

<b>LFC Requester:</b>	<b>Sunny Liu, LFC</b>
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**AGENCY BILL ANALYSIS  
2018 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:**

**[LFC@NMLEGIS.GOV](mailto:LFC@NMLEGIS.GOV)**

*and*

**[DFA@STATE.NM.US](mailto: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:*

**Original**     **Amendment**    \_\_\_\_\_  
**Correction**     **Substitute**    \_\_\_\_\_

**Date** 02/01/18  
**Bill No:** SB157

**Sponsor:** Sen. Howie Morales and Rep. Dennis Roch  
**Short Title:** PHASED-IN TEACHER COST INDEX

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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	FY19		
	\$22,541.4	Nonrecurring	GF

(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)**

	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: None known.  
Duplicates/Relates to Appropriation in the General Appropriation Act: State Equalization Guarantee. HB188 is a duplicate bill.

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

SB157 amends the public school funding formula in the following ways: (1) establishes a phased-in teacher cost index for FY20 through FY23 that is to replace the current Training and Experience (T&E) Index, (2) modifies the public school funding formula by using the T&E index as a multiplier for only basic program units, and (3) phases in increases to the at-risk index multiplier over 3 years. The bill incorporates an appropriation of \$22,541,400 to the state equalization guarantee in FY19 to offset the costs from the at-risk index multiplier increase. The effective date of the bill is July 1, 2018.

**FISCAL IMPLICATIONS**

Based on the provisions contained in the bill, one item in the public school funding formula would need to be modified for use in FY19. The at-risk multiplier is to be increased to 0.130 in FY19.

In FY20, two items in the public school funding formula would need to be modified. These are: (1) increase the at-risk multiplier to 0.140, and (2) use the new teacher cost index and matrix (with the current T&E index) as a multiplier for only basic program units.

Based on the FY18 Funded Run, the changes for FY19 would increase at-risk units by approximately 6,500. The total increase based on the current unit value would be approximately \$26.22 million; \$4 million more than the appropriation contained in the bill.

The attached spreadsheet shows the effect for FY19 where the at-risk multiplier is increased to 0.130 for each district and charter school.

The changes for FY20 will result in the units increasing by the new at-risk index multiplier but will be offset by the change to the staffing cost multiplier being moved in the formula to only be multiplied by basic program units. Using prior year data, it appears that moving the staff cost multiplier in this manner will result in a decrease of total statewide units by approximately 10,500 units.

## **SIGNIFICANT ISSUES**

There are ten sections to the bill. Each section is described in detail below.

**Section 1** adds definitions for the staffing cost multiplier and explains how it is to be phased-in in the following manner:

FY19- the staffing cost multiplier (SCM) will be equal to the T&E index.

FY20 –the SCM will be the weighted average of the T&E at 75% and the new teacher cost index (TCI) at 25%.

FY21 - the SCM will be the weighted average of the T&E at 50% and the new teacher cost index (TCI) at 50%.

FY22 - the SCM will be the weighted average of the T&E at 25% and the new teacher cost index (TCI) at 75%.

FY23 and subsequent years - the SCM will be the new teacher cost index (TCI).

**Section 2** adds language that modifies the Program Cost calculation for charter schools to clarify how the at-risk index and the staffing cost index is to be applied for new and existing charter schools.

**Section 3** modifies how the program cost is to be calculated by phasing-in/replacing the T&E with a staffing cost multiplier that is to be used only for basic units in FY20 and beyond.

**Section 4** modifies the at-risk index by phasing in increases to the multiplier used to determine the at-risk index for districts in the following manner:

FY19 – increases the multiplier to 0.130.

FY20 – increases the multiplier to 0.140.

FY21 and subsequent years - increases the multiplier to 0.150.

As the multiplier increases this could add a significant amount of statewide units over time.

**Section 5** adds new material that provides for a Teacher Cost Index (TCI) and associated calculation matrix that is to replace the T&E index in FY20.

The matrix used to determine the TCI is based on the three tier system and years of experience.

This section also provides that beginning in 2021, the PED, the LFC and LESC are to jointly gather data, conduct an analysis and submit a report by November 1 of each year to the Governor, the LESC and LFC which will contain the following info:

- (1) alignment of the weight of the matrix and their relationship to actual cost differences,

- (2) an analysis of data on relationships among teacher licensure level, educational attainment, years of experience and salary and,
- (3) any recommended changes to the TCI and to this section of the Public School Finance Act.

**Section 6** modifies that beginning in FY19, the SCM is to be used to calculate program cost and SEG.

**Section 7** provides a temporary safe harmless provision by having PED implement a program to maintain school districts' and charter schools' program costs in cases of reductions as a result of this act. This is to be done by using funds appropriated by the legislature. The bill also provides that the safe harmless is to be reduced over time in the following manner:

FY20 – 100% of the previous year program cost calculations (only in the case that the reduction occurred solely as a result of the implementation of this act).

FY21- 75% of the previous year program cost calculations (only in the case that the reduction occurred solely as a result of the implementation of this act).

FY22- 50% of the previous year program cost calculations (only in the case that the reduction occurred solely as a result of the implementation of this act).

In any year that the appropriation is insufficient to pay for the statewide safe harmless needed by this provision, the total appropriation will be prorated among the eligible school districts and charter schools.

It provides that a report must be made by the PED to the LFC and the LESC on program cost calculations for charters and districts where these calculations have resulted in decreases as a result of these changes contained in the legislation on or before February 1 of 2020 through 2022.

**Section 8** appropriates \$22,541,400 to the SEG for distribution during FY19 to offset the costs from the increase in the at-risk index multiplier. Any balance remaining at the end of FY19 must revert to the general fund.

**Section 9** repeals Section 22-8-46 NMSA 1978 which is the section of law that created the funding formula study task force.

**Section 10** provides that the effective date of the provisions of this act is to be July 1, 2018.

## **PERFORMANCE IMPLICATIONS**

## **ADMINISTRATIVE IMPLICATIONS**

The PED will need to make some administrative adjustments to accommodate the changes to the funding formula, like modifying worksheets used to compute the SEG, adapting the unit value calculation, and developing a system to collect data for the current T&E index and for calculating the new Teacher Cost Index.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HB188 is a duplicate bill.

Any modification to the public school funding formula will require a fiscal year to modify the existing data collection systems and worksheets before they can be fully implemented.

The bill relates to the State Equalization Guarantee (SEG) appropriation contained in the General Appropriations Act.

## **TECHNICAL ISSUES**

## **OTHER SUBSTANTIVE ISSUES**

## **ALTERNATIVES**

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The public school funding formula will remain as it is.

## **AMENDMENTS**