

LFC Requester:	Sunny Liu, LFC
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**AGENCY BILL ANALYSIS
2018 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

LFC@NMLEGIS.GOV

and

DFA@STATE.NM.US

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply: Date 02/08/18
Original **Amendment** **Bill No:** SB147sec
Correction **Substitute**

Sponsor: Senator Gay G. Kernan **Agency Code:** 924
Short Title: SCHOOL SIZE **Person Writing** Marian Rael
ADJUSTMENT PROGRAM **Email** marian.rael@state.nm
UNITS **Phone:** 827-6519

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	\$7,530.4	Recurring	General Fund (SEG)

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

SB 147 as amended seeks to change provisions of the public school funding formula. Specifically, SB 147 limits eligibility for size adjustment units to school districts with a MEM of less than 500, and to schools with a MEM of less than 400 that serve at least three grade levels and that are located in districts with a MEM of more than 500. Further, any elementary school eligible to receive funds located within one-half mile of another elementary school in the school district boundaries is required to have membership aggregated for eligibility determinations. Identical eligibility aggregation provisions exist for junior and senior high schools.

FISCAL IMPLICATIONS

SB 147 would cause an estimated decrease of 1,866.009 units, which would result in an estimated \$7,530,395 available in either program cost to be redistributed through the formula or reduced appropriations to the state equalization guarantee. This is because future appropriations would consider allowing state equalization guarantee (SEG) appropriations to stay flat and have the unit value would increase, or decrease the SEG appropriation would by the amount base units decline. SB 147 would eliminate some charter and school district elementary schools from eligibility for units from this section of the public school funding formula, colloquially termed small school size. The estimated impacts to charter schools and school districts are listed in an attachment.

SIGNIFICANT ISSUES

In recent years, some state stakeholders have said that the state should not be subsidizing schools right next door to each other or co-located in the same building. The small school size adjustment units make up a large portion of total SEG at many charter schools, and therefore a large proportionate share of the charter schools' budgets. PED's School Budget and Finance Analysis Bureau (SBFAB) staff have heard anecdotes from charter school head administrators and business officials that limiting access to these units would result in school closures.

SB 147, as amended, would be the first time the public school funding formula statute classifies schools by the grade levels served to make distinctions in funding. There are many school districts or charter schools in the state that have decided to organize themselves in a manner so as to limit grade levels per school for programmatic reasons: including early learning centers

serving Pre-K and Kindergarten grades, middle schools serving 7th and 8th grades and charter schools phasing in grades. There have even been entire school districts constructed such that each physical school consists of only one grade-level. SB 147 as amended would have negative financial consequences for schools that have less than three grade levels to meet programmatic needs.

SB 147 also disparately negatively impacts school districts that serve compact communities where schools are more closely grouped. The provisions of SB 147, as amended, only considers elementary schools in comparison to their location with other elementary schools. Therefore, the state will continue to allow elementary, middle and senior high schools that share the same campus facility to each generate small school size adjustment units. By contrast, SB 147 as amended could negatively impact both a charter school and traditional elementary school that are located across the street, even if the creation and location of either school was outside the local control of either the school district or charter school.

PERFORMANCE IMPLICATIONS

The provisions of SB 147, as amended, adds additional layers of complexity to a funding formula that is often criticized for being too complex. If SB147 as amended were enacted, PED cannot independently guarantee administration of the provisions with complete accuracy. Inserting geographic data analysis into the public school funding formula uses a data source outside of traditional PED membership or staff reports, and places the whole calculation of school funding at the mercy of the accuracy of the geographic data. If that data source (GIS) is not updated regularly, funding allocations could be developed inaccurately. If the database has performance issues, the process for developing Operating Budgets, SEG allotments and setting the unit value could be delayed past statutory deadlines.

ADMINISTRATIVE IMPLICATIONS

In order to model the impacts included in the attachment, PED partnered with staff from the Public School Facilities Authority (PSFA) as it does not currently have a Geographic Information System (GIS). To implement this provision, the PED SBFAB would need to develop its own GIS capacities as it has authority over the provisions of the Public School Finance Act. Previously, it was considered that we may partner with PSFA, but this is accompanied with jurisdiction concerns because PSFA is not authorized to administer the Public Schools Facilities Act. SB 147, as amended, would also require PED's SBFAB to train staff on how to collect and analyze data from a GIS system to determine eligibility for units. Previous versions of the bill resulted in two different calculations between analysts, which on its face should be evidence of the additional complexities that would need to be resolved prior to implementation. It is likely that many school districts or charter schools negatively impacted by this proposal would be bringing issues of location distances and geographical surveys of school sites into Operating Budget discussions, something PED currently does not have the capacity to adjudicate.

SB 147, as amended, does not carry an appropriation. When PED has to absorb costs of new mandates without additional resources, resources that are currently devoted to other PED activities need to be reallocated. SB 147, as amended, places the same importance to the administration of the public school funding formula on a GIS data source that does exist at PED as that placed on the STARS system that was developed over many years with multiple multi-million dollar appropriations. It is unclear how much implementing accurate GIS systems and

associated programming for funding purposes would cost, but is unlikely to be worth the amount of money that SB 147 as amended is seeking to redistribute or cut from the SEG.

The loss of the small school size adjustment to certain charter schools could be followed by litigation costs.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

SB 147 does not provide for how to apply its provisions to virtual schools. Under the current statute if there is no presence within school district boundaries, they may qualify for size adjustment units.

OTHER SUBSTANTIVE ISSUES

The data received from PSFA only included elementary schools. This indicates, perhaps inaccurately, that there are no middle schools or high schools located within one-half mile of each other.

The effective date of SB 147 is July 1, 2019 which conforms to the one year delay that PED requests for all funding formula changes. Allowing for a one-year delay gives the PED the ability to change the forms related to the Operating Budget development process and model impacts to the unit value. It also allows for the minimum amount of time to change and implement data collection, provided additional change to existing systems do not occur simultaneously. This is extremely important in bills that require PED to radically change long standing policies, procedures and forms or implement new technology like GIS.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS