centralized than in most other states. In New Mexico, the largest portion of funding comes from the state General Fund, which relies heavily on taxes from income and sales. Most states rely heavily on property taxes to fund their public schools. New Mexico also relies on a higher share of federal revenues than most states.

New Mexico’s \$4.2 billion in total expenditures for public schools for the 2008-09 school year included general operating costs, special projects such as Title I and schools lunches (Title I is a federal program that channels funding to schools serving a high poverty

population), capital projects, and debt service on borrowed funds. As Chart I: Expenditures by Source (below) shows, of the total expenditures for the state’s public schools only about 13 percent came from local government sources, which are typically property taxes. By far the largest proportion of public school support—about 62 percent of total expenditures—came from the state. The federal government plays a significant role in funding New Mexico public schools, paying for about 13 percent. The final 13 percent (‘other funds’) is mostly severance tax bonding for school construction.

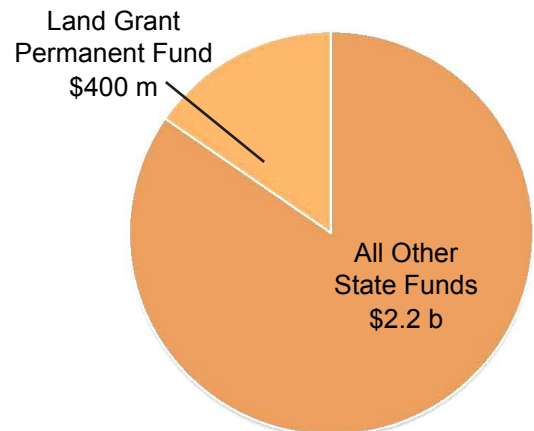
As Chart II: Land Grant Permanent Fund (below) shows, about \$400 million of the total state funding came from the Land Grant Permanent Fund.

**Chart I: Expenditures by Source (\$4.2 b)
(2008–09 school year)**



Source: New Mexico Public Education Department

**Chart II: Land Grant Permanent Fund
(2008–09 school year)**



Source: 2009 State Land Office Annual Report

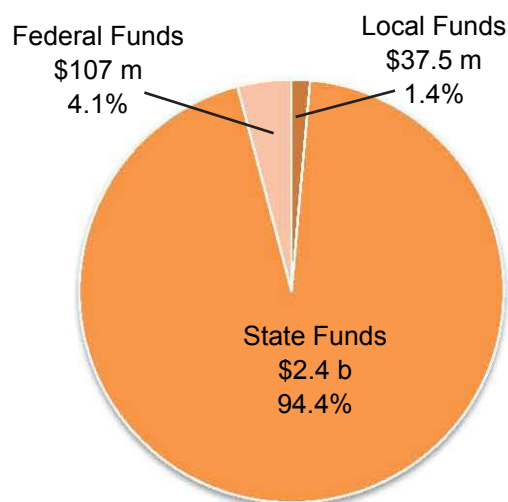
Most of New Mexico’s public school operating costs are paid for out of the state general fund. (See Chart III: Operational Expenditures, below.) Local funding sources pay for only 1 percent of operational costs, while federal funds cover about 4 percent. New Mexico public schools can face a squeeze in funding operational costs even when total federal funding is high. Operational expenditures accounted for about 61 percent of total school costs in school year 2008-09.

The federal government pays for almost 80 percent of the funding in the ‘special projects’ category, which includes a variety of outlays for restricted use. Federal Title I funds and schools lunches are two of the largest outlays in this category. This category accounted for just over 13 percent of total school spending in the 2008-09 school year.

Most capital projects costs are paid for out of the ‘other funds’ from Chart I. These include bonds backed by severance tax receipts. About a quarter of the costs of capital projects come from local government and the state funds about 10 percent. Capital outlay was about one fifth of the total spending in 2008-09.

Local funds pay for most (95 percent) of the debt service for borrowing for building costs. Debt services took up the final 6 percent of the funds in 2008-09.

**Chart III: Operational Expenditures (\$2.6 b)
(2008–09 school year)**



Source: New Mexico Public Education Department

The Fiscal Policy Project, a program of New Mexico Voices for Children, is made possible by grants from the Annie E. Casey Foundation, the McCune Charitable Foundation, and the W.K. Kellogg Foundation.

This report is available for download and use with proper citation at www.nmvoices.org/fiscalpolicyproject.htm