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FISCAL IMPACT REPORT

SPONSOR: Marquardt DATE TYPED: 2-2-02 HB 161
 SHORT TITLE: Military Installation Within School District SB _____
 ANALYST: Baca

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
	NFI				

(Parenthesis) Indicate Expenditure Decreases)

Relates to Appropriation in The General Appropriation Act

SOURCES OF INFORMATION

State Department of Education (SDE)

SUMMARY

Synopsis of Bill

House Bill 161 amends Section 22-8-2 NMSA 1978 to provide that, beginning with the 2003-2004 school year, "federal revenue" does not include impact aid (commonly referred to as P.L. 874) received by a school district because of the location of a United States military base within the school district, and, thus, will not be considered in calculating the state equalization guarantee (SEG).

Significant Issues

Federal law (20 USCS, 7709(B)(1) allows equalized states to reduce state aid to a school district that receives a payment under section 8003(B), except for the amount calculated in excess of 1.0 under section 800e(a)(2)(b), according to the SDE. The payments generated by children connected to the military are eligible to be considered in calculating state aid.

As an equalized state, New Mexico has taken credit for eligible impact aid funds since the inception of the current public school funding formula in 1975. The state initially took credit for 95 percent of the eligible federal impact aid funds. The law was recently changed to allow the state to take credit for only 75 percent with school districts retaining 20 percent that may be expended only for capital outlay purposes. The bill strikes the capital outlay expenditure requirement from the law.

House Bill 161 – Page 2

Using the 2001-2002 school year as the base, SDE concludes that enactment of HB 161 would:

1. not have affected the state's ability to take credit for impact aid funds in school year 2001-2003,
2. allow 4 school districts with military installation to retain an additional \$2,278,693 of the impact aid monies received,
3. decrease state support to 85 school districts,
4. require SDE to reduce the SEG by \$2,278,693 and reduce the unit value \$2,647.56 to \$2,643.68, a reduction of \$3.88; OR
5. require the state increase the appropriation to public schools by \$2,647,693 to hold harmless the 85 school districts that state support would otherwise be reduced.

(Attached is a copy of the SDE table showing the impact of HB 161 on school districts.)

FISCAL IMPLICATIONS

HB 161 carries no appropriation. However, the general fund would be affected if the state were to make up the operational funds no longer available to the 85 school districts that could see a reduction in state support. Using the 2001-2002 school year information provided by SDE, the amount need to hold school districts harmless would be \$2,278,693.

TECHNICAL ISSUES

The SDE submits two key points regarding technical issues:

1. Impact aid is not generated "because of the location of a United States military installation within the school district." Impact aid is generated in accordance with eligibility requirements set forth in federal law.
2. Federal regulatory and statutory schemes offer no support for legislation designed to treat school districts having children whose federal connection is with the military differently from school districts whose children reside on Indian lands, low rent housing or other federal property.

OTHER SUBSTANTIVE ISSUES

The New Mexico Public School Funding Formula was designed to ensure that the quality of a child's education was not based on the wealth of the school district in which he/she resides. Any change in the flow of revenue to a school district raises the fear that "disequalization" will occur. Any disequalization created by this bill would, initially, be minimal. The cumulative effects of the bill, however, are not known.

RELATIONSHIP

House Bill 161 relates to House Bill 2 that contains the appropriation for public schools.

LB/njw:ar
Attachment

TABLE 1
EFFECT ON 2000-2001 UNIT VALUE FUND IMPACT AID CREDITS TAKEN FOR DISTRICTS WITH MILLIARY BASES
 Assuming that State Equalization Guarantee Remains Constant (i.e. no additional state dollars)

REVISED PROGRAM COST AND STATE EQUALIZATION GUARANTEE (SEG)											
EFFECT ON OPERATIONAL FUND IF NO IMPACT AID CREDIT IS TAKEN						ADDITIONAL IMPACT AID CURRENTLY NOT CONSIDERED IN CALCULATING SEG					
DISTRICT	A	B	C=B-A	D	E=C+D	F	G	H	I	J	K=D+F+G+H+I+J
	ORIGINAL 2000-2001 PROGRAM COST \$2,647.56 (75% CREDIT FOR ALL)	NEW 2000-2001 PROGRAM COST ¹ \$2,643.68	PROGRAM COST DIFFERENCE	ADD'L SEG FOR MILLIARY DISTRICTS	NET EFFECT TO DE OPERATIONAL FUND ³	OPERATIONAL IMPACT AID 5%	CAPITAL OUTLAY 20%	SPECIAL ED ADD-ON	INDIAN LANDS ADD-ON	SECTION 8007 CONSTRUCTION	TOTAL IMPACT AID NOT CONSIDERED IN CALCULATING SEG
ALAMOGORDO*	\$30,921,272	\$30,875,948	(\$45,324)	\$1,444,863.31	\$1,399,540	\$96,324	\$385,297	\$99,162	\$0	\$0	\$2,025,647
ALBUQUERQUE*	\$406,977,197	\$406,380,661	(\$596,536)	\$277,920.56	(\$318,615)	\$18,528	\$74,112	\$229,264	\$20,182	\$0	\$620,006
ANIMAS	\$2,578,337	\$2,574,558	(\$3,779)	\$0.00	(\$3,779)	\$0	\$0	\$0	\$0	\$0	\$0
ARTESIA	\$17,468,813	\$17,443,207	(\$25,605)	\$0.00	(\$25,605)	\$0	\$0	\$0	\$0	\$0	\$0
AZTEC	\$14,992,441	\$14,970,466	(\$21,976)	\$0.00	(\$21,976)	\$0	\$0	\$0	\$0	\$0	\$0
BELEN	\$23,295,356	\$23,261,211	(\$34,146)	\$0.00	(\$34,146)	\$0	\$0	\$0	\$0	\$0	\$0
BERNALILLO	\$20,041,823	\$20,012,446	(\$29,377)	\$0.00	(\$29,377)	\$145,516	\$582,065	\$250,442	\$835,888	\$0	\$1,813,911
BLOOMFIELD	\$15,453,675	\$15,431,024	(\$22,652)	\$0.00	(\$22,652)	\$22,034	\$88,137	\$67,653	\$130,308	\$0	\$308,132
CAPITAN	\$3,255,464	\$3,250,692	(\$4,772)	\$0.00	(\$4,772)	\$0	\$0	\$0	\$0	\$0	\$0
CARLSBAD	\$31,919,960	\$31,873,173	(\$46,787)	\$0.00	(\$46,787)	\$0	\$0	\$0	\$0	\$0	\$0
CARRIZOZO	\$1,718,465	\$1,715,946	(\$2,519)	\$0.00	(\$2,519)	\$0	\$0	\$0	\$0	\$0	\$0
CENTRAL	\$36,499,606	\$36,446,106	(\$53,500)	\$0.00	(\$53,500)	\$773,762	\$3,095,047	\$461,554	\$4,183,754	\$318,577	\$8,832,693
CHAMA VALLEY	\$3,695,975	\$3,690,558	(\$5,417)	\$0.00	(\$5,417)	\$0	\$0	\$0	\$0	\$0	\$0
CIMARRON	\$4,072,501	\$4,066,531	(\$5,969)	\$0.00	(\$5,969)	\$0	\$0	\$0	\$0	\$0	\$0
CLAYTON	\$4,433,000	\$4,426,503	(\$6,498)	\$0.00	(\$6,498)	\$0	\$0	\$0	\$0	\$0	\$0
CLOUDCROFT	\$3,187,117	\$3,182,445	(\$4,672)	\$0.00	(\$4,672)	\$141	\$563	\$0	\$0	\$0	\$704
CLOVIS*	\$36,822,768	\$36,768,794	(\$53,974)	\$479,096.12	\$425,122	\$31,940	\$127,759	\$203,682	\$0	\$0	\$842,477
COBRE	\$11,066,499	\$11,050,278	(\$16,221)	\$0.00	(\$16,221)	\$0	\$0	\$0	\$0	\$0	\$0
CORONA	\$645,671	\$644,725	(\$946)	\$0.00	(\$946)	\$0	\$0	\$0	\$0	\$0	\$0
CUBA	\$4,547,333	\$4,540,667	(\$6,665)	\$0.00	(\$6,665)	\$61,966	\$247,864	\$86,559	\$400,061	\$24,405	\$820,855
DEMING	\$22,578,622	\$22,545,527	(\$33,095)	\$0.00	(\$33,095)	\$0	\$0	\$0	\$0	\$0	\$0
DES MOINES	\$1,214,449	\$1,212,669	(\$1,780)	\$0.00	(\$1,780)	\$0	\$0	\$0	\$0	\$0	\$0
DEXTER	\$5,943,116	\$5,934,404	(\$8,711)	\$0.00	(\$8,711)	\$0	\$0	\$0	\$0	\$0	\$0
DORA	\$1,708,100	\$1,705,596	(\$2,504)	\$0.00	(\$2,504)	\$0	\$0	\$0	\$0	\$0	\$0
DULCE	\$4,057,460	\$4,051,513	(\$5,947)	\$0.00	(\$5,947)	\$94,423	\$377,692	\$49,960	\$544,444	\$41,141	\$1,107,660
ELIDA	\$892,212	\$890,904	(\$1,308)	\$0.00	(\$1,308)	\$0	\$0	\$0	\$0	\$0	\$0
ESPANOLA	\$25,899,663	\$25,861,700	(\$37,963)	\$0.00	(\$37,963)	\$2,819	\$11,276	\$21,213	\$14,948	\$0	\$50,257
ESTANCIA	\$5,256,373	\$5,248,668	(\$7,705)	\$0.00	(\$7,705)	\$0	\$0	\$0	\$0	\$0	\$0
EUNICE	\$3,379,759	\$3,374,805	(\$4,954)	\$0.00	(\$4,954)	\$0	\$0	\$0	\$0	\$0	\$0
FARMINGTON	\$43,030,284	\$42,967,212	(\$63,073)	\$0.00	(\$63,073)	\$7,238	\$28,953	\$135,730	\$42,612	\$0	\$214,534
FLOYD	\$1,634,283	\$1,631,888	(\$2,395)	\$0.00	(\$2,395)	\$0	\$0	\$0	\$0	\$0	\$0
FT. SUMNER	\$2,589,766	\$2,585,970	(\$3,796)	\$0.00	(\$3,796)	\$0	\$0	\$0	\$0	\$0	\$0
GADSDEN	\$59,714,858	\$59,627,330	(\$87,528)	\$0.00	(\$87,528)	\$0	\$0	\$0	\$0	\$0	\$0
GALLUP	\$61,448,049	\$61,357,980	(\$90,069)	\$0.00	(\$90,069)	\$1,234,404	\$4,937,618	\$1,016,581	\$6,683,135	\$454,383	\$14,326,121
GRADY	\$953,421	\$952,023	(\$1,397)	\$0.00	(\$1,397)	\$0	\$0	\$0	\$0	\$0	\$0
GRANTS	\$17,922,721	\$17,896,450	(\$26,271)	\$0.00	(\$26,271)	\$38,237	\$152,948	\$145,585	\$213,223	\$0	\$1,052,206
HAGERMAN	\$3,177,435	\$3,172,777	(\$4,657)	\$0.00	(\$4,657)	\$0	\$0	\$0	\$0	\$0	\$0
HATCH	\$7,701,262	\$7,689,974	(\$11,288)	\$0.00	(\$11,288)	\$0	\$0	\$0	\$0	\$0	\$0
HOBBS	\$32,099,510	\$32,052,459	(\$47,051)	\$0.00	(\$47,051)	\$0	\$0	\$0	\$0	\$0	\$0
HONDO	\$1,189,022	\$1,187,279	(\$1,743)	\$0.00	(\$1,743)	\$0	\$0	\$0	\$0	\$0	\$0
HOUSE	\$1,692,304	\$1,689,824	(\$2,481)	\$0.00	(\$2,481)	\$0	\$0	\$0	\$0	\$0	\$0
JAL	\$2,739,790	\$2,735,774	(\$4,016)	\$0.00	(\$4,016)	\$0	\$0	\$0	\$0	\$0	\$0
JEMEZ MOUNTAIN	\$2,667,139	\$2,663,229	(\$3,909)	\$0.00	(\$3,909)	\$912	\$3,650	\$2,070	\$4,141	\$0	\$10,773
JEMEZ VALLEY	\$3,874,617	\$3,868,937	(\$5,679)	\$0.00	(\$5,679)	(\$470)	(\$1,879)	\$1,263	\$16,700	\$0	\$15,615
LAKE ARTHUR	\$1,587,638	\$1,585,311	(\$2,327)	\$0.00	(\$2,327)	\$0	\$0	\$0	\$0	\$0	\$0
LAS CRUCES*	\$106,710,070	\$106,553,657	(\$156,413)	\$76,813.06	(\$79,600)	\$5,121	\$20,483	\$28,110	\$0	\$0	\$130,527
LAS VEGAS CITY	\$12,485,130	\$12,466,830	(\$18,300)	\$0.00	(\$18,300)	\$0	\$0	\$0	\$0	\$0	\$0
LAS VEGAS WEST	\$11,458,648	\$11,441,852	(\$16,796)	\$0.00	(\$16,796)	\$99	\$395	\$0	\$0	\$0	\$493

TABLE 1
EFFECT ON 2000-2001 UNIT VALUE IF NO IMPACT AID CREDIT IS TAKEN FOR DISTRICTS WITH MILITARY BASES
 Assuming that State Equalization Guarantee Remains Constant (i.e. no additional state dollars)

REVISED PROGRAM COST AND STATE EQUALIZATION GUARANTEE (SEG)											
EFFECT ON OPERATIONAL FUND IF NO IMPACT AID CREDIT IS TAKEN					ADDITIONAL IMPACT AID CURRENTLY NOT CONSIDERED IN CALCULATING SEG						
	A	B	C=B-A	D	E=C+D	F	G	H	I	J	K=D+F+G+H+I+J
DISTRICT	ORIGINAL 2000-2001 PROGRAM COST \$2,647.56 (75% CREDIT FOR ALL)	NEW 2000-2001 PROGRAM COST \$2,643.68	PROGRAM COST DIFFERENCE	ADDITIONAL SEG FOR MILITARY DISTRICTS	NET EFFECT TO OPERATIONAL FUND ³	OPERATIONAL IMPACT AID 5%	CAPITAL OUTLAY 20%	SPECIAL ADD-ON	INDIAN LANDS ADD-ON	SECTION 8007 CONSTRUCTION	TO TOTAL IMPACT AID NOT CONSIDERED IN CALCULATING SEG
LOGAN	\$1,744,109	\$1,741,553	(\$2,556)	\$0.00	(\$2,556)	\$0	\$0				\$0
LORDSBURG	\$5,301,024	\$5,293,254	(\$7,770)	\$0.00	(\$7,770)	\$0	\$0				\$0
LOS ALAMOS	\$17,991,409	\$17,965,038	(\$26,371)	\$0.00	(\$26,371)	\$17,070	\$68,279	\$0	\$0		\$85,349
LOS LUNAS	\$41,498,459	\$41,437,632	(\$60,827)	\$0.00	(\$60,827)	\$242	\$966	\$2,035	\$4,789		\$8,031
LOVING	\$3,630,813	\$3,625,492	(\$5,322)	\$0.00	(\$5,322)	\$0	\$0				\$0
LOVINGTON	\$13,980,483	\$13,959,991	(\$20,492)	\$0.00	(\$20,492)	\$0	\$0				\$0
MAGDALENA	\$2,682,127	\$2,678,195	(\$3,931)	\$0.00	(\$3,931)	\$18,868	\$75,471	\$66,034	\$96,293		\$256,665
MAXWELL	\$1,335,255	\$1,333,297	(\$1,957)	\$0.00	(\$1,957)	\$50	\$202	\$0	\$0		\$252
MELROSE	\$1,807,592	\$1,804,943	(\$2,650)	\$0.00	(\$2,650)	\$0	\$0				\$0
MESA VISTA	\$3,949,919	\$3,944,129	(\$5,790)	\$0.00	(\$5,790)	\$0	\$0				\$0
MORA	\$4,409,524	\$4,403,061	(\$6,463)	\$0.00	(\$6,463)	\$0	\$0				\$0
MORIARTY	\$22,168,819	\$22,136,325	(\$32,494)	\$0.00	(\$32,494)	\$0	\$0				\$0
MOSQUERO	\$611,872	\$610,975	(\$897)	\$0.00	(\$897)	\$0	\$0				\$0
MOUNTAINAIR	\$2,391,350	\$2,387,845	(\$3,505)	\$0.00	(\$3,505)	\$0	\$0				\$0
PECOS	\$5,650,356	\$5,642,074	(\$8,282)	\$0.00	(\$8,282)	\$0	\$0				\$0
PENASCO	\$4,410,504	\$4,404,039	(\$6,465)	\$0.00	(\$6,465)	\$929	\$3,716	\$4,298	\$4,895		\$13,837
POJOAQUE	\$9,958,847	\$9,944,250	(\$14,597)	\$0.00	(\$14,597)	\$43,658	\$174,632	\$72,196	\$225,288		\$515,774
PORTALES	\$12,840,234	\$12,821,414	(\$18,821)	\$0.00	(\$18,821)	\$353	\$1,412	\$12,938	\$0		\$14,703
QUEMADO	\$1,490,023	\$1,487,839	(\$2,184)	\$0.00	(\$2,184)	\$0	\$0				\$0
QUESTA	\$4,089,101	\$4,083,107	(\$5,994)	\$0.00	(\$5,994)	\$0	\$0				\$0
RATON	\$7,260,785	\$7,250,142	(\$10,643)	\$0.00	(\$10,643)	\$125	\$500	\$0	\$0		\$625
RESERVE	\$1,811,450	\$1,808,795	(\$2,655)	\$0.00	(\$2,655)	\$0	\$0				\$0
RIO RANCHO	\$43,452,872	\$43,389,180	(\$63,692)	\$0.00	(\$63,692)	\$0	\$0				\$0
ROSWELL	\$47,689,259	\$47,619,358	(\$69,902)	\$0.00	(\$69,902)	\$0	\$0				\$0
ROY	\$932,243	\$930,876	(\$1,366)	\$0.00	(\$1,366)	\$0	\$0				\$0
RUIDOSO	\$13,907,903	\$13,887,517	(\$20,386)	\$0.00	(\$20,386)	\$20,510	\$82,039	\$133,371	\$115,506		\$351,426
SAN JON	\$1,339,385	\$1,337,421	(\$1,963)	\$0.00	(\$1,963)	\$0	\$0				\$0
SANTA FE	\$61,117,179	\$61,027,595	(\$89,584)	\$0.00	(\$89,584)	\$0	\$0				\$0
SANTA ROSA	\$5,522,135	\$5,514,041	(\$8,094)	\$0.00	(\$8,094)	\$0	\$0				\$0
SILVER CITY	\$19,867,137	\$19,838,016	(\$29,121)	\$0.00	(\$29,121)	\$0	\$0				\$0
SOCORRO	\$10,088,220	\$10,073,433	(\$14,787)	\$0.00	(\$14,787)	\$0	\$0				\$0
SPRINGER	\$2,110,288	\$2,107,195	(\$3,093)	\$0.00	(\$3,093)	\$0	\$0				\$0
TAOS	\$17,878,867	\$17,852,660	(\$26,206)	\$0.00	(\$26,206)	\$3,067	\$12,268	\$42,948	\$15,399		\$73,682
TATUM	\$2,269,163	\$2,265,837	(\$3,326)	\$0.00	(\$3,326)	\$0	\$0				\$0
TEXICO	\$3,220,105	\$3,215,385	(\$4,720)	\$0.00	(\$4,720)	\$0	\$0				\$0
TRUTH OR CONS.	\$8,205,710	\$8,193,682	(\$12,028)	\$0.00	(\$12,028)	\$0	\$0		\$0		\$0
TUCUMCARI	\$6,965,429	\$6,955,219	(\$10,210)	\$0.00	(\$10,210)	\$0	\$0				\$0
TULAROSA	\$6,393,603	\$6,384,232	(\$9,372)	\$0.00	(\$9,372)	\$13,157	\$52,630	\$35,576	\$74,102		\$175,465
VAUGHN	\$1,038,058	\$1,036,536	(\$1,522)	\$0.00	(\$1,522)	\$0	\$0				\$0
WAGON MOUND	\$1,544,097	\$1,541,833	(\$2,263)	\$0.00	(\$2,263)	\$0	\$0				\$0
ZUNI	\$10,847,922	\$10,832,021	(\$15,901)	\$0.00	(\$15,901)	\$274,845	\$1,099,378	\$604,205	\$1,594,252	\$113,754	\$3,686,434
STATEWIDE	\$1,554,605,251	\$1,552,326,554	(\$2,278,693)	\$2,278,693	\$0	\$2,925,868	\$11,703,472	\$3,772,432	\$15,219,917	\$952,260	\$37,354,855

¹If no Impact Aid credit is taken for districts with military bases and the state appropriation remains the same, the unit value will decrease by \$3.88

²Military districts would not have any Impact Aid operational funds considered when calculating SEG.

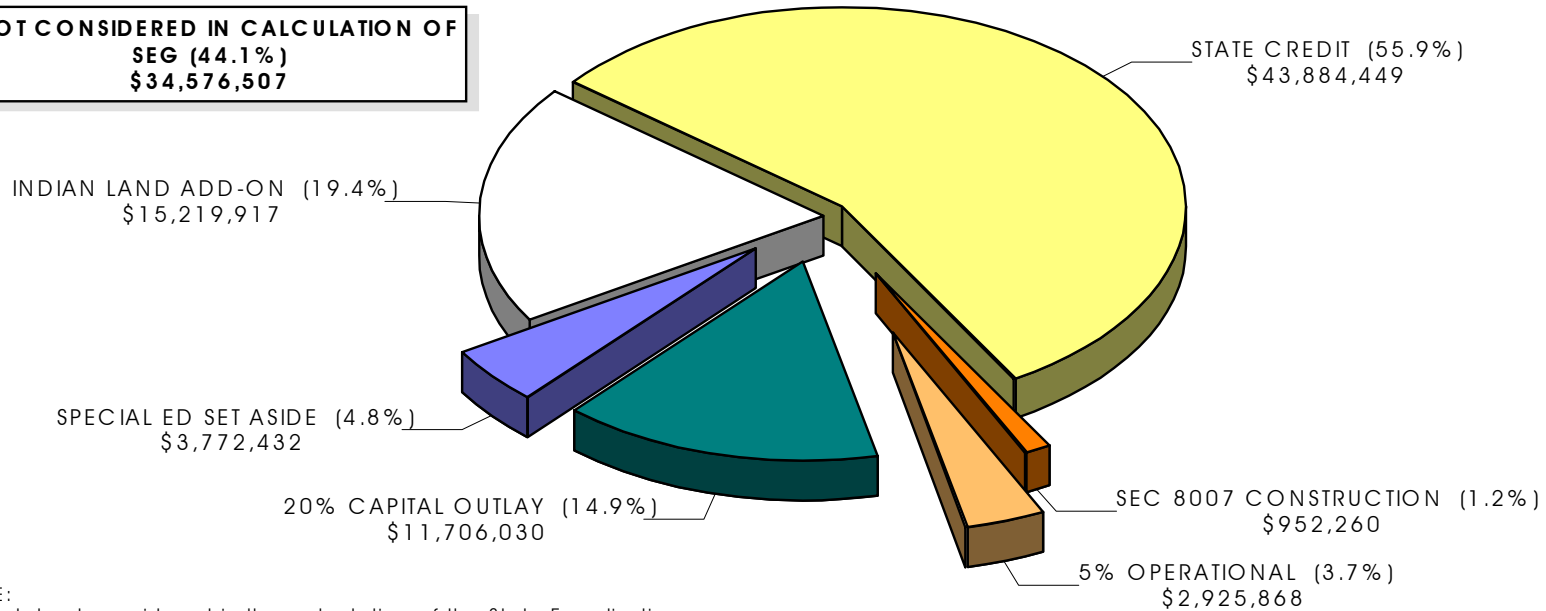
³This column shows the net effect on each district's Operational Subfund if no Impact Aid credit is taken for military districts.

*School districts with military bases.

Chart 1 2000-2001 IMPACT AID PAYMENTS

TOTAL IMPACT AID PAYMENTS RECEIVED BY SCHOOL DISTRICTS = \$78,460,956

**NOT CONSIDERED IN CALCULATION OF SEG (44.1%)
\$34,576,507**



NOTE:
The total not considered in the calculation of the State Equalization Guarantee (SEG) is \$34,576,507 which consists of the 5% Operational, 20% Capital Outlay, Indian Ed Set Aside, Special Ed Set Aside, and Section 8007 Construction. This is 44.1% of total Impact Aid payments.