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FISCAL IMPACT REPORT

SPONSOR Munoz/Pinto LAST UPDATED _____
ORIGINAL DATE 2/5/24
SHORT TITLE Zuni & Navajo Nation Students BILL NUMBER Senate Bill 260
ANALYST Liu

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$5,000.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bills 134 and 135

Sources of Information

LFC Files

Legislative Education Study Committee (LESC) Files

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

SUMMARY

Synopsis of Senate Bill 260

Senate Bill 260 appropriates \$5 million from the general fund to PED for expenditure in FY25 and subsequent years for public school student educational programming, including \$1 million for the Zuni Public School District (ZPSD) and \$4 million for Central Consolidated School District (CCSD) and Gallup-McKinley County Schools (GMCS). This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

FISCAL IMPLICATIONS

The appropriation of \$5 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of any fiscal year shall not revert to the general fund. Although the bill does not specify future appropriations, establishing a new grant program could create an expectation the program will continue in future fiscal years; therefore, this cost is assumed to be recurring.

SIGNIFICANT ISSUES

Provisions of this bill would appropriate funding directly to school districts outside of the state equalization guarantee (SEG) distribution, the primary operational funding source for New Mexico schools allocated schools through a needs-based formula. With the removal of the federal Impact Aid credit from the SEG formula in FY22, the primary recipients of this bill’s appropriation—ZPSD, CCSD, and GMCS—have received significantly more operational funding on an annual basis than other similarly sized school districts, primarily from operational Impact Aid funds.

FY24 BUDGETED REVENUE (in thousands)	Statewide	SB260 DISTRICTS			COMPARISON DISTRICTS		
		Zuni	Central	Gallup	Hatch	Deming	Gadsden
11000 Cash Assets							
Operational	\$ 623,008.5	\$ 3,347.8	\$ 47,818.1	\$ 50,394.2	\$ 5,434.6	\$ 14,139.9	\$ 56,150.6
Impact Aid Operational	\$ 86,966.2	\$ 14,968.7	\$ 8,585.6	\$ 47,342.5	\$ -	\$ -	\$ -
Local Revenue Operational	\$ 20,836.1	\$ 1.5	\$ 223.3	\$ 773.6	\$ 20.3	\$ 321.2	\$ 296.9
Subtotal Cash Assets	\$ 730,810.9	\$ 18,317.9	\$ 56,627.0	\$ 98,510.3	\$ 5,454.9	\$ 14,461.1	\$ 56,447.4
41000 Local Revenue							
Operational	\$ 16,498.2	\$ 49.0	\$ 112.2	\$ 919.0	\$ 90.8	\$ 205.0	\$ 75.0
Local Revenue Operational	\$ 32,143.2	\$ 1.5	\$ 404.8	\$ 241.8	\$ 35.8	\$ 322.5	\$ 438.2
All Other	\$ 882,673.2	\$ 532.3	\$ 8,456.6	\$ 8,978.7	\$ 1,235.9	\$ 6,368.3	\$ 19,100.7
Subtotal Local Revenue	\$ 931,314.6	\$ 582.8	\$ 8,973.5	\$ 10,139.5	\$ 1,362.5	\$ 6,895.8	\$ 19,613.9
43000 State Revenue							
Operational	\$ 4,036,671.7	\$ 16,382.4	\$ 61,852.8	\$ 164,471.9	\$ 17,588.5	\$ 67,940.9	\$ 160,631.0
All Other	\$ 414,558.0	\$ 2,301.4	\$ 8,438.0	\$ 26,951.1	\$ 2,509.7	\$ 7,871.2	\$ 19,865.6
Subtotal State Revenue	\$ 4,451,229.7	\$ 18,683.7	\$ 70,290.8	\$ 191,422.9	\$ 20,098.3	\$ 75,812.2	\$ 180,496.6
44000 Federal Revenue							
Operational	\$ 32,134.1	\$ 1,807.5	\$ 350.0	\$ 6,805.1	\$ 60.0	\$ 400.0	\$ 195.0
Impact Aid Operational	\$ 57,391.7	\$ 5,115.5	\$ 20,000.0	\$ 18,000.0	\$ -	\$ -	\$ -
All Other	\$ 1,283,125.3	\$ 13,293.7	\$ 38,181.8	\$ 61,948.3	\$ 6,256.5	\$ 24,256.6	\$ 74,802.8
Subtotal Federal Revenue	\$ 1,372,651.2	\$ 20,216.7	\$ 58,531.8	\$ 86,753.4	\$ 6,316.5	\$ 24,656.6	\$ 74,997.8
45000 Other Financing Sources							
Operational	\$ 509.0	\$ -	\$ 5.0	\$ -	\$ -	\$ 10.0	\$ -
GO Bond Building	\$ 184,208.8	\$ -	\$ -	\$ -	\$ 450.0	\$ 3,000.0	\$ 9,500.0
All Other	\$ 20,316.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,500.0
Subtotal Other Financing Sources	\$ 205,034.4	\$ -	\$ 5.0	\$ -	\$ 450.0	\$ 3,010.0	\$ 12,000.0
46000 Other Items							
Operational	\$ 6,155.3	\$ -	\$ -	\$ 1,500.0	\$ 32.0	\$ -	\$ -
Impact Aid Operational	\$ 205.8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All Other	\$ 9,939.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Other Items	\$ 16,300.4	\$ -	\$ -	\$ 1,500.0	\$ 32.0	\$ -	\$ -
TOTAL FY24 BUDGETED REVENUE	\$ 7,707,341.0	\$ 57,801.2	\$ 194,428.1	\$ 388,326.1	\$ 33,714.1	\$ 124,835.7	\$ 343,555.7
SB260 Appropriation		\$ 1,000.0	\$ 4,000.0				
FY24 Final Student Membership (MEM)	305,520	1,076	4,804	11,867	1,138	4,943	12,023
Local, State, and Federal Revenue per MEM	\$ 22,110	\$ 36,694	\$ 28,685	\$ 24,297	\$ 24,420	\$ 21,721	\$ 22,882

Source: OBMS

In addition to removing the Impact Aid credit from the SEG, Laws 2021, Chapter 52, authorized districts with Impact Aid funds to use new SEG dollars for purposes related to capital outlay, capital improvements, community schools, Indian Education Act implementation, and at-risk student interventions. Most Impact Aid districts have primarily used SEG dollars for capital outlay and capital improvements instead of operational costs and have significantly higher cash assets.

Appropriating additional operating funds to select districts may encourage other districts to seek

appropriations outside of the SEG, challenging the need to have an equalized funding formula for school operations. Recent increases to the SEG's at-risk factor and Indian education fund appropriations have also targeted resources toward these districts, who serve significant numbers of low-income, English learner, Native American, and transient students.

PERFORMANCE IMPLICATIONS

A 2023 LFC program evaluation of CCSD and Grants-Cibola County Schools (GCCS) found student outcomes in both districts remained low despite increased funding. In recent years, compared to the rest of the state, GCCS and CCSD saw greater decreases in enrollment coupled with larger funding increases but lower student performance. From FY12 to FY22, enrollment declined by 13 percent in GCCS and by 22 percent in CCSD while operational revenue increased by 49 percent in GCCS and by 57 percent in CCSD. While LFC found that some best practices were implemented, which led to pockets of improvement (including prekindergarten participation, effective instructional practices at select schools, and increased revenue), student outcomes in these districts trailed state averages.

In FY22, fewer than 30 percent of children were proficient in reading in either district. Native American and English learner students lagged even further behind district and state averages. Increased chronic absenteeism, select issues with equity and outreach, along with frequent changes in principals, assistant principals, and teachers could be contributing to low student proficiency. A court and a federal report found districts were not always adequately meeting the needs of Native American students, who make up nearly half (in GCCS) and the majority (in CCSD) of student populations.

Resources to districts have grown significantly, and districts with larger at-risk populations or receiving Impact Aid, such as CCSD and GCCS, have benefited from recent legislative changes more than others. While operational revenue growth in these districts exceeded the statewide average, district spending on administration grew at a faster rate than spending on instruction. GCCS and CCSD followed statewide trends with growing cash balances. As a percentage of their budgets, CCSD had the second highest cash balance in the state and GCCS the 25th highest of 89 districts. Neither district had maximum or minimum targets for cash balances nor plans for spending down balances.

ADMINISTRATIVE IMPLICATIONS

PED will need to determine how to allocate \$4 million between CCSD and GMCS, as the bill does not clearly delineate how the amount should be distributed.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to House Bill 134, which establishes a tribal education trust fund, and House Bill 135, which automatically distributes Indian education fund awards directly to tribes.

OTHER SUBSTANTIVE ISSUES

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 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.

Additionally, the court noted the state would need a system of accountability to measure whether the programs and services actually provided the opportunity for a sound basic education and to assure that local school districts spent funds provided in a way that efficiently and effectively met the needs of at-risk students. However, the court stopped short of prescribing specific remedies and deferred decisions on how to achieve education sufficiency to the legislative and executive branch instead.

SL/rl/hg