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

**Bill Number** CS/SB526/SIACS/aSEC    **Sponsor** SIAC

**Tracking Number** .208097.1    **Committee Referrals** SIAC/SEC/SFC

**Short Title** School District Size Adjustment Program Units

**Analyst** Simon    **Original Date** 3/9/17  
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**BILL SUMMARY**

Synopsis of SEC Amendment

The Senate Education Committee Amendment to Senate Indian and Cultural Affairs Committee Substitute for Senate Bill 526 (SB526/SIACS/aSEC) changed the effective date of the bill from July 1, 2017 to July 1, 2018.

Synopsis of Original Bill

Senate Indian and Cultural Affairs Committee Substitute for Senate Bill 526 (SB526/SIACS) would amend the Public School Finance Act to adjust the formula used to determine eligibility for rural isolation program units. SB526/SIACS would provide additional formula funding to school districts with more than 10 thousand students that have at least one large high school located within 20 miles of the central administrative office and at least five high schools located more than 20 miles from the central administrative office. As currently written SB526/SIACS would apply only to Gallup-McKinley County Schools (GMCS), which has historically been the only school district eligible for rural isolation units but has not received rural isolation units since FY11.

**FISCAL IMPACT**

SB526/SIACS/aSEC would make changes to the public school funding formula and would likely generate additional program units for one school district, Gallup-McKinley County Schools. Without additional appropriations to the state equalization guarantee (SEG) distribution, generating additional units would slightly dilute the unit value and have a fiscal impact on school districts and charter schools statewide.

To qualify for rural isolation units under SB526/SIACS/aSEC, a school district would need to have more than 10 thousand MEM, at least one high school with 500 students located less than 20 miles from the central administrative office of the school district, and at least five high schools located 20 or more miles from the central administrative office. As with the earlier rural isolation program units, GMCS is the only school district that qualifies to generate these program

units. SB526/SIACS/aSEC provides that school districts that meet the eligibility criteria will generate 0.085 program units for each student enrolled in a regular high school located 20 or more miles from the school district’s central office. Table 1 shows GMCS’s eight regular high schools, their approximate distance from the GMCS central office, and 40th day (October 2016) enrollment in FY17.

**TABLE 1: GMCS FY17 ENROLLMENT BY HIGH SCHOOL**

HIGH SCHOOL	MILES FROM CENTRAL OFFICE	FY17 ENROLLMENT
TSE'YI'GAI HIGH	67	113
NAVAJO PINE HIGH	32	140
CROWNPOINT HIGH	30	254
RAMAH HIGH	30	192
THOREAU HIGH	28	361
TOHATCHI HIGH	24	277
GALLUP HIGH	6	925
MIYAMURA HIGH SCHOOL	0	1170

Source: LESC analysis

Highlighted schools would be eligible to generate rural isolation units under SB526/SIACS

SB526/SIACS/aSEC would allow GMCS to generate additional program units based on enrollment in six high schools that are located more than 20 miles from the district’s central office. The mileage calculation is based on the approximate distance of the high school over land and does not reflect the driving distance between the high school and the school district’s central administrative office. SB526/SIACS/aSEC does not specify a method for measuring the distance between a high school and the school district’s central administrative office.

Total enrollment in these schools is 1,337 students. At 0.085 program units per student, GMCS would generate 113.6 program units. At the final FY17 unit value it is estimated that GMCS would generate \$452 thousand in FY18. If enrollment in these high schools continues to drop, GMCS would generate fewer rural isolation units but if enrollment in these schools were to begin to rise, GMCS would generate additional program units.

**SUBSTANTIVE ISSUES**

The Public School Finance Act currently allows school districts with over 10 thousand MEM with a ratio of MEM to senior high schools that are not eligible for size adjustment program units of less than 4,000-to-1 to generate additional program units. No school district has generated these units, commonly known as rural isolation program units, since FY11. Prior to that, GMCS was the only school district to generate these units. Because rural isolation units were only generated by high schools that were too large to qualify for size adjustment program units, declining enrollment in rural high schools led to a decrease in the number of high schools eligible for rural isolation units.

The Public Education Department has calculated rural isolation units as follows:

$$Rural\ Isolation\ Units = \left[ 4000 - \left( \frac{MEM}{\#\ of\ High\ Schools} \right) \right] * 0.5$$

As the ratio of total school district membership to number of high schools not generating size adjustment program units falls below 4,000-to-1, school districts receive additional units. So a school district with a ratio of 3,999-to-1 would generate one-half of a program unit. Because of this equation, the number of high schools that do not receive senior high size adjustment program units is key to generating rural isolation program units. In FY17 GMCS had a total MEM of 11,107 and two regular high schools that did not qualify for senior high size adjustment units, a

ratio of 5,554-to-1, larger than the 4,000-to-1 ratio that would allow the school district to qualify for rural isolation units.

In FY11 and earlier, GMCS generated both size adjustment program units for senior high schools and rural isolation units. As the number of schools eligible to generate senior high size adjustment increased from four to six, GMCS became ineligible for rural isolation program units. Table 2 illustrates the historical relationship between senior high size adjustment units and rural isolation program units.

**TABLE 2: GMCS SIZE ADJUSTMENT GENERATED BY HIGH SCHOOLS**

FISCAL YEAR	SENIOR SIZE SCHOOLS	SENIOR SIZE UNITS	RURAL ISOLATION SCHOOLS	RURAL ISOLATION UNITS	SENIOR SIZE & ISOLATION UNITS
FY08	4	474.7	4	459.9	934.6
FY09	4	484.6	4	488.8	973.5
FY10	4	452.0	4	501.0	953.0
FY11	5	522.2	3	29.2	551.4
FY12	6	632.3	2	0.0	632.3
FY13	6	742.0	2	0.0	742.0
FY14	6	772.0	2	0.0	772.0
FY15	6	828.0	2	0.0	828.0
FY16	6	864.9	2	0.0	864.9
FY17	6	840.8	2	0.0	840.8

Source: LESC analysis

As Table 2 shows, as GMCS became ineligible for rural isolation program units, the number of senior high size adjustment units the school district received increased by 77 percent between FY08 and FY17. This increase in senior high size adjustment units offsets a portion of the lost rural isolation units. In 2011, Senate Memorial 70 requested the LESC to study funding formula calculations for small school size adjustment and rural isolation units. The study found:

*“Any decrease in funding that results from a reduction in the number of rural isolation units is partially offset by an increase in the number of senior high units generated within the district.”*

Since the 2011 LESC study, the number of senior high size adjustment units generated by GMCS has continued to rise. Between FY08 and FY10, GMCS generated an average of 953.7 program units from the senior high size adjustment and rural isolation factors. In FY17, GMCS generated 840.8 senior size adjustment units, a difference of 112.9 program units.

SB526/SIACS/aSEC eliminates the relationship between rural isolation program units and senior high school size adjustment program units and would allow GMCS to generate additional program units. Using the estimated rural isolation units generated based on SB526/SIACS/aSEC and the number of senior high size adjustment program units from FY17, GMCS would generate a total of 954.4 program units, roughly the average amount GMCS generated in the FY08 to FY10 period.

**OTHER SIGNIFICANT ISSUES**

Between 1979 and 1989 state law provided the following formula for calculating rural isolation units:

$$\text{Rural Isolation Units} = 4000 - \frac{ADM}{\text{Senior High Schools}} * 0.5$$

*“where ADM is equal to the total district average daily membership including early childhood education full-time equivalent average daily membership and special education average daily membership, and where senior high schools are equal to the number of approved regular senior high schools in the district.”*

During the 1989 regular legislative session, the Legislature approved a bill to provide additional size adjustment program units to school districts. That bill included the following formula for calculating rural isolation units:

$$\text{Rural Isolation Units} = \frac{4000 - MEM}{\text{Senior High Schools}} * 0.5$$

*“where MEM is equal to the total district membership, including early childhood education full-time equivalent membership and special education membership, and where senior high schools are equal to the number of approved regular senior high schools in the district.”*

The bill was signed by the governor and chaptered as Laws 1989, Chapter 221. Currently, the New Mexico Statutes Annotated contains the formula as provided in Laws 1989, Chapter 221. It should be noted that because rural isolation units are limited to school districts with more than 10 thousand MEM, the formula as included in the 1989 law will always return a negative number.

It does not appear that the State Department of Education changed the calculation for rural isolation units following the passage of the 1989 law. A review of rural isolation units received by GMCS in FY08 through FY10 indicate the district was awarded units based on the earlier calculation.

#### **SOURCES OF INFORMATION**

- LESC Files

**JWS/rab**