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FISCAL IMPACT REPORT

SPONSOR Trujillo, CH ORIGINAL DATE 1/31/17
 LAST UPDATED 3/04/17 HB 46/aHF1#1

SHORT TITLE Moratorium on New Charter Schools SB _____

ANALYST Liu

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications				

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB124, HB125, HB158, HB163, HB241, HB248, HB273, HB417, HB454, SB34, SB40, SB313, SB346

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)
 Public School Facilities Authority (PSFA)
 Regional Education Cooperatives (REC)

SUMMARY

Synopsis of HF1#1 Amendment

The House Floor amendment to House Bill 46 adds the following set of conditions that would negate the proposed moratorium on new charter schools:

- a. PED releases data on the statewide averages of proficiencies in math and reading for public school students and the average for students in charter schools is lower than the average for students in noncharter schools;
- b. a law is enacted by the 53rd Legislature, First Session, that prohibits the use of any money from the state equalization guarantee distribution for hiring or contracting with legislative

- lobbyists; and
- c. a law is enacted by the 53rd Legislature, First Session, that assigns a value to student performance of at least 35 percent on teacher evaluations.

Synopsis of Original Bill

House Bill 46 places a moratorium on new charter schools, prohibiting a chartering authority from accepting or approving a new charter school between June 1, 2017, through January 1, 2020.

FISCAL IMPLICATIONS

This bill does not contain an appropriation. A moratorium on new charter schools may result in a decrease in charter school enrollment growth and small school size adjustment units, as newly-opened charter schools tend to generate a significant portion of their funding from these units. A decrease in units would increase the unit value, or per unit SEG allocation, for all existing school districts and charter schools, assuming the total SEG appropriation remains constant. Similarly, any school closures during a moratorium would also decrease units and subsequently increase the unit value.

PSFA notes a charter school moratorium will likely slow or halt the growth of charter school lease payment assistance awards made by the Public School Capital Outlay Council, which amounted to \$15 million in FY16. In FY05, lease assistance awards totaled \$2 million.

SIGNIFICANT ISSUES

The bill, as amended, will stop new state and local charter schools from opening in FY18 and FY19, unless certain conditions are met. Since the Great Recession, the number of charter schools has increased, from 64 in FY08 to 99 in FY16. In 2016, charter school enrollment represented 7 percent of total public school students, up from 3 percent in FY08. Authorization for new charter schools generally happens outside of the regular budgeting process required of all other state agencies and entities. In contrast with state agencies that must request funding from the Legislature for new programs, new charter schools can be authorized by a local school district governing board or the Public Education Commission (PEC). If the Legislature does not appropriate additional funding to cover the costs of new charter schools, overall funding is diluted for all other existing schools. Between FY08 and FY16, charter schools received \$107.8 million and school districts received \$125.5 million in new money added to the public education funding formula.

According to the PED 2014 Charter School Annual Report, scaled reading and math scores for all students in state-chartered charter schools were slightly higher than non-charter public schools between the 2012 and 2014 school years. However, locally-chartered charter schools scaled reading and math scores were slightly lower than non-charter public schools in the same time period. Additionally, New Mexico shifted from the New Mexico standards-based assessment to the Partnership for Assessment of Readiness for College and Careers (PARCC) test in 2015, which resulted in significantly lower math and reading scores statewide. Proficiency rates for PARCC should be considered new baseline figures and should not be directly compared with prior year data. The following chart compares charter school performance to school district performance:

New Mexico Reading Scaled Scores for All Students

2012			2013			2014		
State-chartered charter schools	Locally-chartered charter schools	Non-charter public schools	State-chartered charter schools	Locally-chartered charter schools	Non-charter public schools	State-chartered charter schools	Locally-chartered charter schools	Non-charter public schools
40.6%	37.8%	38.8%	41.1%	39.1%	39.5%	40.3%	38.3%	38.8%

New Mexico Math Scaled Scores for All Students

2012			2013			2014		
State-chartered charter schools	Locally-chartered charter schools	Non-charter public schools	State-chartered charter schools	Locally-chartered charter schools	Non-charter public schools	State-chartered charter schools	Locally-chartered charter schools	Non-charter public schools
38.2%	35.2%	37.5%	38.0%	36.0%	37.5%	37.6%	35.5%	37.0%

Source: 2014 PED Charter School Annual Report

ADMINISTRATIVE IMPLICATIONS

A moratorium will reduce PED workload associated with processing new charter school applications.

RELATIONSHIP

This bill relates to HB273, which changes charter school provisions on renewal and closure; HB417, which removes PEC duties and makes PED the chartering authority for state-chartered charter schools; HB454, which provides conditions for chartering virtual charter schools; SB313, which changes provisions relating to charter school lease assistance; and SB346, which requires all charter schools to participate in federal free and reduced-price meal programs.

This bill also relates to HB124, HB125, HB158, HB163, HB241, HB248, SB34, and SB40, which affect teacher evaluation systems.

TECHNICAL ISSUES

The House Floor amendment indicates (under the first condition) if average charter school proficiency rates for math and reading are *lower* than average noncharter school proficiency rates, this condition will contribute to negating a moratorium. As written, the amendment intends to let charter schools expand if overall charter school performance is lower. Typically, charter schools are discouraged from expanding if overall school performance is lower than traditional public schools.

OTHER SUBSTANTIVE ISSUES

The New Mexico Coalition for Charter Schools opposes a charter school moratorium, but supports the creation of a “closure policy” that fairly assesses public schools for closure. The American Federation of Teachers New Mexico and Albuquerque Teachers Federation recommend pausing and analyzing the impact of increasing charter school enrollment on the state’s budget. RECs note a moratorium will limit options for rural communities that may be working to establish a charter school.

A 2016 LFC evaluation of six selected charter schools found little difference in student performance between charter schools and traditional public schools in New Mexico. The report noted charter schools tended to serve a lower percentage of Hispanic, economically disadvantaged, and English learners compared with traditional public schools. Challenges existed with school grading, as some charter school missions were unique and did not align well with criteria set by PED. In FY15, selected charter schools had more experienced teachers, lower teacher turnover rates, and higher average teacher salaries than the statewide average. Oversight by state and local authorizers was inconsistent and revocations of charters were rare, despite poor charter school performance. The report recommended additional guidance for authorization and accountability of charter schools and separate funding formulas for charter schools. The report also recommended new formula funding and accountability structures to address virtual schools, due to issues of cost-effectiveness and learning outcomes.

A 2015 Center for Research on Education Outcomes (CREDO) national study of 41 urban charter schools found, overall, the 41 urban charter schools provided higher levels of annual growth in math and reading compared with similar traditional public schools. Specifically, students enrolled in urban charter schools experienced the equivalent of about 40 additional days of learning per year in math and 28 additional days of learning per year in reading. However, the report found slightly lower levels of annual growth for urban charter schools in Albuquerque, the only statistic for New Mexico, for both math and reading.

The Public Education Commission (PEC) considered 13 charter school renewal applications during their December 2016 meeting. PEC denied renewals for three charter schools: Sage Montessori Charter School in Albuquerque, Uplift Community School in Gallup, and Estancia Valley Classical Academy in Moriarty. Also in December, Albuquerque Public Schools voted to reject a charter school application from La Resolana Leadership Academy and Farmington Municipal Schools voted to deny reauthorization for the New Mexico Virtual Academy charter school. Closure of these charter schools could decrease the number of units within the public education funding formula and effectively increase the unit value.

On October 15, 2016, the National Association for the Advancement of Colored People (NAACP) ratified a resolution calling for a nationwide moratorium on charter school expansion and for the strengthening of oversight in governance and practice. NAACP members cited concerns over discipline and segregation within charter schools, among other issues.

A 2016 analysis by the American Enterprise Institute found mixed enrollment trends between 22 states using FY12 U.S. Department of Education (USDE) data. According to USDE's FY13 Common Core of Data, total New Mexico charter school student enrollment was 56 percent Hispanic and 33 percent White, compared with non-charter school student enrollment of 60 percent Hispanic and 25 percent White.

A 2016 CREDO online charter school study found students at online charter schools lost, on average, 72 days of learning in reading and 180 days in math compared to identical peers in traditional public schools. The CREDO report found no significant difference in online charter school student performance in New Mexico; however, the study sample was collected in 2013, the first year of online charter school entry in the state. Questions have been raised about the legality of virtual charter schools in light of statutes, previous PED staff recommendations to deny virtual charter schools, and an Attorney General opinion. Additionally, issues have been raised by the Public School Capital Outlay Council with regard to lease assistance funding –

specifically the disparity between making lease assistance reimbursements based on student enrollment when only a portion of the students will ever enter the building.

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