

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate

(Parenthesis () Indicate Expenditure Decreases)

Relates to SEG Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

HB138 would amend the Public School Finance Act to modify the calculation of fine arts education program units within the public school funding formula by increasing the cost differential multiplier to .054 for FY22.

The effective date for this bill would be July 1, 2021.

FISCAL IMPLICATIONS

As shown in Attachment 1, based on data from the first FY21 final funded run of the state equalization guarantee (SEG) distribution worksheet, this change to the fine arts cost differential multiplier will generate an additional 662.256 of Fine Arts Education Act program units.

Based on the current public school funding formula final unit value of \$4,565.41 for FY21, the amount needed to fund these additional units is \$3,023,470.16 (662.256 additional fine arts units X \$4,565.41 initial unit value = \$3,023,470.16). Overall SEG impacts by school district and charter school will vary based upon other fluctuations of units and membership within the statewide funding formula.

HB138 does not contain an appropriation, and if an appropriation is not made to the SEG to offset the increase in units, the preliminary unit value would be adjusted downward for the additional estimated units.

SIGNIFICANT ISSUES

The bill would modify the fine arts program cost differential multiplier from .050 to .054, thereby increasing fine arts program units generated throughout the state.

The movement of the T&E/TCI placement in the funding formula as a result of past legislation (2018's HB 188) has created some confusion regarding fine arts funding for school districts and charter schools throughout the state. Previous versions of the FAEA program plan application included information to school districts and charter schools regarding their FAEA funding by multiplying the school district or charter school training and experience index (T&E index) by the amount of FAEA units generated and thence the unit value to calculate program funding

amounts. Because the T&E/TCI index was placed higher in the funding formula, the relative weight of FAEA funding in the overall SEG calculation was reduced and reapplied elsewhere throughout the SEG base. When newer application forms removed the T&E/TCI multiplier, and program amounts were calculated without the applicable T&E/TCI multiplier, many fine arts stakeholders have raised concerns regarding the reduction in funding for FAEA programs.

Regardless of calculated program amounts in program plan applications, as one element of non-categorical funding within the yearly SEG distributions, the actual amount of FAEA funding has always been aggregated in the monthly SEG allotment and subject to local decision making regarding allotment among the different FAEA programs within the school district.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

PED may need to modify funding formula worksheets used to compute the state equalization guarantee for school districts and charter schools. The unit value calculation may also need to be modified to capture the impact of these additional changes to the funding formula.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The bill relates to the State Equalization Guarantee (SEG) appropriation contained in the General Appropriation Act - House Bill 2.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

Provisions of the Fine Arts Education Act (FAEA) (22-15D-4 NMSA 1978) require PED to review the goals and priorities of Fine Arts Education Act plans and make recommendations to the Secretary of Education – operationalized by approval of program plan applications. Provisions of the Public School Finance Act (22-8-23.5 NMSA 1978) limit FAEA unit generation to student membership (MEM) in programs implemented in accordance with the provisions of the Fine Arts Education Act, therefore, membership in approved programs. If a program plan application was denied in FY21 for existing programs, the estimated impact to the state could change.

Lastly, any modification to the public school funding formula normally requires 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 Appropriation Act.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None.

AMENDMENTS

None as of 2/11/2021.