

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Morales ORIGINAL DATE 1/28/17
 LAST UPDATED _____ HB _____

SHORT TITLE “Current Year MEM” in School Code SB 39

ANALYST Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

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

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB30, HB130, SB200

SOURCES OF INFORMATION

LFC Files

Legislative Education Study Committee (LESC) Files

No Responses Received From

Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 39 amends the Public School Finance Act, Section 22-8-23.1 NMSA 1978, to clarify the definition of “current year MEM,” or current year student membership, in the calculation of enrollment growth units. The amended definition of “current year MEM” will eliminate double funding of students in newly phased-in grades who count as current-year student membership in the calculation of program units and also count in the calculation of enrollment growth units. The bill defines “current year MEM” to mean the sum of MEM on the first reporting date of the current year minus MEM calculated for new formula-based programs for the purposes of the state equalization guarantee distribution (SEG). This bill is endorsed by the Legislative Education Study Committee.

FISCAL IMPLICATIONS

The bill would separate funding generated for new formula-based programs from funding generated for enrollment growth by changing the definition of “current year MEM” in the enrollment growth formula. School districts or charter schools could still generate funding for new formula-based programs; however, the student membership generated for new formula-

based programs would be subtracted from the enrollment growth formula. Some charter schools that have expanded their programs and generated funding from both enrollment growth and new program units may receive less formula funding in FY18 under provisions of this bill. The double funding of students in newly phased-in grades who count in both the calculation of new program units and enrollment growth units dilutes the unit value in the SEG. This bill should have no fiscal impact on charters or districts in FY19 or subsequent years.

SIGNIFICANT ISSUES

School districts and charter schools are required to use current-year student membership in the calculation of program units for new formula-based programs, including newly phased-in grades by charter schools pursuant to language included in the General Appropriation Act (GAA) because prior year enrollment data does not exist. However, these same students are also counted toward the calculation of enrollment growth units, and if a charter school's newly phased-in grade level causes year-over-year enrollment growth of at least 1 percent, the charter school generates those units as well, resulting in the double funding of these students.

Enrollment growth units are triggered only when a school district or charter school experiences an increase in student membership equal to or greater than 1 percent over the previous year. Program units for enrollment growth include 1.5 units for each student above the 1 percent growth threshold and an additional 0.5 units for each student above the prior year base, generated through two statutory formulas.

Much of the limited annual increase in enrollment growth units has been the result of charter schools that are phasing in grades over time. For FY17, 63 percent of the 3,835 enrollment growth units were generated by state-chartered charter schools. Because student membership for these new programs is generally based on current year enrollment, rather than prior year enrollment, schools have historically been able to count these students toward new programming and enrollment growth units. Typically, 10 to 20 charter schools add new grades each year. The individual impact to each charter school will fluctuate greatly depending on school size, the number of students served, and the number of new grades added.

The Legislature included language in the GAA of 2015 to eliminate this double funding and reduced the SEG by \$2.9 million to account for this reduction in FY16. PED originally indicated the language included in the budget sufficiently addressed the double-funding issue; however, the department later indicated it would not implement the language as drafted.

RELATIONSHIP

This bill relates to SB30, which adjusts the program units for at-risk students, teacher experience, and charter school size adjustments, and also relates to HB130 and SB200, which allows licensed employees to generate program units for National Board Certification.

SL/jle