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FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/15
 SPONSOR HEC LAST UPDATED 03/03/15 HB 140/HECS/aHWMC
 SHORT TITLE Private School Activities Unit SB _____
 ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	See Fiscal Implications		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$0.0 to \$1,483.3	\$0.0 to \$1,483.3	\$0.0 to \$2,966.6	Recurring	School District Operating Budgets

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

New Mexico Activities Association (NMAA)

SUMMARY

Synopsis of HWMC Committee

House Ways and Means Committee amendment of House Committee Substitute for House Bill 140 inserts the term “nonmember private school”, limiting the new factor to private school students who are enrolled in a nonmember private school with less than three hundred fifty students who are participating in a school district activity governed by the New Mexico Activities Association.

Synopsis of Bill

House Committee Substitute for House Bill 140 amends the Public School Finance Act, expanding the home school student activities program unit to include private school students

who are enrolled in a private school with less than 350 students, allowing a school district to generate 0.1 program units for each qualifying private school student who is participating in an NMAA sanctioned school district activity.

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.

Each program unit is currently worth \$4,007.75. Enactment of this bill will direct approximately \$400.78 to a school district for each qualifying private school student. It is unclear how many private school students would participate. Any private school student participating will generate additional program units for a school district.

Of the approximately 10.8 thousand private middle and high school students, PED information indicates approximately 3,701 private middle and high school students would be eligible to participate in school district activities sanctioned by NMAA. If they all participated in an activity, these students would generate 370.1 program units for local school districts. To fully fund these units, the Legislature would need to include almost \$1.5 million to cover the additional units, otherwise a modest dilution of the unit value will occur.

It is unclear how many of the above noted students will take advantage of the provisions of this bill. There is currently a similar program unit for home school and charter school students. Funding generated by school districts pursuant to the units are minimal. For FY15, 71.5 charter school students and 73.5 home school students are funded at the cost differential of 0.1 for participating in a NMAA sanctioned activity offered by a school district.

SIGNIFICANT ISSUES

Preliminary information provided by PED and NMAA indicates students from approximately 70 private schools totaling 3,701 middle and high school students would be eligible to participate in a NMAA sanctioned activity at the local school district and generate 0.1 program units for the school district pursuant to the provisions of this bill. The following communities have eligible private school students: Alamogordo, Albuquerque, Anthony, Belen, Cedar Crest, Clovis, Corrales, Cuba, Espanola, Farmington, Gallup, Grants, Hondo, Las Cruces, Los Alamos, Lumberton, Maxwell, Roswell, San Fidel, Santa Cruz, Santa Fe, Silver City, Taos, Thoreau, Tijeras, T or C, and Zuni.

NMAA Sanctioned Athletics and Extracurricular Activities for Middle and High School Students

A current list of New Mexico Activities Association sanctioned athletic and extracurricular activities includes the following: baseball, basketball, cross country, football, golf, soccer, softball, spirit, swim and dive, tennis, track and field, volleyball, wrestling; athletic training challenge, bowling, business professionals of America, chess, choir, concert band, DECA marketing education, drama/one act production, English expo, FCCLA (family, career and community leaders of America), FFA agriculture education, health occupations student association (HOSA), JROTC, mock trial, orchestra, rodeo, scholastic publications, science fair, science olympiad, skills USA, speech and debate, student council, and technology student association (TSA).

According to the PED

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. Calculations for the 2015-2016 budget will begin in March of 2015 so that school districts have a preliminary revenue estimate in which to build their budget before the start of the new fiscal year.

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.

Additionally, the PED recommends that the effective date of this bill be amended to July 1, 2016 to allow for a year to develop the new data fields, collect the data and write new reports in STARS.

ADMINISTRATIVE IMPLICATIONS

The PED will need to modify all of the funding formula worksheets used to compute the state equalization guarantee for school districts and charter schools. The unit value calculation will need to be modified to capture the impact of these additional units to the funding formula. PED generally indicates they need a year to implement any formula changes. The Legislature may want to consider changing the effective date to July 1, 2016 to allow PED sufficient time to collect data and make changes to data systems and SEG calculation sheets.

TECHNICAL ISSUES

The intent appears to limit the program unit to private schools that have fewer than 350 students and that are not a member of the New Mexico Activities Association; however, the bill states students enrolled in "nonmember private schools" are eligible to generate program units but it does not specify what the private school is a nonmember of. The Legislature may want to consider language similar to the following:

“...and private school students enrolled in a private school that is not a member of the New Mexico activities association that has fewer than three hundred fifty students...”

Line 25 on page 3 and line 1-2 on page 4 reads “The home school and certain private school student activities program unit shall be paid to the school district in which it is generated.” Technically, program units are not paid to anyone. This could be changed to read “The student activities program unit shall be **counted** in the school district in which it is generated.” This more accurately accounts for what happens.