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FISCAL IMPACT REPORT



SPONSOR: Watchman DATE TYPED: 2-10-02 HB 361

SHORT TITLE: Reduce Impact Aid SB _____

ANALYST: Segura

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
	See Narrative		\$43,895.1	Recurring	General Fund
			See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB418

Relates to HB161

SOURCES OF INFORMATION

State Department of Education (SDE)

SUMMARY

Synopsis of Bill

House Bill 361 would amend the Public School Finance Act Section 22-8-25 NMSA 1978 to: change the percent of federal Impact Aid receipts the state takes into consideration in calculating the SEG based on incremental decreases beginning July 1,2002 to July 1,2007.

Significant Issues

Currently, the state takes 75% credit of all local and federal revenues as required in the Public School Finance Act (Section 22-8-25 NMSA 1978). The state takes credit for only the operational portion of the Impact Aid funds, which translates to 55.9% of total Impact Aid payments.

According to SDE, based on the reduction of impact aid credits to 53% for FY04, the bill would affect the state's ability to qualify as an equalized state fro the purpose of taking credit for Impact Aid funds in the calculation of the SEG because the state would no longer be able to meet the disparity test set forth in federal law, therefore, no impact aid credit could be taken.

The statutory provisions of New Mexico's public school funding formula allows the state to qualify under federal Impact Aid requirements as an equalized state and has been allowed to consider eligible Impact Aid receipts in determining the amount of state aid to public school districts.

FISCAL IMPLICATIONS

The passage of HB-361 would require the 2003 Legislature to appropriate a projected \$43,895.1 of general fund to the State Equalization Guarantee formula to supplement the loss in Impact Aid credits and maintain the current unit value.

CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP

House Bill 361 duplicates SB418 and relates to HB161.

OTHER SUBSTANTIVE ISSUES

The department indicates that if New Mexico were unable to take credit for Impact Aid receipts, SEG would be reduced by an estimated \$43,895.1 for the school year 2003-2004. Impact Aid districts would realize an increase of over \$70,000.0 in operational revenues to use at their discretion. This change could have a significant deleterious effect on the SEG formula as it is now constituted.

In addition, the corresponding additional state revenues that are received by impact aid districts as a result of the reduction in the credits from 95% to 75 % and directed toward capital outlay would be nullified. As a result of New Mexico's failure to qualify as an equalized state, each Impact Aid recipient would be able , according to federal law, expend its Impact Aid for any legally permissible purpose.

RS/njw