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FISCAL IMPACT REPORT

SPONSOR Sen. Brandt/Rep. Cullen
LAST UPDATED _____
ORIGINAL DATE 2/4/25
SHORT TITLE School Career Tech Ed. Program Units
BILL NUMBER Senate Bill 130
ANALYST Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
SEG	No fiscal impact	\$36,389.7 - \$111,012.3	\$36,389.7 - \$111,012.3	\$72,779.4 - \$222,024.7	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 63 and Senate Bill 64

Sources of Information

LFC Files
 Legislative Education Study Committee (LESC) Files
 U.S. Department of Education (USDE)

Agency Analysis Received From
 Regional Education Cooperatives (REC)

Agency Analysis was Solicited but Not Received From
 Public Education Department (PED)

SUMMARY

Synopsis of Senate Bill 130

Senate Bill 130 creates a new career technical education (CTE) factor in the public schools funding formula, which would allow schools to generate 0.25 program units for each student in a Public Education Department (PED)-approved CTE program.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

The bill does not contain an appropriation but changes the public schools funding formula to increase the share of funding distributed to schools for CTE program participation. According to PED, in FY24 there were 67.8 thousand secondary students participating in CTE programs in

New Mexico. According to the U.S. Department of Education, in FY23 there were 22.2 thousand CTE secondary concentrators (students who take at least two courses in a single CTE program pathway). This analysis assumes the number of students eligible for CTE formula funding could be as low as the number of CTE concentrators or as high as the 67.8 thousand participants in any CTE program. At a 0.25 formula weight, the number of program units generated could range between 5,553 units to 17,472 units. At the current unit value of \$6,553.75, this fiscal impact could range between \$36.4 million and \$111 million each year.

None of the current budget recommendations for FY26 from the executive, LESC, nor LFC contain appropriations to the state equalization guarantee (SEG) distribution for the specified purposes outlined in this bill. Absent an appropriation, the generation of new program units would shift funding from schools without CTE program participants to schools with CTE program participants. The influx of new program units would also decrease the unit value.

Nonrecurring appropriation recommendations for CTE initiatives total \$41 million for the executive, \$45 million for LFC, and \$46.5 million for LESC. This appropriation could be repurposed for the formula factor outlined in this bill; however, actual costs and fiscal impacts will largely be dependent on PED's definition of CTE participation.

SIGNIFICANT ISSUES

The federal Strengthening Career and Technical Education for the 21st Century Act (also known as Carl D. Perkins V), provides federal funding for CTE programs and activities through the state, schools, and higher education institutions. In FY25, PED distributed \$5.5 million in Carl D. Perkins V funds to school districts and charter schools. To continue receiving federal Perkins funding, federal law requires states to maintain the same level of fiscal effort (maintenance of effort) per student, or in aggregate expenditures statewide, each fiscal year. Provisions of this bill would establish operational funding for CTE each year, which would raise the state's maintenance of effort funding level, like special education. Because secondary student enrollment is expected to decline in 3 years and this bill ties formula funding to CTE student participation, the state may face maintenance of effort challenges in future years, placing the state at risk of potentially losing federal Perkins aid.

A 2014 U.S. Department of Education study found states that established a single weight for CTE programs accounted for the increased cost of offering all programs without differentiating for multiple cost structures. Some CTE programs are more expensive to administer than others due to smaller class sizes or the need to purchase specialized equipment and materials. With static formula factors, states risk overfunding or underfunding programs based on differences in the industry or CTE program needs that arise regionally.

Five states in the U.S. Department of Education's study used unique weights for CTE to distinguish between high- and low-cost programs or to target funds to areas of high priority identified by the state. Seven states used unit- or program-based formulas to allocate funds based on a set of educational inputs to deliver CTE services. While breaking programs down into discrete instructional components allows states to shift funding to areas of need, these formulas can be quite complicated and require states to reassess formula components on a regular basis to ensure alignment with changing costs.

Massachusetts' funding formula provides an inflated per-student rate for the costs of students

enrolled in state-approved CTE programs. For example, the number of instructional staff allotted for a school district's high school foundational allocation is calculated by dividing high school enrollments by 17, as compared to dividing CTE enrollments by 10. The U.S. Department of Education noted in 2014 this effectively meant CTE students in Massachusetts generated 70 percent more positions than general education peers.

Tennessee's CTE funding is based on two components: student progression in a CTE program (first-, second-, third-, or fourth-year course) and program weights from a ranked list of CTE programs. CTE programs designated as an in-demand or high-wage occupation are given a weighted rank based on:

- No statewide demand: 0.1;
- Statewide demand in one region: 1;
- Statewide demand in two regions: 2;
- Statewide demand in three regions: 3 and so on up to statewide demand in nine regions: 9; and
- High-wage occupations receive an additional weight of 0.5.

These CTE programs are then listed by their weighted rank as level 1 (bottom 25 percent), level 2 (middle 50 percent), and level 3 (top 25 percent). For FY24, Tennessee provided \$5,000 for each CTE program level and year of student progression.

While the state's labor force participation rate has improved from the pandemic low, New Mexico's participation rate in July 2024 was 57.4 percent, the same rate as July 2023. The state would need an estimated 40 thousand additional individuals between the ages of 20 and 54 working or looking for work to meet the national average. LFC reports have consistently noted low labor force participation holds the state back from economic development and expansion.

Provisions of this bill may increase the number of CTE programs offered by schools across the state. Both in New Mexico and nationally, students who are CTE concentrators graduate high school at greater rates. This CTE concentrator graduation trend is steady across all student demographic groups, including at-risk student groups identified in the *Martinez-Yazzie* education sufficiency lawsuit.

A 2024 LFC progress report on high school graduation found most students who drop out of high school do so in their first or second years and often have far fewer credits than students who graduate. New Mexico's 2023 high school graduation rate was 76.7 percent, resulting in about 20 thousand graduates. About 60 percent of these graduates attended college, meaning about 8,000 graduates are seeking non-college pathways and nearly 6,000 students are still trying to graduate high school or have dropped out of the system.

ADMINISTRATIVE IMPLICATIONS

Provisions of the bill require PED to determine which CTE programs are eligible for SEG funding and will require districts and charters to report their student participation in the program. For new initiatives, PED staff have a short timeline after legislative sessions to create program requirements, ready application documents, and eventually review applications and make awards. Simultaneously, school districts and charter schools must decide whether they have the capacity or interest to apply for and implement new program funding as part of the annual budget

submission to the department.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to House Bill 63, which changes the funding formula's at-risk index and secondary membership factors, and relates to Senate Bill 64, which creates a career development program pilot.

OTHER SUBSTANTIVE ISSUES

In 2023, PED used a portion of the \$40 million nonrecurring state appropriation for CTE to develop “innovation zones,” a program whose success is yet to be thoroughly measured. These “zones” are based either in districts or individual schools and weave together several innovative practices, including CTE and work-based learning to transform the high school experience and increase high school graduation. PED initially requested applications in spring of 2022, eventually granting eight public school districts and two charter schools funding to implement innovation zones in the 2022-2023 school year.

A Center for Community Analysis evaluation of the first year of funding and implementation found the program facilitated collaboration with the state and local communities and that participants appreciated the professional development, space for career exploration, and funds for necessary resources. However, participating districts reported challenges from delays in funding (some did not receive funds until December of 2022), insufficient staff, unclear guidelines, difficulty attending technical assistance and professional development meetings, and bureaucratic barriers to paying student employees for their work-based learning. The researchers expressed the need for individual-level data collection, and careful attention to issues of equity, consistent with the findings of the *Martinez-Yazzie* case.

A 2024 survey of innovation zones prepared by New Mexico State University found the program expanded to 47 local educational agencies (25 districts, 19 charters, and 3 tribal schools) and resulted in 2,449 student internships and 958 students participating in community capstone projects. Awardees and grant participants expressed support for the program, despite continued delays in funding and technical assistance. Approximately two-thirds of the student internships were paid opportunities using innovation zone dollars, and the three largest fields were educational services (276 internships), health care and social assistance (264 internships), and agriculture, forestry, fishing, and hunting (162 internships). The three largest fields for capstone projects were business and entrepreneurship (140 projects), community service (81 projects), and education (59 projects).

Misalignment between the state's workforce skills and industry is a challenge for New Mexico's economic future. The state's target industries generally require advanced skill levels in science, technology, engineering, and math. Education and job training in New Mexico need to ensure the state's workforce has the skills required to meet industry's needs. Without an aligned workforce, New Mexico risks exporting residents to states with better connected institutions and losing employers to states with better trained workers.

Nursing, accounting and auditing, and merchandising were in the highest demand in New Mexico, but New Mexico lacks sufficient workers with these skillsets. The most common listed

skills by New Mexico workers were strategic planning, business development, and project management, which are not in high demand by employers. This mismatch of existing skills and skills wanted by employers could explain rates of underemployment and why companies struggle to hire employees.

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