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**LEGISLATIVE EDUCATION STUDY COMMITTEE**  
**BILL ANALYSIS**  
**53rd Legislature, 1st Session, 2017**

|                        |  |                            |                       |
|------------------------|--|----------------------------|-----------------------|
| <b>Bill Number</b>     | <u>SB35</u>                              | <b>Sponsor</b>             | <u>Senator Soules</u> |
| <b>Tracking Number</b> | <u>.204731.1</u>                         | <b>Committee Referrals</b> | <u>SEC/SFC</u>        |
| <b>Short Title</b>     | <u>Public School Funding Sufficiency</u> |                            |                       |
| <b>Analyst</b>         | <u>Herz</u>                              | <b>Original Date</b>       | <u>1/25/2017</u>      |
|                        |  | <b>Last Updated</b>        | <u>1/30/2017</u>      |

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## **BILL SUMMARY**

### Synopsis of Bill

Senate Bill 35 (SB35) appropriates \$368.5 million to the Public Education Department (PED) to address the adequacy of public school funding distributed through the state equalization guarantee (SEG). The inflation-adjusted appropriation is based on a 2008 American Institutes for Research (AIR) study of the New Mexico public school funding formula.

## **FISCAL IMPACT**

The bill appropriates \$368.5 million from the general fund to PED for expenditure in FY18. Any unexpended or unencumbered balance remaining at the end of FY18 shall revert to the general fund.

In 2008, the AIR study found that state support for public schools should increase by 14.5 percent, or approximately \$334.7 million, to achieve sufficiency. According to the Bureau of Labor Statistics inflation calculator, \$334.7 million in 2008 is equivalent to about \$373.1 million in 2016.

At the time this analysis was printed, no fiscal impact reports from other agencies were available.

## **SUBSTANTIVE ISSUES**

In 2008, a Funding Formula Study Task Force (“the task force”) was appointed by the Legislature and the governor and under the direction of the Legislative Council Service (LCS). The task force commissioned and set parameters for a study of the public school funding formula by AIR. Lasting 16 months, the study focused on three work steps:

- a public engagement process to clarify the goals of public education and define the concept of sufficiency;
- a component to determine the cost of a sufficient education; and
- development of a new school funding formula.

With input from stakeholders, including legislators, AIR selected six independent professional judgment panels (PJPs) representative of the state. Each PJP consisted of a superintendent, three principals, a special education director, an English learner specialist, a school business officer, and two teachers. The PJPs created program designs, resource specifications, and corresponding preliminary cost estimates.

A project advisory panel including both superintendents and teachers worked on revising designs and specifications to combine information from the six PJPs. The deliberations resulted in a series of program designs and resource specifications for a series of school prototypes, and the costing out these school prototypes and other administrative costs were used to project costs for actual schools within the state.

A major goal of the AIR study was to develop a simple, transparent, and equitable formula to determine sufficient level of funding for each school district (or charter school), which includes factors that are difficult to manipulate. The AIR study proposed a funding formula that:

- avoided complexity by focusing directly on factors associated with pupil need;
- promoted funding equity across school districts;
- made use of factors beyond a district's control and minimized funding that is not directly linked to student needs; and
- accounted for most of the adjustments in the current funding formula.

It is also important to note that the AIR study found that increased investment in public education will not guarantee improved student outcomes. The study indicated student success depends on multiple factors including investments in mental and physical health, nutrition, and family stability, and depends on a variety of social service institutions in addition to schools.

This bill comes at a time of fiscal uncertainty in New Mexico, with the budget crisis impacting education appropriations. The Legislative Finance Committee projects that the budget shortfall in FY18 could range from \$300 million to \$500 million. Additionally, the state currently faces multiple education funding sufficiency lawsuits. The first lawsuit, brought by the Zuni and Gallup McKinley County school districts, alleges that inequities in capital outlay funding between districts violates the law. Two additional lawsuits claim that state funding for education is insufficient and that the distribution of funds is not uniform.

## **TECHNICAL ISSUES**

SB35 makes an appropriation to PED to distribute through the SEG. The sponsor may wish to appropriate the funds directly to SEG, as it is generally a separate appropriation in the General Appropriation Act.

## **SOURCES OF INFORMATION**

- LESC Files

**MPH/rab**