

<b>LFC Requester:</b>	<b>Sunny Liu</b>
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**AGENCY BILL ANALYSIS  
2019 REGULAR SESSION**

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

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

*and*

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*{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** 3/11/19  
**Bill No:** SB616

<b>Sponsor:</b> <u>Sen. Lopez</u>	<b>Agency Name and Code Number:</b> <u>924 PED</u>
<b>Short Title:</b> <u>AT-RISK SCHOOL FUNDING FOR CERTAIN SCHOOLS</u>	<b>Person Writing:</b> <u>Daniel Manzano</u>
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	Unknown	Unknown	Recurring	General Fund (PED)

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY19</b>	<b>FY20</b>	<b>FY21</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:  
Duplicates/Relates to Appropriation in the General Appropriation Act

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis: SB616 amends the Public School Finance Act to enable individual public schools to generate at-risk program units instead of current law which requires calculations to be performed at the school district level. SB 616 requires school districts to provide the amount of funding generated to the individual public school generating the units.

**FISCAL IMPLICATIONS**

SB 616 makes a change to current law to require separate at-risk index calculations for individual public schools. Currently, only school districts generate an at-risk index and charter schools use the at-risk index of the school district in which they are geographically located. This is due to the nature of the data that is required to be used for the poverty portion of the at-risk index; the percentage of student membership used to determine the Title I allocation (page 3 lines 2-3). For years, the U.S. Census Bureau has provided the PED with this information for school districts by U.S. census tract. As governmental entities with distinct geographic boundaries, school districts can have poverty metrics by U.S. census tract assigned to them. Since individual public schools do not have the same boundaries for enrollment that tie to school district census tract, and the Census Bureau does not provide this data by school district school zones, there is no school-level data for the percentage of membership used to determine a Title I allocation comparable to that for school districts.

Very recent advances in data sharing agreements with other state entities (direct certification) allows identification of children eligible for free and reduced lunch program (FRLP) funding by identifying children from families that apply for other benefits such as Medicaid or SNAP. As children enrolled in the FRLP may be eligible for Title I funding, this allows a school level calculation to be performed to distribute shares of funds to state-chartered charter schools. However, this distribution is dependent on comparing school-level percentages to the larger school district data set and making assumptions on the charter school's contribution to total poverty in the school district's aggregate geographic data. In other words, the school-level data analysis is nested and dependent on the U.S. Census Bureau's school district geographic census tract data. Therefore, calculating an at-risk index for individual public schools using the U.S. Census Bureau's percentage membership used to determine the Title I allocation is not possible.

Similarly, there are separate mobility formulas for both the school district and school site levels within the STARS database. As a separate unit of analysis, school districts may have different

mobility across all schools than the aggregate of different individual school sites that may have student populations flowing into and out of schools within the school district itself. PED cannot determine the impact of transitioning to individual school mobility calculations because of the limitations related to the poverty metric.

In order for PED to calculate a school-level at risk index, language in this section on page 3, line 2 would need to be changed to allow the PED to use data available at the school site; most likely free and reduced lunch program (FRLP) enrollment data. There are challenges to transitioning to a different data source. FRLP membership is a voluntary program based on participation and the percentage of membership used to determine Title I allocations is census tract, survey data and generally considered a more accurate reflection of children living in poverty in the area. FRLP enrollment accuracy as poverty metric is also questionable because the provisions of the National School Lunch Program allow for school-wide programs, skewing the percentage memberships high in schools that opt for these provisions (i.e. all students, 100 percent, are made eligible for FRLP). Additionally, transitioning the poverty and the mobility metrics in the at-risk index calculation will result in year-over-year swings in funding among school districts and charter schools and create winners and losers because there are large differences between the two poverty metrics and between the school district and school-site mobility metric on an entity by entity basis.

SB 616 essentially requires every school district in the state to use school-based budgeting as it will have to direct revenues generated from individual public school sites to those sites. Though common in larger school districts, the use of school-based budgeting is not uniform across the state and many smaller, rural school districts with one school at each grade level range will have a single school district level budget and financial operations. Recent requirements for reporting per-pupil expenditures under the federal ESSA law require expenditure tracking to these school sites, but contain limited requirements to track revenues to the school site.

## **SIGNIFICANT ISSUES**

## **PERFORMANCE IMPLICATIONS**

## **ADMINISTRATIVE IMPLICATIONS**

The PED cannot administer the provisions of SB 616 as written. There is no school-level calculation of the percentage of MEM used in the Title I allocation. Recent direct certification process has aided in increasing accuracy in distributions of Title I federal funds, but PED cannot calculate an individual school's percentage of membership for Title I allocations *using the same data and in the same manner* as the current process used for school district calculations; that is using the U.S. Census Bureau data set [*emphasis added*] versus direct certification on the basis of student nutrition's FRLP data.

Additionally, increasing the PED workload from calculating units on a school district by school district basis to one that requires separate calculations for every public school in the state will significantly hamper the ability to develop Operating Budgets, develop for the upcoming school year's unit value, or calculate an estimated SEG (910 B-5) for the upcoming year in a timely manner. There is no other school site calculation other than size units in the public school funding formula. The school size unit calculation can be automated and does not require manual calculation of three different data sets like is required for the at-risk index calculation.

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

### **TECHNICAL ISSUES**

As has been raised in other issues of the bill analysis, PED will not be able to comply with the provisions of SB 616.

### **OTHER SUBSTANTIVE ISSUES**

The PED recommends all funding formula changes have a delayed implementation of one fiscal year to ensure proper development and implementation. With increasing frequency, funding formula changes are being proposed and implemented that do not provide PED staff with the requisite time necessary to implement the new provisions, change required forms, train school district and PED staff and validate data collection methodologies. The PED cannot guarantee that the provisions of SB 616 can be implemented as written for FY20 given the short timeline for implementation.

Provisions of SB 616 do not specify how PED is to ensure school districts provide the amounts generated to the individual school sites generating the proposed at-risk units. Absent any specification, this would be operationalized via a school district or charter school certification form as PED has no legal oversight of school district school site funding allocations. As their own governmental entities, school districts and their local school boards make these decisions without review or approval by PED. PED has no ability to ensure individual public schools receive certain funding, and this will not change with the passage of SB 616.

### **ALTERNATIVES**

The sponsors may consider replacing the provisions requiring the at-risk index calculation be performed by the percentage of MEM used in its Title I allocation with language denoting another poverty metric that can be calculated at the school site level (notably FRLP status).

The sponsors may consider a memorial to study the financial impacts of transitioning from a school district-level calculation of mobility to the school-site mobility calculation.

If the concern is additional oversight of at-risk programs and related funding at school sites, the sponsors may consider amending or creating other sections of law outside of the Public School Finance Act related to Educational Plans for Student Success that require additional programmatic oversight, review and approval of at-risk programming at the district level by PED.

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

### **AMENDMENTS**