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## FISCAL IMPACT REPORT

SPONSOR HEC DATE TYPED 2/25/05 HB 703/HECS

SHORT TITLE Define Rural School District SB \_\_\_\_\_

ANALYST Chabot

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			\$153.2	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

### SUMMARY

#### Synopsis of Bill

House Education Committee Substitute for House Bill 703 would enact a new section in the Public School Code defining a rural school district as having 1,000 or less students or one located in a county with a population density at or below 30 people per square mile and whose largest municipality has less than 30,000 people. It also requires the rural education division of PED to assist rural school districts in obtaining federal funds. An individual school with less than 1,000 students and is located on tribal land is entitled to assistance from the rural education division.

#### Significant Issues

The following is taken from the PED analysis.

PED's working definition of a rural school district is one with an enrollment of fewer than 1,000 students. This definition addresses district size, but not geographic isolation. The rationale for using this approach is that smaller districts are funded to provide the same educational services as larger districts, but have smaller budgets and fewer employees with which to do so. Under the current definition, 48 of the state's 89 school districts are considered rural.

The definition proposed in the bill bases status as a rural district on both district size and the characteristics of the counties in which they are located. Generally, in counties with low population densities and cities of less than 30,000, the distances from specialized personnel, the services of major state universities and other resources available in urban areas are greater. Using the definition in the proposed legislation, more than 70 of New Mexico's 89 school districts would qualify as rural districts, an increase of more than 45 percent.

Comparisons of how particular schools and communities are classified under each definition are revealing. Applying PED's definition, Grady and Reserve are considered rural districts, but Grants and Hobbs (with enrollments exceeding 1,000 students) are not. Under the proposed definition, all four would be counted as rural.

If the bill becomes law, these districts and others now considered non-rural under the PED definition would be identified as rural: Artesia, Carlsbad, Deming, Gallup, Grants, Hobbs, Raton, Silver City and Taos.

In terms of the regional distributions of rural districts according to the two definitions, the one currently in use includes numerous districts in north central and eastern New Mexico, but fewer in the southern and western portions of the state. The proposed definition would eliminate from rural district status only those districts of more than 1,000 students in the counties including Alamogordo, Albuquerque, Farmington, Las Cruces, Los Alamos, Los Lunas, Rio Rancho, Roswell, Santa Fe and Clovis. As a result, more than 20 additional districts would be identified as rural, and the distribution would be more evenly spread around the state.

The designation of a district as rural by the PED has **no** impact on eligibility for general fund appropriations or federal grant awards. Eligibility for U.S. Department of Education grants is determined on the basis of federal definitions of rural schools and districts, not the state's definition. In addition, there is no impact on the number of districts allowed to take advantage of the flexibility available in meeting the highly qualified teacher licensure requirements under the No Child Left Behind Act (NCLB).

## **FISCAL IMPLICATIONS**

PED assesses the Rural Education Division would add more than 20 districts to the state definition as rural. The division would be unable to provide complete services to the additional districts; it estimates \$153.2 would be required plus 2 FTE to serve the additional districts designated as rural.

The LFC FY06 appropriation recommendation is balanced between revenues and expenditures and any increase in recurring funding must be offset by reductions in other areas of the recommendation. The Legislature must consider all priorities and funding requirements to find revenue to support this legislation.

Education reform may require the expenditures of at least an additional \$26 million in FY07 as follows: \$16 million for raising minimum salaries of level 3-A teachers to \$45,000; \$4 million for pre-kindergarten; and \$6 million for fine arts. These will be in addition to expected increased costs for opening the doors (fixed costs, insurance, enrollment growth, and increased employer contributions to the educational retirement fund) which could be another \$35 million. In addition, \$4 million is needed for increased employer contributions to educational retirement fund

from higher education institutions. It may be prudent to avoid additional commitments to recurring appropriations in future fiscal years.

**ALTERNATIVES**

PED suggests a working group could be convened during the interim to define the term “rural school district” and address the practical delivery of services to the rural districts.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?**

PED’s working definition would continue to be used to define rural school districts.

**POSSIBLE QUESTIONS**

1. Why does the definition of a rural school district need to be placed in statute?
2. Can FTE be moved within PED to meet the additional workload in the Rural Education Division?

**GAC/sb**