

LFC Requester:	Liu
-----------------------	------------

**AGENCY BILL ANALYSIS
2023 REGULAR SESSION**

SECTION I: GENERAL INFORMATION

Check all that apply:

Original **Amendment**
Correction **Substitute**

Date Prepared: 02/15/23

Bill No: SB438

**Agency Name
and Code**

Number: PED - 924

Sponsor: Munoz

Person Writing Gregory Frostad

Short Title: LIMIT SCHOOL DISTRICT

ADMIN EXPENDITURES

Phone: (505) 470-5752 **Email:** gregory.frostad@ped.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
None	None	N/A	NFA

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25		
None	None	None	N/A	NFA

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	None	None	None	None	N/A	NFA

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Senate Bill 438 (SB438) amends the Public School Finance Act to limit the growth of administrative expenditures by certain school districts and charter schools. The bill defines administrative expenditures as function codes 2300, 2500, and 2900 – or support services – general administration, central services, and other support services, respectively.

Beginning in FY2024, SB438 would require the Public Education Department (PED) to reject the budget of any school district or charter school that budgets an increase in administrative expenditures above the lesser of (1) the percentage increase in consumer price index for the prior year, or (2) a percentage of the current year's budgeted administrative expenditures less than or equal to the percentage increase in program cost for the budgeted fiscal year compared with the current fiscal year. SB438 additionally states that PED may waive a year's limitation on growth of administrative expenditures for a school district or charter school in 'extraordinary circumstances' defined by rule of the department.

The bill also includes a temporary provision that requires PED and the Legislative Education Study Committee to convene a working group to study all state and federal reporting requirements to alleviate school district and public school administrative, teaching, and instructional support reporting burdens.

FISCAL IMPLICATIONS

SB438 does not contain an appropriation.

SIGNIFICANT ISSUES

The definition of administrative burden (as defined in PED's reports inventory) is:

- Required by law for fiscal or program review/compliance, but not maximally streamlined, reduced or automated.
- Not useful to school districts and charter schools (local education agencies, LEAs) or helpful to students.

The Public Education Department (PED) does not consider tasks to be an administrative burden if an LEA or LEA stakeholder would perform this task in the normal course of operations, if it is useful to school districts or charter schools, if it is helpful to students, or if it represents sound managerial or instructional practice, such as strategic planning, budgeting and financial reporting, conducting a needs assessment, or administering academic assessments, as long as the task, if required, is maximally streamlined.

A [reports inventory](#) conducted by PED identified that Local Education Agencies (LEAs) currently comply with 244 data collections and application narratives across 24 different bureaus annually. The reports inventory concluded:

- The total annual LEA time dedicated to completing these reports is 10,500 hours (or ~5 FTEs per LEA).
- An immediate 34 percent reduction can be achieved by the overall recommendations and with the implementation plan provided in the report.
- An additional 4 percent LEA administrative burden reduction can be achieved by: legislative action to change state statutes, and longer-term reductions.
- Going forward, PED bureaus should:
 - Use the Data Necessity Rubric and SOP (standard operating procedure) before requesting new data and reports
 - Conduct an annual administrative burden reduction survey
 - Establish a data governance council to provide strategic oversight of improvement efforts and the implementation plan

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

The Public Education Department (PED) would be tasked with oversight of the provisions contained within SB438, and with convening a working group with LESC to study all state and federal reporting requirements.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None.

TECHNICAL ISSUES

The bill requires that PED calculate the administrative expenditures for school districts and charter schools that have a student membership (MEM) greater than 2,000, yet the rest of the bill's provisions apparently apply to *all* school districts and charter schools, not just those with large MEM.

Subsection E of Section 1 of the bill makes an internal reference to a waiver provision in Subsection B waiver provision that is likely meant to apply to Subsection D. Similarly, Subsection E makes internal references to Subsection A that are likely meant for Subsection C.

OTHER SUBSTANTIVE ISSUES

In May 2022, Governor Michelle Lujan Grisham signed an executive order to reduce the administrative burden for teachers and school administrators by 25 percent by the start of the 2022-2023 school year. In September, PED released a [final report](#) on reducing administrative burdens, and completed an overhaul of reporting requirements, trimming 34 percent from administrative work required of school districts and charter schools across New Mexico, and cutting teacher paperwork by 41 percent. According to a [press release](#) from the Governor's office, the estimated 3,500 hours saved per year will allow each district or charter school to redirect the hourly equivalent of 1.7 full-time employees to more useful activities. At an average annual estimated salary of \$80,000 for administrators and teachers, this initiative allows a reallocation of \$136,000 per school district or state charter school from administrative work to time spent helping students and supporting school staff.

The 34 percent burden reduction will be made this school year through four strategies:

- Reduce duplicative data collection
- Streamline processes
- Improve data systems
- Sustain improvements through the establishment of a Data Governance Council that will oversee strategy implementation

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None.

AMENDMENTS

The sponsor may wish to consider amending the bill to correct mistaken internal references.