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FISCAL IMPACT REPORT

SPONSOR Gonzales/Tallman/ Pope ORIGINAL DATE 2/14/22 LAST UPDATED _____ HB _____

SHORT TITLE Research School Admin Expenditures SM 30

ANALYST Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		NFI				

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB75

SOURCES OF INFORMATION

LFC Files

Legislative Education Study Committee (LESC)

No Response Received

Public Education Department (PED)

SUMMARY

Synopsis of Memorial

Senate Memorial 30 requests LFC to research growth in administrative spending at public schools and develop proposed legislation to limit administrative expenditure growth and increase funding to classrooms and direct services by November 1, 2022. The memorial further requests LFC to consult with PED, LESL, Indian Education Advisory Council, Hispanic Education Advisory Council, Bilingual Multicultural Education Advisory Council, Black Education Advisory Council, and community-based organizations in developing recommendations.

FISCAL IMPLICATIONS

Memorials do not contain appropriations, and LFC already receives funding annually to examine laws governing the finances and operations of all state agencies in New Mexico, including school districts and charter schools. LFC publishes an annual report to the Legislature, which could include information that addresses the requested analysis in this memorial. As such, this memorial is scored as having no fiscal impact.

SIGNIFICANT ISSUES

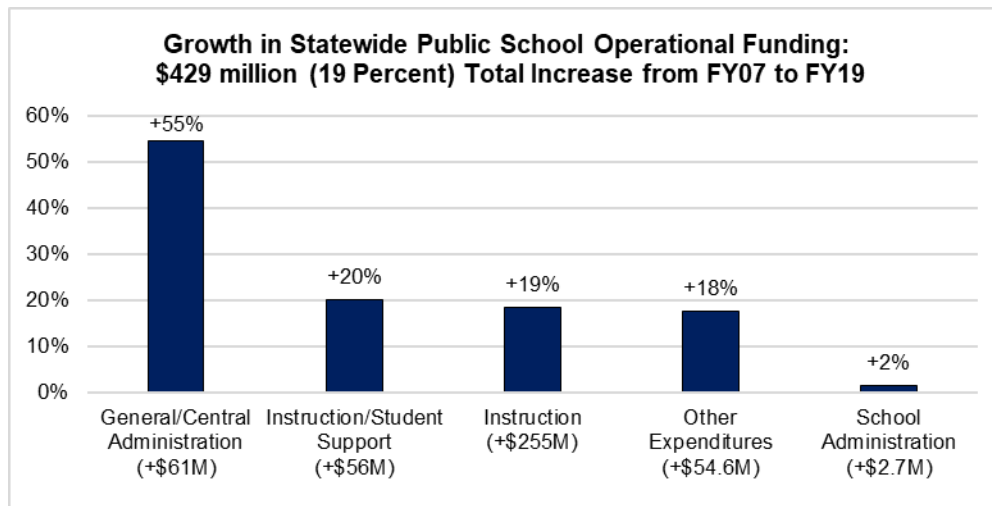
Administrative operating budgets have grown significantly in the last decade, likely in response to new reporting requirements and programmatic initiatives at the local, state, and federal level. According to LESC, New Mexico schools are required to complete 61 compliance, 31 financial transparency, and 55 program performance reports. Since 2017, the Legislature has added 26 new reporting requirements, in some case replacing old requirements, and repealed 14 requirements.

On February 14, 2019, the 1st Judicial District Court issued a final judgment and order on the consolidated *Martinez v. New Mexico* and *Yazzie v. New Mexico* education sufficiency lawsuits, and found that New Mexico's public education system failed to provide a constitutionally sufficient education for at-risk students, particularly low-income, English language learners, Native American students, and special education students. The court's findings suggested overall public school funding levels, financing methods, and PED oversight were deficient. As such, the court enjoined the state to provide sufficient resources, including instructional materials, properly trained staff, and curricular offerings, necessary for providing the opportunity for a sufficient education for all at-risk students.

During trial, the court rejected the claim that PED was not responsible for the school districts' failure to provide programs that would ameliorate the education gap due to a lack of control over school district spending. The court noted PED had read its statutory authority too narrowly and had forsaken its oversight role. The statutory obligation to supervise all schools and school officials, including taking over the control and management of a public school, was broad enough for PED to review and assure that school districts were using funds to provide programs to assist at-risk students. The court also noted PED did not sufficiently monitor nor audit the use of formula funds and federal funds to determine whether school districts were using funds as required for at-risk students.

PERFORMANCE IMPLICATIONS

Excessive growth in administrative budgets in central office and other overhead functions can divert resources away from classrooms and direct services. According to statewide school operating budget data, between FY07 and FY19, general and central administrative budgets grew at a faster rate than instructional services.



ADMINISTRATIVE IMPLICATIONS

Provisions of this bill would require LFC to consult with at least two state agencies and four advisory councils to develop recommendations by November 1, 2022. While advisory councils for Indian, Hispanic, Black, and bilingual multicultural education may provide pertinent information relating to the implementation of specific education acts, it is unclear how much expertise these councils could provide relating to administrative expenditures at public schools.

RELATIONSHIP

This memorial relates to Senate Bill 75, which prohibits schools from growing administrative budgets faster than the U.S. consumer price index or public school program cost with limited exceptions.

OTHER SUBSTANTIVE ISSUES

Provisions of the General Appropriation Act require PED to monitor and review the operating budgets of school districts and charter schools to ensure each school district or charter school is prioritizing available funds to those functions most likely to improve student outcomes. The act authorizes PED to direct the school district or charter school to revise its submitted budget or make revisions to improve student outcomes.

SL/acv