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FISCAL IMPACT REPORT

SPONSOR Roch ORIGINAL DATE 02/05/14
 LAST UPDATED _____ HB 112

SHORT TITLE School Transportation Info Reporting SB _____

ANALYST Gudgel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16		
		See Fiscal Implications	Recurring	Transportation Emergency Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

HB 112, endorsed by the Legislation Education Study Committee, amends the Public School Finance Act, basing transportation funding allocations on information reported during the second reporting date of the previous school year, which is December 1, and changes the date the information is required to be reported to the PED from November 15 to December 15 to accommodate the change.

The bill also establishes a provision to address growth in ridership in the current year, allowing PED to transfer to the school district or state-chartered charter school an amount up to the difference between the transportation allocation calculated using prior year data pursuant to the changes made in the bill and the allocation calculated with data reported on December 1 of the current year from the Transportation Emergency Fund.

The bill has an effective date of July 1, 2015 and will, if enacted, be the methodology used to calculate transportation distributions during the 2015-2016 school year.

The bill is endorsed by the Legislative Education Study Committee.

FISCAL IMPLICATIONS

The bill does not have an appropriation and does not have an effect on the general fund. Transitioning to prior year funding may provide increased stability in school transportation funding, giving school districts and state-chartered charter schools the ability to plan better and make more conscientious decisions related to transportation as they will know their final allocations at the beginning of the fiscal year. The change in distribution calculation may result in significantly different distributions during the first year of implementation; however, over time this will smooth out as the distribution will be based on the same set of data year –to-year.

The bill will have an effect on the Transportation Emergency Fund. The bill allows the PED to make distributions from the Transportation Emergency Fund to address school districts and charter schools that are experiencing growth. The bill does not establish any parameters for what constitutes growth sufficient to use revenues in the fund and if not exercised judiciously could lead to a situation where there is not sufficient revenue in the fund for true emergencies.

SIGNIFICANT ISSUES

PED's analysis notes that currently, the transportation formula for a given fiscal year is based on a tentative allocation using data from the prior fiscal year. School districts are then required to submit data on the first reporting period of the current fiscal year and the calculations are adjusted based on the new data. The adjustments can either lead to an increase or decrease in the calculations based on the new data submitted by every school district and state chartered charter school. The formula in its current existence makes it very difficult for school districts to plan their budgets for any given year since it is not known what the budget will be at the beginning of a fiscal year. A school district will only know its final allocation after the final calculations are finalized which usually occurs in January of every fiscal year. At this point, half the year has already elapsed. It is even more difficult for school districts to negotiate their contracts with their contractors because they do not know how much they have to offer.

A similar bill was introduced last year. PED notes that some school districts that were experiencing student ridership growth were in opposition to last year's bill. However, HB 112 adds language to allow the allocation of additional funds for school districts that experience growth at the discretion of the Secretary of PED. Additionally, moving to prior year funding may give declining school districts a year to plan for any significant declines in enrollment because they too will not be affected until the following year. This is a premise behind the public school funding formula which has been successful in allowing districts to plan appropriately for the future.

ADMINISTRATIVE IMPLICATIONS

The collection and verification of transportation data can be cumbersome for both PED and school districts. In certain years this data can take up to three months for school districts and charter schools to validate. The implementation of the provisions of this bill will require school districts to submit transportation data twice in FY15 which may be overwhelming. School districts will be required to submit data on the first reporting period to finalize the allocation for FY15 and will also be required to submit data on the second reporting period which will be the data used to calculate the formula for FY16. However, in future years, school districts will only be required to report data once per year.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 156 allows PED to allocate funds from the Emergency Transportation Fund for increased fuel costs. These bills should be considered together as they will both have an effect on the Transportation Emergency Fund.

TECHNICAL ISSUES

At the end of any fiscal year, if a school district or state-chartered charter school has a balance remaining from their transportation allocation, the school district or state-chartered charter school must return 50 percent of the balance to the Transportation Emergency Fund and is allowed to keep the other 50 percent. Use of the Transportation Emergency Fund is established in statute (Section 22-8-29.6 NMSA 1978) and is limited for the “purpose of funding transportation emergencies. The state superintendent [secretary] shall make distributions only to ensure the safety of students receiving to-and-from transportation services.”

It is arguable that growth in student ridership year-over-year does not constitute an emergency as contemplated by the statutory language of the Transportation Emergency Fund. If it is the intent of the Legislature to allow the fund to be used pursuant to this bill the Transportation Emergency Fund should be amended to reflect these changes. Additionally, the Legislature may want to establish a minimum threshold of growth that must occur before PED can consider increasing a school district or charter school’s transportation allocation pursuant to the new proposal in Section D, such as a minimum percentage of growth similar to that included in the state equalization guarantee calculation or the requirement that another school bus must be added before growth funding will be considered. Otherwise, the department is able to consider increasing funding to address growth for a single rider.

OTHER SUBSTANTIVE ISSUES

During the 2012 and 2013 interims, the Legislative Education Study Committee (LESC) formed a school transportation subcommittee to address school transportation issues and the school transportation formula. The LESC staff suggested to the subcommittee that they might want to consider funding to be based on a different reporting period than current statute required and suggested prior year reporting dates could be used to fund current year transportation. Subcommittee members generally indicated funding based on prior year data would provide more stability in school transportation funding. The LESC staff noted that school districts often find disruptive the practice of establishing an estimated allocation for initial distributions then adjusting these estimated allocations after data is collected on the first reporting date.

The bill does not allow for the calculation of a new state-chartered charter school’s transportation distribution based on current year data for the first year of operations. PED’s analysis last year indicated similar language precluded state-chartered charter schools from receiving an allocation during their first year of operations.

During 2011, the Legislative Finance Committee (LFC) staff evaluation Public Education Department School Bus Transportation Program (May 2011) noted a problematic funding formula, poor oversight of districts, and administrative inefficiencies at the PED with regards to the school transportation program. The full report is available at:

<http://www.nmlegis.gov/lcs/lfc/lfcdocs/perfaudit/Public%20Education%20Department%20-%20School%20Bus%20Transportation%20Program%20FINAL.pdf>