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FISCAL IMPACT REPORT

ORIGINAL DATE 2/28/17

SPONSOR Lundstrom **LAST UPDATED** _____ **HB** 541

SHORT TITLE Public Peace, Health, Safety & Welfare **SB** _____

ANALYST Liu

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
	NFI	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB130, HB273, SB39, SB200, SB279, SB305

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

House Bill 541 amends the Public School Finance Act, changing a public school funding formula size adjustment algorithm for school districts with over 10 thousand student membership (MEM) and less than a 4,000:1 ratio of student membership to senior high schools. The changes allow a public school to generate size adjustment units if the school district:

- has over 10 thousand MEM;
- includes a high school with 500 or more students in an urban area; and
- includes at least five high schools located at least 20 miles away from the central administrative office of the school district in sparsely populated, isolated, rural areas.

Eligible school districts would generate additional program units by multiplying the number of students in regular high schools located at least 20 miles away from the central administrative office by a factor of 0.35.

FISCAL IMPLICATIONS

Provisions of the bill would currently only apply to the Gallup-McKinley County School (GMCS) District. The following chart shows regular GMCS high schools at least 20 miles away from the central administrative office and the estimated units and funding generated based on 2016-2017 school year student enrollment and the \$3,979.63 unit value.

Eligible HS	HS MEM	Units	Est. Funding Generated
Thoreau	361	126.4	\$ 502,826.25
Crownpoint	254	88.9	\$ 353,789.11
Navajo Pine	140	49.0	\$ 195,001.87
Tohatchi	277	97.0	\$ 385,825.13
Ramah	100	35.0	\$ 139,287.05
Tse'Yi'Gai	113	39.6	\$ 157,394.37
TOTAL	1,245	435.8	\$ 1,734,123.77

The bill does not make an appropriation. Instead, the bill replaces a size adjustment program unit formula for school districts with over 10 thousand MEM and less than a 4,000:1 ratio of student membership to senior high schools is replaced with a new formula with parameters relating to high school locations from central administration, high school MEM, school district MEM, and population density.

Under current statute, school districts with over 10 thousand MEM and less than a 4,000:1 ratio of student membership to senior high schools may generate additional size adjustment units not already generated for small size (less than 400 MEM). Eligible school districts may compute these program units using the following formula:

$$U = \frac{(4000 - MEM)}{\text{Senior High Schools}} \times 0.50$$

Where *U* is program units, *MEM* is total district membership, and *Senior High Schools* is the number of approved regular senior high schools in the school district. However, it is unclear how these units are calculated given that only school districts with over 10 thousand MEM are eligible and any value of *MEM* over 4,000 would generate negative units.

Currently, only four school districts have over 10 thousand MEM and a 4,000:1 ratio of student membership to senior high schools and would be eligible to generate these program units.

School Districts	Regular HS	2016-2017 MEM	Elem./Jr. Size Units	Senior Size Units	Total Size Units
Farmington	5	10,896		98.5	98.5
Gadsden	4	13,455		150.2	150.2
Gallup	9	11,107	189.9	840.8	1,030.7
Roswell	4	10,148		102.4	102.4

At this time, the net change in program units cannot be determined. Assuming no units are currently being generated for senior high schools, the fiscal impact is estimated to be about a \$1.7 million redistribution of funding to GMCS.

SIGNIFICANT ISSUES

The current senior high school size adjustment formula is only available to school districts with over 10 thousand MEM and a 4,000:1 ratio of MEM to regular senior high schools and is computed as:

$$U = \frac{(4000 - MEM)}{\text{Senior High Schools}} \times 0.50$$

Where U is program units, MEM is total district membership, and $\text{Senior High Schools}$ is the number of approved regular senior high schools in the school district.

The bill replaces this formula with a size adjustment algorithm that is only available to school districts with over 10 thousand MEM that includes a high school with 500 or more students in an urban area and at least five high schools located 20 miles or more away from the central administrative office of the school district in sparsely populated, isolated, rural areas. The new formula is computed by multiplying the number of students in regular high schools located at least 20 miles away from the central administrative office by a factor of 0.35 to determine program units.

RELATIONSHIP

This bill relates to HB130 and SB200, which provides additional program units for National Board certified licensed school employees; HB273, which makes several changes to the public school funding formula, including sections involving size adjustment program units, enrollment growth program units, and the at-risk index; SB30, which adjusts the funding formula components for at-risk students, teacher experience, and charter school size adjustment; SB39, which require student membership to be used to calculate a school district's or charter school's program cost; SB279, which excludes supplemental accountability model schools from generating size adjustment funding; and SB305, which establishes financing provisions for virtual charter schools.

SL/al