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FISCAL IMPACT REPORT

SPONSOR Cervantes **ORIGINAL DATE** 2/08/17
LAST UPDATED 2/20/17 **HB** _____

SHORT TITLE K-6 Minimum School Hours & Days **SB** 256/SECS

ANALYST Liu/Eckberg

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

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

(Parenthesis () Indicate Expenditure Decreases)

Companion to SJR14
 Relates to HB130, HB354, HJR5, SB30, SB32, SB35, SB39, SB200, SJR3

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)
 State Investment Council (SIC)

SUMMARY

Synopsis of Bill

Senate Bill 256 amends the Public School Code provisions related to the length of a school year. The bill establishes a 205-day school year for kindergarten through fifth grade and requires each instructional day to consist of 5.5 hours per day or 1,127.5 hours per year. The bill increases the number of instructional hours for students in sixth grade from 5.5 hours per day, or 990 hours per year, to 6 hours per day, or 1,080 hours per year. The bill increases the funding formula basic program unit cost differentials for kindergarten through 12th grade students as follows:

Grades	Current Cost Differential Factor	SB256 Cost Differential Factor
Early Childhood Education	1.440	1.640
1	1.200	1.367
2 and 3	1.180	1.344
4 and 5	1.045	1.190
6	1.045	1.140
7 through 12	1.250	1.250

Provisions of the bill will become effective during the 2018-2019 school year (FY19) if Senate Joint Resolution 14 is approved by the people of New Mexico.

FISCAL IMPLICATIONS

This bill will not become effective unless Senate Joint Resolution 14 is approved at the next general election. SJR14 proposes to make an additional distribution from the Permanent School Fund (which is part of the Land Grant Permanent Fund) of 1 percent of the average of the year-end market values of the fund for the preceding five calendar years. SJR14 would require these funds be used to “increase the minimum instructional hours and days in a school year as provided by law.”

If enacted by a majority vote of the people in a regular election cycle, SJR14 would provide an estimated \$130.2 million in additional revenue to increase the minimum instructional hours and days in FY20, \$134.4 million in FY21, and \$138.5 million in FY22. However, school districts may be required to implement the increased instructional time for elementary students in FY19 if a special election is held, and SJR14 is enacted (see Technical Issues). Preliminary estimates indicate SJR14 would provide \$125.8 million in FY19 for increasing instructional time for school districts.

Based on the cost differential factor changes for kindergarten through 12th grade basic program units, implementation of the bill would have cost approximately \$122.3 million in FY17 based on the reported student membership, teaching and experience (T&E) index, and FY17 unit value (\$3,979.63) set by the Legislature. Changes currently in Section 2 and Section 3 of the bill are estimated to increase overall program units generated by 30.7 thousand units. It should be noted that, holding all else equal, increases to overall program units will likely result in decreases to the unit value, or the per program unit allocation. Because Laws 2016 (2nd Special Session), Chapter 6 (Senate Bill 9) reduced FY17 SEG distributions by \$37.8 million, or 1.5 percent for each school district and charter school, the unit value is 1.5 percent lower than the preliminary value that was set by the PED secretary. As such, the \$3,979.63 unit value and FY17 cost estimate of \$122.3 million may be artificially low and should be considered carefully if used to extrapolate cost estimates in subsequent years.

Current Statute	ECE	GRADE 1	GRADES 2-3	GRADES 4-6	GRADES 7-12	TOTAL	T&E Index	UNIT COST	
	1.440	1.200	1.180	1.045	1.250	ECE-12	1.080	\$3,979.63	
<i>Program Units</i>	39,189	31,885	63,000	79,829	184,767	398,670	430,564	\$1,713,483,959	
SB256/SECS	ECE	GRADE 1	GRADES 2-3	GRADES 4-5	GRADE 6	GRADES 7-12	TOTAL	T&E Index	UNIT COST
	1.640	1.367	1.344	1.190	1.140	1.250	ECE-12	1.080	\$3,979.63
<i>Program Units</i>	44,632	36,322	71,756	61,017	28,633	184,767	427,127	461,297	\$1,835,792,591
<i>Difference in Program Units</i>	5,443	4,437	8,756	9,821	0	28,457	30,734	\$122,308,631	

The change in program units displayed in the chart above reflects a shift in the calculation of sixth grade program units from its prior grouping with fourth and fifth grade to its own cost differential under the bill. PED notes changes to basic program costs differentials could have a dis-equalizing effect on the funding formula.

A PED analysis for a similar bill in 2015 indicated school transportation needs would likely increase by approximately \$13 million to account for additional instructional hours and days.

The Education Retirement Board's (ERB) analysis for the 2015 bill noted an increase in ERB member salaries would subsequently result in additional contributions to the education retirement fund, although long-term effects on the actuarial status of the fund would likely be negligible.

SIGNIFICANT ISSUES

Termed “vertical equity” in equalization literature, public school funding formulas that seek for “unequal treatment of unequals” recognize that differences among children mean that some students need more services than others. For instance, New Mexico’s public school funding formula allocates more special education funds for more severely disabled children (D-level) and less funding for less developmentally disabled children (A/B-level), based upon years of expenditure data for severely disabled students. The bill separates sixth grade and proposes assigning it a lower cost differential than grades four and five or seven through 12. PED notes state-level expenditures by grade do not indicate a sixth grader is less expensive than fourth or fifth graders, or less expensive than a seventh through twelfth grader. It remains unclear if these cost differentials adhere to the concept of vertical equity.

The funding formula, as originally enacted in the 1970s, used a base multiplier of 1.0 for grades four through six and scaled cost differentials in other grades based on comparison to students in these grades. Grades four through six were determined to be the lowest cost students using data-driven decision making until 1993.

The measurement of basic program costs (as measured by expenditures by grade level) was the work of the yearly Resource Input Methodology (RIM) studies conducted by LESC and submitted annually to the then Office of School Budget in the Department of Finance and Administration, later the School Budget Planning Unit of the State Board of Education and now located in PED as the School Budget and Finance Analysis Bureau. These RIM studies provided expenditure data by grade level to inform any re-weighting of basic program unit cost differentials as well as other public school funding formula changes. At that time funding formula changes were largely under the purview of the School Budget division, primarily for issues related to objective finance analysis of impacts and available revenues, which is the reason for the language occurring in Section 22-8-12.1 (C) NMSA 1978.

According to PED, the state’s half-day kindergarten program would be removed under these proposed changes, leaving in place only full-day kindergarten. Mid-year implementation would likely create large issues for teacher contracts negotiated in the prior year as these are often drafted and finalized prior to the summer break.

Provisions of the bill require a 205-day school year for elementary students in school districts that follow a regular school calendar (5-day calendar) to close the widening achievement gap. The increase in the cost differential factor will allow school districts to generate additional program units for elementary school students.

Some studies show that decreased classroom time can be a cause of poor student performance. The National Conference of State Legislatures indicates the majority of states currently require 180 instructional days, though some states require more or fewer and others, like New Mexico, measure instructional time by hours rather than days. Education Commission of the States’ data shows that New Mexico is one of nine states that currently do not require a number of minimum

school days. Two states, Kansas and North Carolina, require more than the average 180 instructional days – 186 and 185 respectively.

The 2016 Legislative Finance Committee program evaluation, *Assessing “Time-on-Task” and Efforts to Extend Learning Time*, found students in New Mexico’s public schools lose over a third of available instructional time per year on non-instructional activities and that lost instructional time directly impacts student achievement. The evaluation found that public schools have used flexibility in state statute to implement a wide variety of school calendars and school days and almost all schools have implemented extended school days resulting in shorter school years of about 167 days while still exceeding yearly requirements for instructional hours. At least 26 school districts already exceed 1,127.5 total elementary hours per school year, the number of hours that would be required by this bill.

Much of this instructional time made available for learning, however is lost to other non-instructional activities or impacted by absences. Elementary students, for example, lose well over a third of instructional time, even after accounting for the extra time schools have built in above state minimums. The more lost time per school corresponds directly with lower student achievement. When controlling for factors including poverty, there is a statistically significant relationship between reading standards-based assessment (SBA) scores and lost instructional time for both elementary and secondary students. As lost instructional time increases, SBA scores decrease. The evaluation concluded time for learning is important, but more time alone will not increase academic achievement. Additional time must be used efficiently and effectively. Schedules should be optimized to allow for the maximum amount of academic learning time. In schools where allocated time is not used properly, adding time to the day is ineffective, costly, and a poor use of scarce resources.

The evaluation recommends increasing minimum instructional time, though not by as much as provisions set forth in this bill, by equalizing elementary and secondary school hourly requirements and ensuring school districts use best practices and effective strategies to maximize time-on-task. Additionally, the evaluation recommends repealing parent-teacher conferences and home visits from counting towards instructional hours to increase the time students are engaged in learning, which is not addressed by this bill.

In FY09, the Legislature appropriated \$14 million to the state equalization guarantee distribution (public education funding formula) to fund an additional instructional day. At the time, the Legislature enacted House Bill 691 (Chapter 276 of Laws 2009), which measured instructional time by days – establishing a 180 days of instructional time for school districts using a regular school calendar and 150 days of instructional time for school districts using a variable calendar. However, in 2011 the Legislature returned to measuring instructional time by hours rather than instructional days, and the additional day the state paid for was never implemented.

The bill repeals Section 22-2-8.1.D. NMSA 1978, which authorizes the PED secretary to “waive the minimum length of school days in those school districts where such minimums would create undue hardships as defined by the department as long as the school year is adjusted to ensure that students in those school districts receive the same total instructional time as other students in the state.” Additionally, the bill provides that “days or hours when no instruction is given due to lunchtime, recess, weather-related school delays or cancellations, in-service training, teacher planning and preparation or other events that are not educational programs or other programs set forth...shall not count toward the calculation of minimum instructional hours and days.”

Removing these flexibilities may result in school districts reducing time allocated for lunchtime, recess, in-service training, and teacher planning and preparation or adding time due to school delays or cancellations.

ADMINISTRATIVE IMPLICATIONS

School districts would be required to adjust school day configurations and overall school calendars to meet instructional time requirements. PED notes there would likely be significant costs to administer the provisions of this bill. For example, school calendar review processes would need to be changed, all guidance on the funding formula would need to be altered and many steps regarding program approval would be impacted.

COMPANIONSHIP, RELATIONSHIP

This bill is a companion to SJR14, which increases distributions from the Land Grant Permanent Fund (LGPF) to increase the instructional time minimums for public schools. The bill also relates to HB130 and SB200, which allow National Board certified licensed personnel generate program units; HB354, which expands the definition of school-age person; HJR5, which prohibits enforcement of new public school mandates without sufficient funding; SB30, which adjusts program units generated for at-risk students, teacher experience, and charter school size adjustments; SB32, which expands eligibility for K-3 Plus funds; SB35, which makes an appropriation for public schools; SB39, which adjusts calculations for enrollment growth units; and SJR3, which increases distributions from LGPF to provide early childhood education services.

TECHNICAL ISSUES

The next scheduled statewide vote is November 2018, which is nearly halfway into the 2018-2019 school year. Provisions of this bill apply to the 2018-2019 and subsequent school years, contingent upon certification by the Secretary of State that SJR14 is enacted. Unless a statewide special election is held prior to the next scheduled vote, the provisions of the bill would not be applicable for the 2018-2019 school year.

OTHER SUBSTANTIVE ISSUES

Paul Vallas, a superintendent with a long history of leading school reform efforts nationally, refers to the need to “shake the trees” in education. Educators should adopt those practices that have the greatest impact on student learning. Time on task is a critical component of improved student achievement. Time on task refers to the time a student spends in the class room actively engaged in learning. Simply increasing the amount of time available for instruction is not enough to achieve learning gains. Time allocated for instruction must be appropriate, effective and meaningful, and teacher understanding of time on task must be enhanced. Instructional time must be reexamined to ensure that it is being used as effective learning time by addressing students’ needs and interests.