



LFC Requester: Estupiñan

**PUBLIC EDUCATION DEPARTMENT
BILL ANALYSIS
2025 REGULAR SESSION**

SECTION I: GENERAL INFORMATION

Check all that apply:

Original Amendment
Correction Substitute

Date Prepared: 01/30 /25
Bill No: HB63/aHEC/aHAFC

Agency Name and Code: PED - 924

Sponsor: Romero/Stewart

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Short Title: PUBLIC SCHOOL FUNDING
FORMULA CHANGES

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SECTION II: FISCAL IMPACT

(Parenthesis () Indicate Expenditure Decreases)

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
None	None	N/A	NFA

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
None	None	None	N/A	NFA

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$65,147.2	Undetermined	Undetermined	Undetermined	Nonrecurring	GF

Duplicates/Relates to Appropriation in the [General Appropriation Act](#): House Bill 2 as substituted by the House Appropriations and Finance Committee (HB2/sHFAC), the General Appropriation Act (GAA), includes \$56.5 million appropriated from the general fund to the Statewide Equalization Guarantee contingent upon enactment of HB63/aHEC/aHAFC. No additional hold harmless provision is in the current version of the GAA.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis of the HAFC amendment: The House Appropriations and Finance Committee amendment to HB63/aHEC (HB63/aHEC/aHAFC) removes the previous versions' cost differential increase for membership (MEM) in secondary grades generating basic program units in the Statewide Equalization Guarantee (SEG) formula. For students in grades 7 through 12, the cost differential would remain as it is currently at 1.25. The amendment would increase the cost differential for MEM in grade 6, only, from 1.045 to 1.1475.

HB63/aHEC/aHAFC strips the bill of its original appropriations, placing the appropriation to the SEG in the [GAA](#).

Synopsis of HEC amendment: The House Education Committee amendment to House Bill 63 (HB63/aHEC) addresses several of the original bill's technical issues:

- correcting the family income index definition;
- adding a provision for new charter schools' calculation of English Learner (EL) program units in their first, second, and third year of operation;
- refining parameters for the Public Education Department (PED) to calculate three-year average rates for at-risk and English learner program units;
- updating new language to be consistent with "school year" as used throughout Public School Code.

HB63/aHEC also preserves professional development as an allowable at-risk program service;

Original synopsis: House Bill 63 (HB63) would amend the [Public School Finance Act](#) to adjust the Statewide Equalization Guarantee (SEG) formula, which provides budget entities (school districts and charter schools) with the bulk of their operational revenue. The bill primarily would effect three changes:

- 1) increasing and expanding secondary-grade-level program unit calculations by adding sixth grade to the secondary grade span and increasing the cost differential factor from 1.25 to 1.30;
- 2) associating at-risk program cost projections with a student economic disadvantage factor only, eliminating the existing student mobility and English learner (EL) factors, and
- 3) adding a new EL-related program unit.

The bill contains a hold-harmless provision for the first fiscal year that affects some budget entities to prevent revenue loss due to these changes. The bill also provides for state-chartered charter schools to have their at-risk factor.

The bill is effective July 1, 2025. Pursuant to the Public School Finance Act, school district and charter school budgets are due for approval by the Public Education Department (PED) as early as April 15.

This bill is endorsed by the Legislative Education Study Committee (LESC).

FISCAL IMPLICATIONS

The bill does not contain an appropriation.

The [House Appropriations and Finance Committee Substitute for House Bill 2](#) would appropriate \$56.5 million from the general fund to the SEG distribution for expenditure in FY26 to cover the cost of SEG changes pursuant to the bill and contingent upon its passage.

The bill contains a provision for requesting supplemental funding from the legislature in on or before January 31, 2026, justifying its use for hold-harmless purposes in that fiscal year.

The table below shows HB63/aHEC/aHAFC’s proposed SEG formula changes and projected program cost by the PED, which are in close alignment with the amount of the related appropriation in HB2/sHAFC .

SEG Factor Change	Formula Difference Based on Current Unit Value	PED Estimated Change in SEG Program Cost
Increase from Grade 6 basic unit cost differential change from 1.045 to 1.1475	22,300 MEM x (1.1475 - 1.045) x \$6,553.75	\$14,980,234
Increase from new EL factor	55,830 MEM x 0.33 x \$6,553.75	\$120,746,437
Reduction from changes to at-risk program cost differential	Proposed: 114,695 MEM x 0.40 x \$6,553.75 = \$300,672.943 Current: 57,971 at-risk program units x \$6553.75 = \$379,927,441	- 79,254,498
	Hold-harmless provisions for FY26	\$8,675,000
Total fiscal impact of HB63/aHEC/aHAFC		\$65,147,173

Under these projections, all budget entities, including school districts and charter schools, would see a positive overall change in SEG program cost projections in FY26. After the expiration of hold-harmless provisions, however, the equitable distribution of at-risk funding introduced by HB63/aHEC/aHAFC may result in relative losses for 60 budget entities, based on LESC projections.

SIGNIFICANT ISSUES

HB63/aHEC/aHAFC has been endorsed by LESC for the 2025 session as the product of a study prompted by House Memorial 51 of 2023. An October 16, 2024, LESC staff presentation for the committee summarized the goals of the working group, convened with the intent to improve the responsiveness, accuracy, and adequacy of the formula’s methodology. The goals were to:

- identify existing challenges, strengths, and opportunities related to the SEG;
- identify what constitutes adequacy in the context of the SEG; and
- build consensus on whether the SEG is responsive to the current and evolving needs of all students.

PERFORMANCE IMPLICATIONS

The new EL component may incentivize the identification of and service for ELs. The new EL factor provided for in HB63/aHEC/aHAFC would generate revenue for schools based on the number of students who are either currently identified EL or who have exited EL status within the past two years, a period during which schools are to continue monitoring students' English language proficiency. Revising the EL component of the SEG [may incentivize budget entities](#) to develop programs to meet the educational needs of ELs in order to be eligible for these program units. This may result in better programs and improved student outcomes.

Ensuring that each charter school has adequate at-risk program funding based on an appropriate student indicator is likely to distribute resources more equitably to the districts and charter schools with the greatest need. This provision will decrease funding for those state-chartered charter schools that have fewer low-income students than the school districts in which the charter schools are physically located. This provision may improve educational programs and, ultimately, improve educational outcomes for students in poverty.

The removal of the mobility factor in the calculation of at-risk program units would ameliorate the spurious effect it has had on cost projections as part of the SEG formula. School districts and charter schools report enrollment events and withdrawals in a variety of ways, which does not lead to consistent data across the state. Mobility is also the most volatile of the at-risk factors. LESC staff made the point that removing the mobility factor may improve the overall accuracy of the program cost projections in operational budgets in an [October 16, 2024 presentation to the committee](#).

HB63/aHEC/aHAFC would provide for a more equitable distribution of at-risk funding to the local school districts and charter schools serving at-risk students representative of the populations served. In the first year of implementation, the hold harmless provision of HB63/aHEC/aHAFC would support charter schools accustomed to at-risk funding derived from the at-risk population of the school district within the geographic boundaries of which they are located, rather than on the count of at-risk students enrolled at the charter school. By LESC's projections, the hold-harmless provision would support 60 budget entities in FY26; however, as noted, the expiration of the hold-harmless provision may result in losses for 60 budget entities in subsequent fiscal years.

HB63/aHEC/aHAFC is likely to increase the number of identified EL students funded through the SEG. HB63a/HEC/aHAFC would add students who have exited EL status in the previous two academic years who are not part of the current at-risk calculation.

ADMINISTRATIVE IMPLICATIONS

Removing the mobility factor from SEG formulas reduces the administrative burden for PED, school districts, and charter schools. This [point also has been made by LESC staff](#) in their October 2024 presentation.

Provisions of HB63/aHEC/aHAFC maintain the role of the department in determining a district or charter school's eligibility for program units based on each program's compliance with law and rule, pursuant to [Section 22-8-11\(A\)\(2\) NMSA 1978](#). Department personnel and administrative processes are currently in place to determine eligibility for program units for at-risk and EL programs. Similar processes are in place for other SEG-funded programs,

such as Bilingual-multicultural and Fine Arts programs, which also have statutory eligibility requirements “to ensure that each program . . . meets the requirements of law and the department's rules and procedures” ([Section 22-8-11\(A\)\(2\) NMSA 1978](#)). Meeting the minimum requirements of HB63/aHEC/aHAFC will not increase the administrative burden on the department. PED staff would continue to rely primarily on program reports and plans from budget entities to determine eligibility. For a more thorough evaluation of programs, however, sufficient funding would be necessary to cover the cost of PED staff travel to support and monitor program quality throughout the state.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to:

- House Bill 200 (HB200) would establish additional program units in the SEG for licensed school employees who hold a bilingual endorsement or a Teaching English to Speakers of Other Languages (TESOL) endorsement.
- House Bill 223 (HB223) would increase the cost differential in the SEG for bilingual education by 0.1 each year for five years
- Senate Bill 130 (SB130) would establish a career technical education (CTE) program unit as part of the SEG formula for public school funding.

TECHNICAL ISSUES

HB63/aHEC/aHAFC introduces new material with provisions for an EL factor with eligibility criteria that are unclear, which may lead to conflicting interpretations between law and related rule if not clarified in an amendment. It is not clear in the bill what the term “identified services” means in Section 6. However, 6.29.5.11(D) NMAC requires prompt *identification* of ELs, which may lead to conflation with similar language in the bill, suggesting that eligibility is to be based on services for identifying ELs. However, the remaining language of the sentence in Section 6 defines “services” that “assist English learners to *attain English language proficiency* in a reasonable period of time.” PED recommends that the word, “identified” be stricken from Section 22-8-23.15(A) NMSA 1978, so that subsection would read, “A school district or charter school is eligible for additional program units if it establishes services to assist English learners to attain English language proficiency...” This would place the emphasis appropriately on services being used to help ELs *exit EL status* and achieve proficiency, rather than suggesting the emphasis be on the identification of ELs. PED further recommends that criteria for eligibility be aligned with federal requirements and state administrative law addressing identification, instruction, exit criteria, monitoring, and reclassifying ELs.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None.

AMENDMENTS

The sponsors may consider the following amendments to discourage conflicting interpretations of the language, simplify the SEG formulas, and reduce the administrative burden on state agencies:

1. To achieve a greater level of simplicity and transparency of calculations in the SEG in calculating the at-risk index factors and the EL factors each year, HB63/aHEC/aHAFC may be amended so that the calculations use the prior-year counts of eligible MEM for at-risk and EL factors. This would be a straightforward formula like the current methodology provided in law for bilingual-multicultural and fine arts programs. This recommendation removes the three-year average in the at-risk and EL formulas, basing those formulas instead on the prior year average of the second and third reporting period eligible MEM, establishing a consistent and predictable pattern throughout the SEG that may be more easily estimated by district and charter school staff and understood by the general public.
2. An amendment may more clearly state the criteria for districts and charter schools EL programs to be eligible for program units by striking the word "identified" from Section 22-8-23.15(A) NMSA 1978. Reference to federal law and state regulation for services from EL programs is recommended.