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FISCAL IMPACT REPORT

SPONSOR <u>Senate Education Committee</u>	LAST UPDATED _____
	ORIGINAL DATE <u>3/4/25</u>
	BILL <u>CS/Senate Bill</u>
SHORT TITLE <u>Student Graduation Reporting</u>	NUMBER <u>480/SECS</u>
	ANALYST <u>Liu</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
PED		Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bill 247

Sources of Information

LFC Files

Agency Analysis Received From

Department of Workforce Solutions (WSD)

Regional Education Cooperatives (REC)

New Mexico Independent Community Colleges (NMICC)

Public Education Department (PED)

Agency Analysis was Solicited but Not Received From

Higher Education Department (HED)

SUMMARY

Synopsis of SEC Substitute for Senate Bill 480

The Senate Education Committee Substitute for Senate Bill 480 (SB480) requires the Public Education Department (PED) to create a report of the directory information for all out-of-cohort students, or school-aged persons who have not graduated from high school within four years from entering ninth grade of the immediate preceding year. Upon request, the Public Education Department (PED) must share this report to the Higher Education Department (HED), colleges and universities, adult basic education providers, workforce development programs, and public schools. 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 requires PED to share information that must be collected from schools already pursuant to Subparagraph 5 or Subsection A of Section 22-2C-11 NMSA 1978. Sharing this information with the entities listed in the bill may result in some time and effort, particularly with the development of data sharing agreements with recipients related to privacy and uses; however, these costs are considered part of the normal operating procedures of these entities and are not estimated to have a significant impact on existing operating budgets. Additional costs may be incurred depending on how many entities request this report.

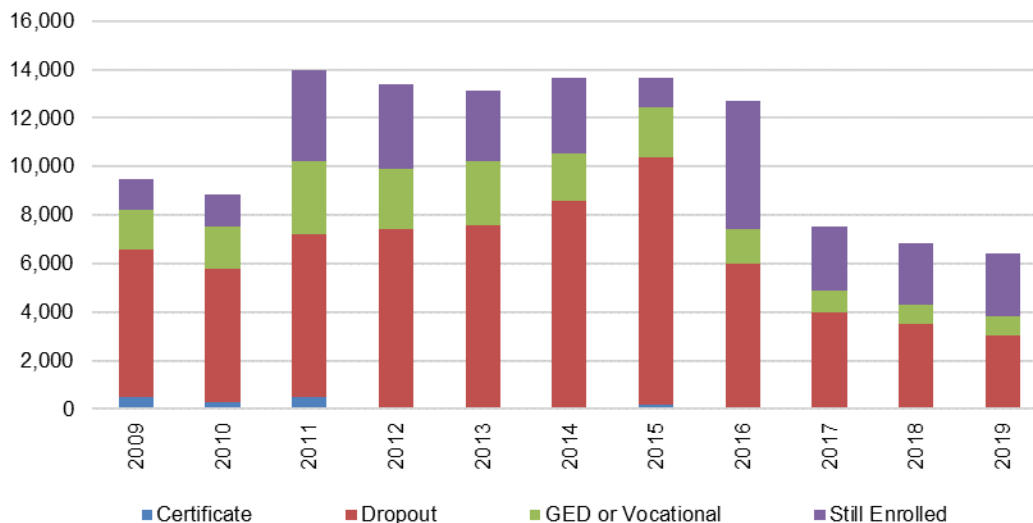
SIGNIFICANT ISSUES

Current state law requires PED to publish cohort graduation data annually for each public high school, disaggregated by the number of students who:

- Have graduated by August 1 of the fourth year after entering ninth grade,
- Have graduated in more than four years,
- Have received a state certificate by 12th grade but not a high school diploma,
- Have dropped out or whose status is unknown,
- Have exited public school and indicated an intent to pursue a high school equivalency credential, or
- Are still enrolled in public school.

Although PED continues to report on the number of graduates, the department stopped publishing information about nongraduates after 2019.

Count of High School Non-Graduates



Note: Totals are likely overstated due to mobility, as counts may include the same student moving between different schools.
Source: PED

Provisions of this bill may increase awareness among high school nongraduates about the availability of adult education programs. If nongraduates access these programs and obtain a high school diploma or equivalent, they are more likely to increase their income potential and are more likely to participate in the state’s labor force. However, this will depend on whether nongraduates decide to participate in adult education programs and if they are able to attain a high school diploma or equivalent because of participation.

In FY21, HED served 9,520 adult learners in adult education programs, of which 655 students (6.9 percent) received their high school equivalency credential, and 1,463 students (15.4 percent) enrolled in postsecondary education. Fifty-six percent achieved a measurable skill gain during the program year, which equals a gain of approximately two (2) grade levels. About 80 percent, or 7,558 adult learners, were employed during the second quarter after program exit.

PERFORMANCE IMPLICATIONS

A 2024 LFC progress report on high school graduation noted completing a high school diploma results in many personal and societal benefits. First, high school graduates make more money. In 2022, individuals with no high school diploma in New Mexico earned an average of \$26.4 thousand. Those who had completed high school made \$32 thousand on average—21 percent more. These benefits accrue as individuals complete higher levels of education, all predicated on first completing high school.

Second, the jobs available now and into the future will require higher levels of education. According to a study by the Georgetown University Center on Education and the Workforce projects, by 2031 about 72 percent of jobs will require at least a secondary education. The greatest growth in job demand is likely to occur in education, STEM, healthcare, and business services—all industries that typically require more than a high school diploma.

Third, high school graduates are less likely to commit crimes. Research shows attending quality schools reduces the likelihood of arrest as an adult. Other researchers at the London School of Economics showed that, from 1980 to 2010 in the U.S., dropout age reforms reduced criminality. In studying the reasons behind this observation, the authors noted it was both because students are in school and therefore not engaged in a life of crime and have improved labor market prospects and participation.

Fourth, high school graduates use fewer social services, resulting in cost savings for the state. Pew Research data show individuals without a high school diploma made up 8.9 percent of the U.S. population and 23.4 percent of Supplementary Nutritional Assistance Program recipients in 2020. In summary, both short- and long-term benefits for individuals and the state result from improved graduation rates.

Though New Mexico has been among the most improved states in high school graduation rates over the last decade, all but four states also improved their rates, with the average rising 7.1 percent. The net result is the improvement in graduation rate has not translated to a much higher ranking relative to other states. In 2021, New Mexico's high school graduation rate ranked 49th against the 50 states and the District of Columbia—only one spot better than in 2014. In addition, African American and Native American students graduate at persistently lower rates than their peers in New Mexico. Also, in line with national trends, male students graduate at persistently lower rates than female students. Though the difference has diminished somewhat over time, the overall persistence of this observation suggests the state's future efforts may need to address the specific challenges confronting males.

A 2024 LFC program evaluation on workforce participation noted New Mexicans across all levels of educational attainment are less likely to participate in the labor force, but the difference between the state and national averages are most pronounced for those with only a high school

degree or equivalent. Though labor force participation fell nationally across all levels of educational attainment since the turn of the century, this effect is most pronounced for those who did not complete high school. New Mexico lags behind national labor force participation rates across all educational levels, but the gap is largest among those with only a high school degree or equivalent, followed by those with some college or an associate’s degree. As of 2022, the combined number of disengaged New Mexicans between 25 and 64 in the high school degree and some college categories was around 184 thousand individuals.

ADMINISTRATIVE IMPLICATIONS

Provisions of this bill would require PED to create a report by July 15 each year of directory information for all “out-of-cohort students,” or school-aged persons who have not graduated from a public high school within four years from entering the ninth grade in any one of the immediately preceding four school years. Upon request, PED would need to develop processes for sharing this report of directory information (data such as a student’s name and address that can be shared publicly under the federal Family Educational Rights and Privacy Act) with HED, public post-secondary educational institutions, New Mexico adult-basic education providers, workforce development programs, and school districts or charter schools that provide programming for out-of-cohort students attaining a high school diploma, high school equivalency credential, or workforce credential.

PED would also need to decide which students to include or exclude from the report. Currently, the department excludes the following students from its graduation cohort count:

- Foreign exchange students authorized to be in the U.S. on a “J” visa,
- Students who transferred out to a private, out-of-state, Bureau of Indian Education, or home school,
- Students who are deceased, and
- Students who have moved outside of the United States and its territories.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to Senate Bill 247, which requires PED to publish student achievement data publicly on September 1.

OTHER SUBSTANTIVE ISSUES

In 2005, the National Governors Association (NGA) convened a task force to make recommendations on how states could measure graduation rates. The resulting recommendation, supported by all 50 governors, was for all states to calculate cohort high school graduation rates based on the following formula:

$$\text{Graduation Rate}_{\text{year } X} = \frac{\text{On time Graduates}_{\text{year } X+4}}{(\text{Ninth Graders}_{\text{year } X} + \text{Transfers In} + \text{Transfers Out})}$$

In 2008, New Mexico changed its methodology to the NGA recommended 4-year cohort graduation rate. Prior to that time, the state utilized a senior completion method that tracked 12th grade students to completion of graduation requirements by spring. To capture the outcomes of students continuing to fulfill graduation requirements during the summer following their senior

year, PED began to delay reporting graduation rates by one year. As such, in 2009, PED published the 4-year cohort graduation rate for 2008 (freshman class of 2004). To make this shift, U.S. Department of Education (USDE) allowed New Mexico to duplicate the graduation rates from 2007 to 2008. This break in trend prohibits useful comparisons with prior years of graduation data.

In 2010, USDE approved New Mexico's proposal for a shared accountability model, which was later amended in 2012 to comply with additional federal requirements. Under shared accountability, students who stayed at the same high school throughout their four years would be fully counted toward that location's graduation rate for accountability purposes, while students who attended multiple high schools would have their graduation rate shared proportionately across multiple locations based on how long they attended each high school.

In 2019, PED removed alternative demonstrations of competencies, which had previously allowed students who failed the high school state assessments to graduate via another pathway. Due to Covid-19 pandemic disruptions to standardized assessments and school closures, PED authorized high school seniors to graduate if they passed required high school coursework for graduation cohorts of 2021, 2022, and 2023. It remains to be seen if this authorization inflated graduation rates overall, as the rate for the cohort of 2024 has not been reported yet.

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