

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 165

52nd Legislature, 2nd Session, 2016

Tracking Number: 202154.3

Short Title: School “Current Year MEM” Calculation

Sponsor(s): Senators George K. Munoz and John M. Sapien

Analyst: David Craig

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**FOR THE LEGISLATIVE EDUCATION STUDY COMMITTEE
AND THE LEGISLATIVE FINANCE COMMITTEE**

Bill Summary:

SB 165 amends a section of the *Public School Finance Act* relating to the public school funding formula to clarify that the definition of “current year MEM” for the purposes of calculating enrollment growth units does not include student membership (MEM) calculated for new formula-based programs based on the first reporting date of the current year.

Fiscal Impact:

SB 165 does not make an appropriation.

By removing MEM in new formula-based programs from the calculation of enrollment growth program units, the bill permanently eliminates the double funding of certain students through the public school funding formula. Currently, similar language is included in the *General Appropriation Act of 2015 (GAA of 2015)*, but the use of such appropriation language requires annual reauthorization by the Legislature. The FY17 Executive budget recommendation for public school support included approximately \$11.0 million to fund enrollment growth units; however, it is unclear how much of that is attributable to students in new formula-based programs.

Substantive Issues:

The public school funding formula is based on prior year student membership, but contains an enrollment growth provision to offset increased costs as student membership grows in the current year. However, the *GAA of 2015* allows new formula-based education programs to use current-year student membership in calculations for funding because prior year enrollment data does not exist.

These new formula-based education programs, including newly phased-in grade levels planned by charter schools, are also counted toward the calculation of enrollment growth units. If a charter school’s newly phased-in grade level causes year-over-year enrollment growth of at least 1.0 percent, the charter school generates funding, resulting in the double funding of these

students. The clarification of the definition of “current year MEM” seeks to address an unintended interaction between the statutory definitions used for the calculation of enrollment growth program units and language in the *GAA of 2015* intended to fund new formula-based programs on a current-year basis.

Background:

The enrollment growth provision, enacted in 1990, allowed school districts to generate enrollment growth units recognizing there is a real cost to adding a significant number of new students in any given school year and funding is based on prior year enrollment; it was amended in 2006 to also allow charter schools to generate enrollment growth units.

Enrollment growth units are triggered only when a school district or charter school experiences an increase in student membership equal to or greater than 1.0 percent compared with the immediately preceding year. One and one-half (1.5) units for each student above the 1.0 percent growth threshold and an additional 0.5 units for each student above the prior year base are generated through the two statutory formulas, resulting in:

- growth from zero to 1.0 percent being funded with 0.5 units per student; and
- growth greater than or equal to 1.0 percent being funded with 2.0 units per student.

A second, unrelated provision has historically existed in the *GAA of 2015* that allows a school district or charter school to use current year membership reporting for new formula-based programs. Charter schools were first included in the provision beginning with the *GAA of 2012*, but the edition was to conform to PED practice and did not change how charter schools were eligible to count certain students as new programs. Effectively, this language allows any school district or charter school that is starting a new program to use current year first reporting date membership for the purposes of generating funding. Absent this language, a school district or charter school beginning a new formula-based program would be required to fund the program the first year and would begin generating formula funding the second year.

These two provisions resulted in the double counting of certain students, primarily from charter schools that are phasing in grades over time, in the calculation of certain program units that the provisions were not originally intended to allow.

The following language was included in the *GAA of 2015* to address the double funding of phase-in students:

“For the 2015-2016 school year, the general fund appropriation to the state equalization guarantee distribution includes sufficient funding for school districts and charter schools to implement a new formula-based program. Those school districts and charter schools shall use current-year first reporting date membership in the calculation of program units for the new formula-based program. Increased charter school enrollment pursuant to an authorizer-approved increase in an existing enrollment cap shall be considered a new formula-based program. Notwithstanding the provisions of Section 22-8-23.1 NMSA 1978 or other substantive law, any membership in a new formula-based program shall not be included in membership for the purposes of calculating enrollment growth pursuant to Section 22-8-23.1 NMSA 1978.

Related Bills:

SB 141 *Public School Funding Formula Amendments*