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FISCAL IMPACT REPORT

ORIGINAL DATE 01/27/13

SPONSOR Hall LAST UPDATED 02/26/13 HB 165/aHEC

SHORT TITLE School Finance Units for Small Districts SB _____

ANALYST Gudgel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Narrative				

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

SUMMARY

Synopsis of HEC Amendment

House Education Committee Amendment to House Bill 165 makes several technical language corrections and establishes an effective date of July 1, 2015.

Synopsis of Original Bill

House Bill 165 creates a new factor in the public school funding formula that generates units for school districts with less than 200 students provided the district has implemented practices to reduce scale inefficiencies, including shared service agreements with regional education cooperatives or other school districts for non-instructional functions and distance education.

FISCAL IMPLICATIONS

An increase in program units generated by school districts or charter schools that is not accompanied by an increased appropriation has the effect of diluting the unit value, impacting school districts and charter schools statewide.

House Bill 165/aHEC – Page 2

Currently, there are a number of small school districts that do not receive sufficient public school formula funding to cover annual operational costs and are required to seek emergency supplemental funding from the department each year. The creation of a new formula factor would allow these district to generate additional units annually, resulting in additional funding annually. The fewer MEM (full time students enrolled) a school district has the more units the district will receive pursuant to the provisions of this bill. This bill will generate approximately 1,500 new units.

To illustrate the impact of this bill, for FY12 the Mosquero Public Schools (MEM of 49.5) received:

- \$598,480 in formula funding (state equalization guarantee distribution); and
- \$501,800 in emergency supplemental funding.

Under the provisions of this HB165, Mosquero would have received:

- \$541,632 in small district adjustments.

The bill does not include an appropriation; however, House Bill 11 and House Bill 3 include \$2.5 million in recurring emergency supplemental funding. It is likely this bill will eliminate the need for recurring emergency supplemental funding.

SIGNIFICANT ISSUES

Based on FY13 data, there are 17 school districts that would be eligible for small district adjustments provided they certify that they have implemented practices to reduce scale inefficiencies.

ADMINISTRATIVE IMPLICATIONS

The Public Education Department administers the public education funding formula. Administrative implications for the department should be minimal and include certifying school districts have implemented practices to reduce scale inefficiencies. This should not be any more cumbersome than the budget review the department does to allow a school district to budget emergency supplemental funds.

Additionally, the Student Teacher Accountability Reporting System will need to be updates to collect these units for small school districts.

RELATIONSHIP

House Bill 165 is related to House Bill 185 which also amends the public school funding formula.

ALTERNATIVES

The Legislature may wish to consider changing the effective date of this bill to July 1, 2013 or July 1, 2014.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Emergency supplemental funding appropriations will likely continue to be necessary.

RSG/svb:blm