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FISCAL IMPACT REPORT

ORIGINAL DATE 02/18/13

SPONSOR Lopez/Stapleton LAST UPDATED _____ HB _____

SHORT TITLE Vocational Education Funding Differential SB 379

ANALYST Gudgel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$139,244.8	\$139,244.8	\$278,489.6	Recurring	School District and Charter School Operating Budgets

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From
Public Education Department

SUMMARY

Synopsis of Bill

Senate Bill 379 amends the Public School Finance Act to add a vocation education funding differential to the state equalization guarantee distribution. The number of vocation education units will be determined by multiplying the qualifying full-time-equivalent MEM by the cost differential factor of 0.8.

FISCAL IMPLICATIONS

Data at the PED for 2011-2012 shows that there are 47,381 students statewide participating in vocational programs. Based on this, the total units generated are 37,904.8 (47,381 X 0.8). The total dollars generated using the FY13 final unit value of \$3,673.54 is **\$139,244,799**. Without an appropriation, the unit value would be diluted 5.7 percent.

Any unit value dilution in FY14 will have a negative effect on the state meeting the maintenance

of effort requirements of Part B of the federal Individuals with Disabilities Education Act (IDEA-B) in FY14. Given the funding recommendations included in HB2, if this bill is enacted the unit value will likely decrease in FY14. This will result in a larger gap between FY09 funding made available for special education and FY14 funding made available for special education, potentially resulting in the loss of federal IDEA-B funding.

SIGNIFICANT ISSUES

According to the Public Education Department

This bill does not contain an appropriation. As such, all units relating to the new vocational education program will serve to dilute the unit value since this would be an unfunded mandate.

Any changes to the public school funding formula will require at least a year to modify databases, collect the required data and calculate the new program cost for each school district and charter school.

Calculations for the 2013-2014 budget season will begin in March of 2013 (the prior fiscal year) so that school districts have a preliminary revenue estimate in which to build their budget before the start of the new fiscal year. This means this work will have to begin before the end of the session.

Establishing a modification to the funding formula without a preparation year will be problematic in establishing a state equalization guarantee allocation for the upcoming fiscal year since funding is based on prior year data.

In addition, the new changes to the formula will have to be evaluated to determine what impact they will have on total statewide units. The calculation of the initial unit value for the new fiscal year is normally done in March of the preceding fiscal year. Not having a year to develop the systems to calculate and evaluate these components could have a potentially negative impact on the calculation of the unit value and on each school district's and charter school's funding formula allocation.

ADMINISTRATIVE IMPLICATIONS

The administrative impact to PED will be significant as implementing any new formula component requires at least a year to implement and may require changes to the STARS and OBMS data systems.

ALTERNATIVES

PED recommends the effective date for all sections be amended to July 1, 2014 to allow time to develop the new reports required in STARS and to evaluate the impact of new units in calculating an initial unit value.

RSG/blm