

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill No: CS/SB 255a

49th Legislature, 1st Session, 2009

Short Title: School Size Capital Funding & Consolidation

Sponsor(s): Senator Cynthia Nava and Others

Analyst: Peter B. van Moorsel

Date: March 17, 2009

AS AMENDED

The Senate Floor Amendment provides that after 20 new school construction projects have qualified for and been awarded the credit of up to 5.0 percent of project cost against the local share:

- the credit will no longer be available or provided for subsequent projects; and
- the design requirement and size limitation will no longer be applicable.

Original Bill Summary:

CS/SB 255 adds a new section to the *Public School Code* to permit a local school board to consolidate two or more schools if it determines that the consolidation is in the best interest of students served by each of the schools proposed to be consolidated; and to provide procedures for the consolidation of schools. The procedures prescribed in the bill:

- Require the local school board to prepare a feasibility study examining the likely effects of the consolidation on the education of students in the district and on the community in which the schools are located, including effects on:
 - student achievement;
 - student participation in co-curricular activities;
 - student health and well-being;
 - student commuting time and patterns;
 - parental participation in school activities and student learning;
 - annual cost per pupil and total cost per graduate;
 - other costs related to consolidation; and
 - other factors related to the educational performance of the schools and students.
- Require the local school board, after the preparation of the feasibility study, to hold a public hearing in each of the schools proposed to be consolidated in order to receive input from the members of the community that will be affected by the consolidation. During the hearings, the local school board is required to allow interested persons an opportunity to submit data, views or arguments, and to examine witnesses testifying at the hearing.
- Require the local school board, within 21 days of the last required public hearing, to decide in writing whether to proceed with the proposed school consolidation. If the board decides to proceed with the consolidation, the board is required to forward its decision, the feasibility study, and the record of each public hearing to the Secretary of Public Education.

- Require approval from the Secretary of Public Education for a school consolidation to take place.

CS/SB 255 also amends the *Public School Capital Outlay Act* to:

- Require the Public School Capital Outlay Council (PSCOC), in establishing criteria to be used in public school outlay projects that receive grant assistance, to consider:
 - the joint use of reasonably accessible community educational facilities as a concept that promotes efficient but flexible use of space; and
 - the construction or renovation of elementary and middle or junior high schools that would accommodate no more than 400 students as a construction concept that may maximize the dollar effect of the grant assistance on student performance.
- Define “community educational facility” as any non-classroom space designed to support educational programs, including physical education facilities, sports fields, gymnasiums, swimming pools, performing arts facilities, fine arts facilities, libraries, and media centers.
- Provide for a 5.0 percent increase in the state share of a PSCOC grant award to a school district if the PSCOC finds that the construction project for a new school will include in its design the joint use of reasonably accessible community educational facilities.
- Authorize the PSCOC to provide a credit of up to 5.0 percent of the project cost against the local share if a new construction project:
 - is for an elementary or middle or junior high school; and
 - is designed to accommodate no more than 400 students.
- Require, if the project will serve a student population: (1) where at least 70 percent are eligible for free or reduced-fee lunch; (2) that demonstrates a high mobility rate, as defined by the PSCOC; and (3) has a high rate of English language learners, as defined by the Public Education Department (PED), that:
 - a new school construction project be designed to accommodate no more than 400 students; and
 - the PSCOC provides a credit of up to 5.0 percent of the project cost against the local share.
- Provide that, to waive the above requirement, the applicant may provide a compelling justification, considering student outcomes and not solely financial or economic factors, for why it must accommodate more than 400 students.
- Require, for an application for a PSCOC award to construct a new school to be approved, that the application include:
 - an analysis of the number, type, location, and capacity of community educational facilities reasonably accessible to the proposed school;
 - a plan for how the new school will use these community educational facilities; and

- if the new school will not be using any of the identified community educational facilities, an explanation of why it will not be using them.
- Allow an application for a PSCOC grant award where two or more elementary or middle or junior high schools are designed to share a single parcel of land and core facilities to be approved as long as no single school exceeds 400 students.

Amended Fiscal Impact:

The Public School Facilities Authority (PSFA) estimates the net additional capital cost of CS/SB 255a, as follows:

- **additional cost per each qualifying elementary school: \$2,000,000; and**
- **additional cost per each qualifying middle or junior high school: \$2,640,000.**

Of the 20 qualifying schools specified in CS/SB 255a, PSFA estimates the distribution of elementary and middle and junior high schools to be 69 percent elementary schools, and 31 percent middle and junior high schools.¹ Based on these percentages, PSFA estimates that of the 20 new school projects, 14 will be elementary schools and six will be middle and junior high schools.

So the estimated additional capital cost of CS/SB 255a would be:

- **14 elementary schools x \$2.0 million = \$28.0 million**
- **6 middle or junior high schools x \$2.64 million = \$15.84 million**

TOTAL: \$43.84 million.

Original Fiscal Impact:

CS/SB 255 does not make an appropriation.

Although the fiscal impact of CS/SB 255 is difficult to estimate, several potential effects of CS/SB 255 should be considered:

Under the provisions of CS/SB 255, the state share of a PSCOC grant award could be increased by up to 10 percent for a construction project for a new elementary or middle or junior high school that:

- will include in its design the joint use of reasonably accessible community educational facilities; and
- is designed to accommodate no more than 400 students; and will serve a student population:
 - where at least 70 percent are eligible for free or reduced-fee lunch;
 - that demonstrates a high mobility rate, as defined by the PSCOC; and
 - has a high rate of English language learners, as defined by PED.

¹ PSFA reports that there are 93 elementary and 42 middle and junior high schools in New Mexico that are larger than 400 students and have greater than 75 percent free and reduced lunch—for a total of 135 potentially qualifying schools.

Increasing the state share of certain awards would mean that fewer funds are available for other projects, and could result in the PSCOC awarding grants for fewer standards-based projects per award cycle. However, the number of applications that would meet the above criteria, and as a result would qualify for an increase in the state share of a PSCOC grant-award, is unknown.

In addition to the increased state share, the construction of smaller schools could mean that school districts do not experience cost savings due to economies of scale related to building larger schools. However, the additional cost of building a smaller school could potentially be offset by savings related to the use of community educational facilities, as these facilities would not need to be constructed at the school site.

In addition to the above capital costs, building smaller schools (or multiple schools that are designed to share a single parcel of land and core facilities), could generate additional operational costs. Opening smaller schools could require a district to hire more teachers, administrators, maintenance workers, and counselors, and it could increase the district's fixed costs.

Fiscal Issues:

According to the PSFA, the current PSCOC financial plan for the use of the Public School Capital Outlay Fund (PSCOF) indicates that current revenues will only support previously awarded projects and may allow only a limited number of new projects under the standards-based capital outlay process. Barring new sources of funds to the PSCOF, construction dollars for new projects, including projects at the NMSBVI and the NMSD, are not projected to be available until FY 11 or FY 12.

Issues:

SB 217, *UNM Geographic Information System*, is a related bill that would provide funds for the development of a geographic information system (GIS) that could aid the PSCOC and school districts in determining the location and proximity of community educational facilities. The GIS could also aid in estimating the costs involved with transporting students to community educational facilities to determine if they are "reasonably accessible" to a school.

Background:

The provisions of CS/SB 255 appear to reflect the findings of a 2008 report prepared by Think New Mexico² titled *Small Schools: Tackling the Dropout Crisis While Saving Taxpayer Dollars*. The report cites several advantages of small schools, including higher graduation rates, improved student achievement, greater school safety, increased extracurricular opportunities, and increased student, teacher, parent, and administrator satisfaction.

In a response to the Think New Mexico report, Albuquerque Public Schools (APS) states:

- "APS embraces the tenets of smaller schools and is implementing a "Small Learning Communities" philosophy in new school design and renovation especially at the Middle

² Think New Mexico identifies itself as a results-oriented think tank serving the citizens of New Mexico, whose mission is to improve the quality of life for all New Mexicans by educating the public, the media, and policymakers about problems facing New Mexico and by developing effective, comprehensive, sustainable solutions to those problems.

and High School Levels. This is a way of retaining the fiscal economies of scale derived from a larger school setting while at the same time creating a ‘small school’ educational/academic environment.”

- However, APS cautions that “[s]imply reducing a school’s enrollment will not magically improve academic performance[,]” adding that “whether or not small schools are effective seems to depend more directly on the social and academic conditions that are created within the schools than on their absolute size.”

APS’ emphasis on the importance of social and academic conditions within the school is echoed in the 2009 Annual Letter from the Bill and Melinda Gates Foundation³, which states:

Many of the small schools that we invested in did not improve students’ achievement in any significant way. These tended to be the schools that did not take radical steps to change the culture.

Finally, other recent studies have reached similar conclusions:

- In May 2008, the US Department of Education released the evaluation of an eight-year program to support smaller learning communities within comprehensive high schools. On one hand, the proportion of students being promoted from grade 9 to grade 10 increased, participation in extracurricular activities rose, and the rate of violent incidents declined. On the other hand, however, the evaluation found no significant trends in achievement on either state tests or college entrance exams.
- In May 2007, the Institute for Education and Social Policy published *The Effectiveness of Small high Schools, 1994-95 to 2003-04*. This study of small high schools in New York City found that students at smaller schools (500 or fewer) had higher four-year graduation rates and lower dropout rates than the city-wide average, but they were not significantly different from the rates in larger high schools (up to 1,500 students).

Related Bills:

SB 217a *UNM Geographic Information System*

*CS/SB 378 *Public School Capital Outlay Amendments*

³ The Bill and Melinda Gates Foundation has made over \$2.0 billion in grants to help to create better high schools. The grants were intended to give schools extra money for a period of time to make changes in the way they were organized, including reducing their size.