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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
53rd Legislature, 1st Session, 2017

Bill Number	<u>SB39</u>	Sponsor	<u>Morales</u>
Tracking Number	<u>.205007.2</u>	Committee Referrals	<u>SEC/SFC;HEC/HAFC</u>
Short Title	<u>“Current Year MEM” in School Code</u>		
Analyst	<u>Simon</u>	Original Date	<u>1/27/17</u>
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FOR THE LEGISLATIVE EDUCATION STUDY COMMITTEE

BILL SUMMARY

Synopsis of Bill

Senate Bill 39 (SB39) would clarify that student membership used to calculate a school district’s or charter school’s enrollment growth program units does not include any student membership used to calculate funding for new formula-based programs.

FISCAL IMPACT

The bill would eliminate the practice of counting the same student membership for both enrollment in new formula-based programs and for enrollment growth program units. Some charter schools may see less in formula funding than they otherwise would under the current practice.

SB39 does not contain an appropriation

SUBSTANTIVE ISSUES

Formula funding for most school districts and charter schools is calculated using average student enrollment on the second and third reporting date from the prior school year. There are two exceptions to the use of prior year data: enrollment in new formula-based programs and enrollment growth program units.

New Formula-Based Programs. Language historically present in the general appropriation act (GAA) allows the use of enrollment data from the first reporting date of the current school year for school districts or charter schools that are implementing a new educational program that would generate formula funding, such as a bilingual education or elementary fine arts program. If this language were not present, school districts and charter schools would have to fund the first year of any new program without receiving compensation from the state.

Enrollment Growth Program Units. Enrollment growth program units were created in 1991 and are a statutory part of the funding formula that compensates school districts and charter schools if they see an increase in student enrollment of more than 1 percent over the previous year. In order to qualify for enrollment growth program units, school districts or charter schools must increase its number of students by at least 1 percent over the previous year to receive 0.5 program units per student for growth of up to 1 percent and 1.5 program units per student for growth over 1 percent.

Double Counting Enrollment Growth. Since at least FY09, the Public Education Department (PED) has considered a charter school that is phasing in a new grade level to qualify for new formula-based program funding. In some cases, the phasing in of a new grade level has led to more than 1 percent growth in a charter school and the charter school has received both enrollment growth funding and new formula-based program funding for the same students, which was never intended by the Legislature.

SB39 clarifies that language included in the GAA is not intended to provide double-funding for enrollment growth and new formula-based programs. SB39 would require PED to subtract any student membership used to calculate funding for new formula-based programs from student enrollment on the first reporting day before determining eligibility for enrollment growth program units.

OTHER SIGNIFICANT ISSUES

For school districts and charter schools to generate funding using current year data, the Legislature must annually include the new formula-based program language in the GAA. Beginning in FY13, the Legislature expanded the new formula-based program language to include charter schools, conforming to PED's practice of allowing charter schools to generate this funding. The GAA of 2016 made the language for new formula-based programs contingent on the enactment of a bill similar to SB39; however, this contingency was vetoed by the governor. Because of the unintended interaction between enrollment growth and new formula-based programs, the House Appropriations and Finance Committee substitute for House Bill 2 does not contain language allowing school districts and charter schools to generate funding for new formula-based programs using current year enrollment.

RELATED BILLS

SB39 is related to Senate Bill 30 (SB30/aSEC), Establish & Study Teacher Cost Index, which proposes several changes to the funding formula. Section 4 of SB30/aSEC also subtracts student membership from the first reporting date of the current year that is used to calculate the school district's or charter school's program cost, but the language of SB30/aSEC varies from SB39.

SOURCES OF INFORMATION

- LESC Files

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