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FISCAL IMPACT REPORT

ORIGINAL DATE 02/21/13

SPONSOR Papen LAST UPDATED _____ HB _____

SHORT TITLE Early College High Schools SB 363

ANALYST Pahl

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0.0	\$0.0	\$0.0	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

Relates to appropriation in the GAA

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)
 Higher Education Department (HED)
 New Mexico State University (NMSU)
 University of New Mexico (UNM)
 Public Schools Facility Authority (PSFA)

SUMMARY

Synopsis of Bill

Senate Bill 363 (SB 363) enacts a new section of the Public School Code to provide for school districts to form Early College High Schools (ECHS), and exempts ECHS from certain capital outlay funds.

FISCAL IMPLICATIONS

HB 2 includes a \$500 thousand appropriation to the Public Education Department (PED) for startup funds to establish up to five new ECHS, as part of the New Mexico Graduates Now initiative. Districts wanting to establish an ECHS could be eligible to apply for this funding.

SB 363 does not allow ECHS to apply for and receive standards-based funding from the Public School Capital Outlay Council (PSCOC). Funding for ECHS capital needs would come from other funding sources, however ECHSs would be eligible to apply for lease assistance from the PSCOC.

SB 363 creates requirements that could result in increased private funding for an ECHS and its district. SB 363 includes a requirement for participation and donations from one or more for-profit or non-profits. Some of these participation requirements include the donation of money, real property or personal property, entering into financing agreements with the school district, and/or providing other financial support to or on behalf of the early college high school.

The PED noted that under SB 363, an ECHS would be eligible to receive operational funding through the public school funding formula. New schools such as ECHSs may create new public school funding formula units and dilute the unit value. ECHSs may be eligible for small school size adjustment units in the formula. A Legislative Finance Committee (LFC) evaluation from 2011 on the public school funding formula cited school districts that created new schools and garnered such units, despite achieving scale efficiencies through sharing administration and teaching positions with other schools.

The PED also included in their response that while not a fiscal impact on the state, ECHSs would be required to ensure the capacity to operate and sustain the early college high school for three or more years.

Passage of SB 363 will not itself increase the amount of ECHSs in the state. Should ECHSs proliferate, the state would likely see an increase dual credit course offerings and enrollment. In FY10, New Mexico's public school and higher education funding allocated an estimated \$34.4 million for 10,985 high school students to take dual credit courses. Dual credit enrollment is already set to increase in the coming years due to new graduation requirements requiring students to take at least one dual credit or AP, online or honors courses. High schools and postsecondary institutions are receiving full instructional funding regardless of the physical location and responsibility for instruction of the dual credit course, which is often referred to as "double funding". The state funding is the same as if the student took two courses: one at the high school and one at the postsecondary institution. However, only one entity is responsible for the salary of the instructor and maintaining a seat in the classroom for a student. According to New Mexico State University's (NMSU) response, continued state support of dual credit funding is necessary to sustain the initiative.

SIGNIFICANT ISSUES

SB 363 states a school district's early college high school must meet several requirements to be established:

1. A proposed curricula linking course work with identified areas of employment.
2. A commitment to provide each student the opportunity to graduate from the early college high school with a diploma of excellence and an associate of arts degree;
3. A commitment to prepare students to enter the workforce upon graduation;
4. A proposed curriculum that includes areas of study aligned with local and state workforce needs as well as work-study or mentorship opportunities;
5. A memorandum of understanding with one or more institutions of higher education that may offer students of the early college high school;
6. Agreement with one or more for-profit or nonprofit entities to donate materials, provide work-study experience, or donate money or assets to the early college high school;
7. An identified existing facility or funding sources purchasing or renting a facility; and
8. A plan for operating the early college high school for three or more years.

SB 363 stipulates that early college high schools will not be eligible for standards-based funding from the PSCOC. However, school districts may lease facility spaces and may apply to the PSCOC for lease assistance pursuant to 22-24-4 NMSA 1978.

School districts are currently able to establish ECHS in New Mexico. It is unclear whether established early college high schools would be impacted by SB 363.

The Higher Education Department's (HED) response explained that there is capacity for ECHS. Existing programs that could support the ECHS proposal include New Mexico GEAR UP, which now operates in 25 schools within 12 New Mexico school districts. The primary aim of GEAR UP is to bring the awareness of college to students and the desire to included college attendance as a student's goal.

The HED also notes that the required link to the workforce in the ECHS proposal would be served well by the existing rule specifying the requirements of host institutions within established Geographic Areas of Responsibility (GAR). 5.2.4.9 NMAC states, in part, that the postsecondary institution "Coordinate a needs assessment to determine the programs needed to support current and future workforce demands within the GAR." Further, the host institution will provide educational services to include "... non-credit workforce training and community educations programs", which could also augment and support the success of established ECHSs in New Mexico.

PERFORMANCE IMPLICATIONS

A study funded by the Bill and Melinda Gates Foundation has found that early college high schools had a high level of daily attendance (94 percent), achievement levels on language arts and mathematics assessments that are higher than their peers, and a 70 percent on-time graduation rate. The Arrowhead Park ECHS in Las Cruces had a zero dropout rate, a 98 percent attendance rate and high rates of student success.

According to the PED, SB 363 leverages the PED's strategic lever number one: *Smarter Return on New Mexico's Investment* as it aligns proven strategies for student success with expenditures in education. SB 363 relates to strategic lever number four: *Ready for Success* as it better prepares for students for success in college or career. Strategic lever number five: *Effective Options for Parents* is also leveraged as it provides an alternative learning environment to the comprehensive high school.

ADMINISTRATIVE IMPLICATIONS

SB 363 does not require districts to establish an ECHS; districts that choose to establish an ECHS may experience a higher administrative burden to meet the requirements of the SB 363 and establish the ECHS.

DUPLICATION, RELATIONSHIP

HB 424 is a duplicate of SB 363.

SB 363 relates to HB 318, which makes a \$100 thousand appropriation to the Bridge program, an education initiative associated with an ECHS in Las Cruces.

TECHNICAL ISSUES

SB 363's current language allows for districts to apply to the PSCOC for lease assistance funds pursuant to 22-24-3 NMSA 1978. Because the bill also eliminates ECHSs from standards-based awards from the PSCOC, the committee may want to consider whether ECHSs should be ineligible for the PSCOC lease assistance funds also.

It is recommended that SB 363's be amended to make ECHS ineligible for small school size adjustment funding.

OTHER SUBSTANTIVE ISSUES

The Public School Facilities Authority (PSFA) noted that a high school with an Associates' degree furnished upon successful completion of a program could have positive impacts on the lottery scholarship fund that according to the LFC projected to have a shortfall of \$5 million in the spring 2014 semester (FY14).

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