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FISCAL IMPACT REPORT

SPONSOR Nava DATE TYPED 03/09/05 HB _____

SHORT TITLE Funding Formula Study Task Force SB 125/aSFC

ANALYST Chabot

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	NFI				

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 120, SB 4, SB 124, and SB 274

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Public Education Department (PED)

SUMMARY

Synopsis of SFC amendment

The Senate Finance Committee amendment to SB 125 strikes the appropriation, changes the representation on the task force from three superintendents to four representatives of public school administrators including one each from a small school, a growth, an impact aid and a mid-sized districts chosen by Legislative Council from a list submitted by the New Mexico Superintendent Association, and further expands the funding formula study to include the expectations of the public and statutory requirements of the public education system and estimates of the cost of these expectations.

Funding of \$200 thousand for the task force is in House Bill 2 as amended.

Synopsis of Bill

Senate Bill 125 appropriates \$350 thousand from the general fund to the Legislative Council Service for fiscal years 2005 through 2007 for the purpose of paying for the costs associated with

a public school funding formula task force and study. The task force is to be composed of 3 members from both the House of Representatives and the Senate appointed by the Legislative Council, 3 members appointed by the Governor, 3 school superintendents appointed by the Legislative Council, and the president of the New Mexico School Board Association or designee. Staff will be provided by LESC, LFC, PED and DFA. Recommendations are due to the Legislature and Governor by December 15, 2006.

Significant Issues

The intent of the 1974 Public School Finance Act (Sections 22-8-17 through 25 NMSA 1978) is to equalize financial opportunity at the highest possible level and to guarantee each New Mexico public school student equal access to programs and services appropriate to educational needs regardless of geographic location or local economic conditions. Approximately 90 percent of the public school's operational revenue is derived from the state equalization guarantee (SEG) appropriation. SEG is the mechanism used to distribute funds appropriated through PED to individual school districts. Adjustments to the formula have been made for specific items without a review of the total formula. For example, a factor for elementary fine arts was added in 2003 as an add-on to elementary school funding. DFA estimates there have been over 70 changes in the formula since 1970. The last comprehensive study of the formula was done in 1996-97 at a cost of \$150 thousand. The 2003 General Appropriations Act included \$300 thousand to LESC to study the formula but was vetoed.

Growing districts complain the enrollment growth factor is too low; districts losing students complain size adjustment units are insufficient to continue programs in existence. Charter schools are allowed to receive small-school formula adjustments while similar sized district schools may not. Lastly, minimum teacher salaries have been statutorily mandated based upon level of licensure but the calculation of the training and experience index stayed the same. Several bills have been introduced that are related to or could impact the funding formula and highlight the necessity of a comprehensive review rather than piecemeal changes.

PERFORMANCE IMPLICATIONS

If a more equitable formula results, better student performance may result from increased funding to some school districts.

FISCAL IMPLICATIONS

The appropriation of \$350.0 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2007 shall revert to the general fund.

The LFC recommendation includes \$200.0 for a funding formula study, the LESC recommendation is for \$350.0, and the executive recommendation is for \$200.0 appropriated to DFA.

OTHER SUBSTANTIVE ISSUES

The Executive Budget Recommendation, Fiscal Year 2006 includes \$200 thousand for the DFA Office of Educational Accountability to conduct the study. Specifics are not included in the rec-

ommendation on whether it should be a task force or a study either contracted or in-house. In addition, DFA suggests a teacher representative be added to the task force specified in this bill.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

The public school funding formula is established in statute and would not change.

POSSIBLE QUESTIONS

1. Should all bills making changes to the public school funding formula be tabled until a comprehensive study is complete?
2. Is the composition of the task force sufficient to ensure a comprehensive review?

GAC/lg