F I S C A L   I M P A C T   R E P O R T

SPONSOR	Larranaga/Gonzales/ Youngblood	**ORIGINAL DATE**	1/12/18	**HB** 180
		LAST UPDATED	2/01/18	

SHORT TITLE School Data Collection and Class Goals   **SB**

ANALYST Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		$2,000.0	$2,000.0	$4,000.0	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 180 establishes operating budget targets for instruction, student support services, instructional support services, and school principal compensation for school districts and charter schools based on student enrollment or whether the institution is a virtual charter school. School districts and charter schools that fail to meet these operating budget targets must explain why targets are not met and submit plans to improve the following year. Each public school meeting or exceeding these targets will receive protection from state equalization guarantee distribution reductions based on cash balance amounts. The bill requires PED to design and implement an advanced data collection system by July 1, 2019, and establishes other reporting requirements.

FISCAL IMPLICATIONS

The bill does not include an appropriation, but requires PED to design and implement an advanced data collection system for financial and performance reporting purposes. PED is currently engaged in the development of a real-time data system that is expected to be operational statewide by July 1, 2020. PED estimates the cost for developing and implementing a new statewide real-time data system by July 1, 2020, and establishing new calculation and reporting using real-time data by July 1, 2021 is $2 million per year for three years.

A 2016 Thornburg Foundation report prepared by Martin Consulting Group, LLC., titled *Efficiency Evaluation: A Review of Public Education Reporting,* studied the impact of student

reporting systems in New Mexico and compared costs with three other states (Texas, Nevada, and Delaware). The report estimated that school districts and charter schools in New Mexico spend $211.93 per student annually to collect and report student-level data, while Nevada school systems spend $69.45 per student to report the same type of data. The report estimated that a small school system in New Mexico serving 400 students would have to invest roughly $60 thousand in initial costs and $4 per student in annual maintenance fees.

Salary Equivalent per Student	New Mexico	Texas	Nevada	Delaware
Student Information System	$38.48	$24.85	$5.52	$11.36
Food and Nutrition	$32.07	$12.65	$9.20	$5.79
Budget/Revenue/Expenditures	$53.59	$61.01	$20.53	$51.43
Health Services	$34.20	$12.65	$13.67	$23.31
Academic Performance	$53.59	$57.42	$20.53	$43.71
Total	**$211.93**	**$168.58**	**$69.45**	**$135.60**

Source: Thornburg Foundation

The 2016 report notes Nevada lowered the overall cost of reporting by partnering with Infinite Campus, a student information system, to automate data collection through each local school districts' student information system in real-time. Clark County School District budgeted approximately $21 million over 10 years to integrate the Infinite Campus system for the district, which serves about 320 thousand students. The school district estimated licensing fees implementation costs to be about $15.2 million in the first year and $1.5 million in subsequent years for maintenance of the system.

In FY16, PED budgeted $2.2 million to partner with eight school districts and two charter schools on a real-time data pilot project aimed at shifting reporting burdens from the public schools to the department. Pilot participants were supported in this transition by EASOL, a technology firm contracted by PED to create open-source technology for this data system. The EASOL system is intended to help educators and administrators use data in PED's repository more effectively for instructional planning. The open-source technology being introduced through the pilot can be tailored to support the specific needs of a school or classroom both by facilitating customized data views and by permitting integration of student data with blended learning tools. Modernizing the student information system could reduce costs of reporting by two-thirds; however, estimated additional operating budget impacts to the department could vary depending on initial implementation and continued maintenance costs of the system. In the fall of 2017, PED launched a new cohort with 25 local education agencies (districts and state charters) enrolling over 60 percent of public school students.

PED notes smaller districts and state charters may not be able to afford their own sophisticated systems to locally report data to a statewide real-time data system. Additional efforts or appropriations may be necessary to support these local education agencies.

SIGNIFICANT ISSUES

Successfully developing and implementing a real-time data system will require several changes to how PED manages and reports data submitted by schools districts and local charters. Once data are available to PED on a nightly or more frequent basis, current processes will change. Calculation of enrollment counts and attendance, for instance, will shift from a local effort to one run at the PED.

PED would need a year longer than the bill envisions to implement the real-time data system (to

July 1, 2020) and an additional year to revise, or otherwise set up new reporting, and develop the new analysis and reporting called for in the bill.

Provisions of the bill establish the following goals for instructional services expenditures, beginning in FY20:
- 68 percent for public schools with enrollments up to 100 students,
- 73 percent for public schools with enrollments between 101 and 400 students,
- 78 percent for public schools with enrollments between 401 and 2,000 students,
- 83 percent for public schools with enrollments between 2,001 and 7,500 students,
- 87 percent for public schools with enrollments between 7,501 and 30,000 students,
- 88 percent for public schools with enrollments over 30,000 students, and
- 90 percent for virtual charter schools.

According to PED, New Mexico school districts and charter schools spent 74 percent ($1.9 billion) of total public school operational expenditures ($2.6 billion) on instruction, student support services, and instructional support services in FY16. For FY17, public schools set aside 72 percent of operating budgets for these instructional services.
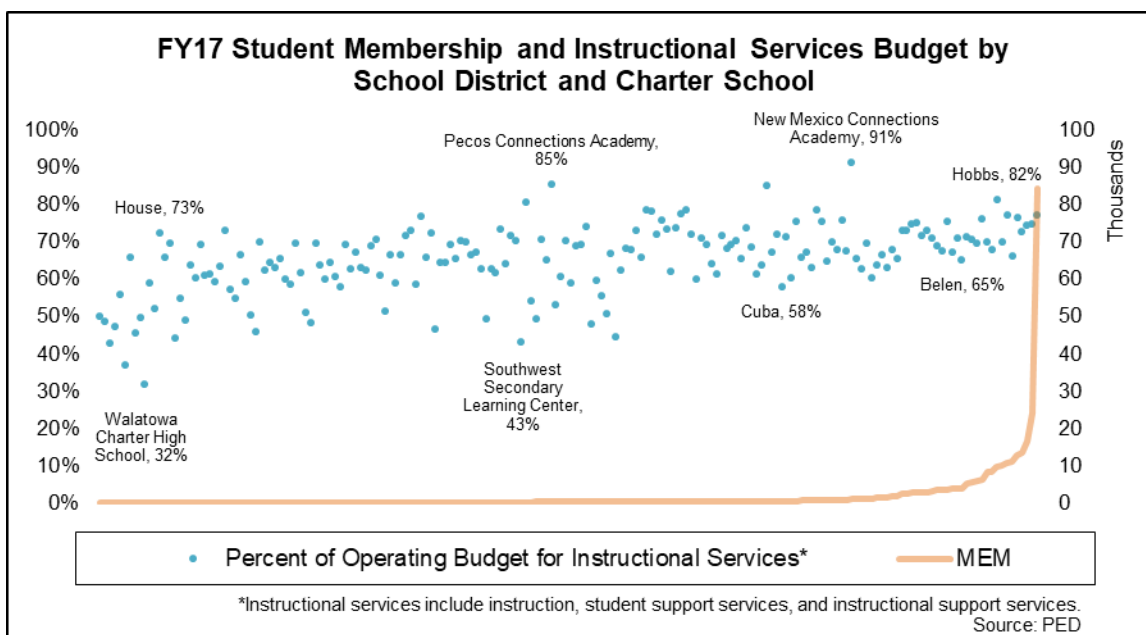
The proportion of operating budgets dedicated to instructional services varies by school district and charter school. In FY16, school district spending on instructional services ranged from 55 percent to 82 percent of total operational expenditures while charter school spending on those budget functions ranged from 38 percent to 90 percent of operational expenditures. For FY17, school districts set aside between 48 percent to 82 percent of operating budgets for instructional services while charter schools set aside between 32 percent and 91 percent for those functions.

PERFORMANCE IMPLICATIONS

There are currently three Accountability in Government Act (AGA) performance measures which track the total proportion of dollars budgeted for instructional services by small school districts, large school districts, and charter schools (Table 1). Provisions of the bill may result in

a higher percent of dollars budgeted for instructional services, although recent history suggests budgeting trends are relatively flat.

Table 1. AGA Measures on Public Education Instructional Spending					
Measure	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**
	Actual	**Actual**	**Actual**	**Budget**	**Rec**
Percent of dollars budgeted by districts with fewer than 750 members for instructional support, budget categories 1000, 2100, and 2200	74%	74%	73%	75%	75%
Percent of dollars budgeted by districts with 750 members or greater for instructional support, budget categories 1000, 2100, and 2200	74%	74%	73%	75%	75%
Percent of dollars budgeted by charter schools for instructional support, budget categories 1000, 2100, and 2200	67%	67%	67%	67%	67%

Source: LFC Files

ADMINISTRATIVE IMPLICATIONS

The 2016 Thornburg Foundation report identified approximately 140 reports that school districts and charter schools must submit to PED annually. About 20 percent of the reports are federally required. Additionally, the 140 reports highlighted by the study do not account for additional financial data reporting requirements for the Operating Budget Management System (OBMS) or individual teacher data for the NMTEACH evaluation system. The report estimates New Mexico school personnel spend about 15 thousand hours per year on reporting functions. Streamlining the system may reduce reporting burdens at the state and local level.

The bill requires PED to report which statutory reports will still be required and recommendations on changes to data that will be collected to the Legislature, governor, school districts, and charter schools by December 1, 2019. Additionally, by October of each year, the PED secretary must report to LESC and LFC the percentage of each school district's and charter school's operating budget that was spent on classroom expenditures from the prior fiscal year and the proposed percentage for the current fiscal year.

Creating the initial crosswalk between federal reporting accounts and PED's Universal Chart of Accounts (UCOA) would require additional staff and resources. Requiring PED to develop processes for calculating the percentage of instructional expenses in operating budget submissions would require additional staff and resources, including potential upgrades to the PED operating budget and management system.

TECHNICAL ISSUES

The bill sets a budgeting goal for "virtual charter schools" of 90 percent; however, statute does not currently define virtual charter schools. A 2017 joint evaluation conducted by LFC and LESC on *Financial Responsibility, Governance and Student Outcomes of Virtual Charter Schools* defines virtual charter schools as institutions where students receive all of their instruction online and are not required to attend classes at a physical location. The evaluation examines three virtual charter schools in New Mexico, including New Mexico Virtual Academy, New Mexico Connections Academy, and Pecos Connection Academy.

The bill provides protection to school districts or charter schools that meet or exceed budget targets from state equalization guarantee (SEG) distribution reductions based on cash balance amounts; however, the language does not appear to preclude these schools from other types of SEG reductions in general.

PED recommends striking the language on page 4 lines 15-16 that reads "designated as the 1000, 2100, 2200 and 2400 functions" and instead inserting "as those expenditures are classified" in the department's chart of accounts.

OTHER SUBSTANTIVE ISSUES

In 2017, Think New Mexico, a nonpartisan think tank, published a report comparing changes in classroom spending over time and differences in administrative costs across the state's small and large school districts. The report noted total spending on instruction per pupil has increased between 1993 and 2014; however, the proportion of spending on instruction has remained relatively flat. The report recommended setting enforceable minimum percentages for school district and charter school classroom spending to direct more funding to instructional services. Currently, three school districts and 16 charter schools meet or exceed the performance goals set forth in the bill (see Attachment 1).

Language in the House Appropriations and Finance Committee Substitute for House Bill 2 et. al. requires school districts or charter schools with a proportion of spending for direct instruction and instructional support services lower than the average proportion of spending for direct instruction and instructional support services of comparable public schools with similar student membership to demonstrate the proportion of spending for direct instruction and instructional support services is sufficient to provide a free and appropriate public education to students that is uniform with all other students in the state before PED approves or certifies the school district's or charter school's budget.

SL/sb/jle

DISTRICT/CHARTER	Percent of Operating Budget for Instructional	MEM	Goal	Meets or Exceeds
Lindrith Area Heritage Charter School	50%	22	68%	NO
Siembra Leadership	49%	29	68%	NO
DEAP	43%	30	68%	NO
Dream Dine'	47%	33	68%	NO
Mosquero	56%	44	68%	NO
William W. & Josephine Dorn Charter Comm School	37%	45	68%	NO
Roy	66%	45	68%	NO
Six Directions Indigenous	46%	49	68%	NO
Roots and Wings Community School	50%	50	68%	NO
Walatowa Charter High School	32%	52	68%	NO
Wagon Mound	59%	55	68%	NO
Sandoval Academy (SABE)	52%	57	68%	NO
House	73%	61	68%	YES
Sidney Gutierrez Middle School	66%	65	68%	NO
Moreno Valley High School	70%	69	68%	YES
La Resolana Leadership Academy	44%	72	68%	NO
Vaughn	55%	74	68%	NO
Anthony Charter School	49%	77	68%	NO
Red River Valley Charter School	64%	79	68%	NO
Rio Gallinas School	60%	79	68%	NO
Corona	69%	80	68%	YES
Middle College High School	61%	83	68%	NO
Des Moines	61%	95	68%	NO
San Diego Riverside Charter School	59%	95	68%	NO
Vista Grande High School	64%	97	68%	NO
Albuquerque Sign Language Academy	73%	100	68%	YES
Southwest Primary Learning Center	57%	103	73%	NO
Lake Arthur	55%	104	73%	NO
Maxwell	66%	105	73%	NO
Carinos De Los Ninos	59%	107	73%	NO
Southwest Intermediate Learning Center	50%	110	73%	NO
Deming Cesar Chavez Charter High School	46%	110	73%	NO
La Tierra Montessori School of the Arts & Sciences	70%	118	73%	NO
Grady	63%	118	73%	NO
Elida	65%	120	73%	NO
Reserve	63%	125	73%	NO
Quemado	65%	131	73%	NO
Nuestros Valores Charter School	60%	132	73%	NO
Aldo Leopold Charter School	59%	135	73%	NO
Hondo Valley	70%	137	73%	NO
San Jon	62%	137	73%	NO
Academy of Trades and Technology	51%	138	73%	NO
Technology Leadership	48%	141	73%	NO
Carrizozo	70%	146	73%	NO
Taos International School	64%	148	73%	NO
South Valley Preparatory School	60%	150	73%	NO
Springer	65%	151	73%	NO
Las Montañas Charter School	61%	152	73%	NO
Animas	58%	158	73%	NO
Taos Integrated School of the Arts	69%	160	73%	NO
La Academia Dolores Huerta	63%	165	73%	NO
Cottonwood Valley Charter School	67%	170	73%	NO
Gilbert L. Sena Charter School	63%	174	73%	NO
Sage Montessori Charter School	62%	174	73%	NO
Jefferson Montessori Academy	69%	176	73%	NO
Anansi Charter School	71%	178	73%	NO
Mosaic Academy Charter	61%	180	73%	NO
Albuquerque Talent Development	52%	181	73%	NO
Alma D' Arte Charter High School	67%	184	73%	NO
Health Leadership High School	59%	187	73%	NO
Uplift Community School	67%	188	73%	NO
MASTERS Program	72%	196	73%	NO
J. Paul Taylor	73%	200	73%	YES
Los Puentes Charter School	59%	200	73%	NO

DISTRICT/CHARTER	Percent of Operating Budget for Instructional	MEM	Goal	Meets or Exceeds
Mountain Mahogany Community School	77%	200	73%	YES
Coral Community Charter	66%	201	73%	NO
Floyd	72%	201	73%	NO
Cesar Chavez Community School	47%	204	73%	NO
New Mexico School for the Arts	64%	207	73%	NO
New Mexico International School	65%	209	73%	NO
Taos Municipal Charter School	69%	212	73%	NO
Melrose	65%	216	73%	NO
Montessori of the Rio Grande	70%	218	73%	NO
Taos Academy	70%	219	73%	NO
Christine Duncan's Heritage Academy	67%	229	73%	NO
Explore Academy	67%	231	73%	NO
The Great Academy	63%	236	73%	NO
Jemez Mountain	49%	239	73%	NO
Mountainair	63%	240	73%	NO
Media Arts Collaborative Charter School	62%	243	73%	NO
Twenty-First Century Charter	73%	251	73%	YES
Dora	64%	258	73%	NO
Corrales International School	72%	260	73%	NO
Tierra Adentro	70%	266	73%	NO
Southwest Secondary Learning Center	43%	271	73%	NO
International School @ Mesa Del Sol	80%	272	73%	YES
SW Aeronautics, Mathematics and Science Academy	54%	277	73%	NO
New America School - Las Cruces	49%	292	73%	NO
Robert F. Kennedy Charter School	71%	292	73%	NO
Albuquerque School of Excellence	65%	294	73%	NO
Pecos Connections Academy	85%	296	90%	NO
ABQ Charter Academy	53%	297	73%	NO
Tierra Encantada Charter School	61%	298	73%	NO
Fort Sumner	70%	298	73%	NO
Digital Arts and Technology Academy	59%	299	73%	NO
Logan	69%	300	73%	NO
El Camino Real Academy	69%	303	73%	NO
Amy Biehl Charter High School	74%	304	73%	YES
Mesa Vista	48%	314	73%	NO
Jemez Valley	60%	315	73%	NO
Cloudcroft	56%	332	73%	NO
Penasco	51%	342	73%	NO
Magdalena	67%	349	73%	NO
New America School	45%	351	73%	NO
Questa	63%	352	73%	NO
Tatum	68%	354	73%	NO
La Promesa Early Learning Center	68%	355	73%	NO
AIMS @ UNM	73%	358	73%	YES
East Mountain High School	66%	358	73%	NO
Monte Del Sol Charter School	79%	358	73%	YES
Academy for Technology and the Classics	78%	359	73%	YES
ASK Academy	72%	362	73%	NO
La Academia de Esperanza	76%	372	73%	YES
Cien Aguas International School	74%	373	73%	YES
Chama Valley	62%	377	73%	NO
Cimarron	74%	378	73%	YES
Public Academy for Performing Arts	78%	380	73%	YES
Gordon Bernell Charter School	79%	390	73%	YES
Alice King Community School	72%	391	73%	NO
ACE	60%	399	73%	NO
Montessori Elementary School	71%	409	78%	NO
Estancia Valley Classical Academy	69%	410	78%	NO
Native American Community Academy	64%	417	78%	NO
Mora	61%	434	78%	NO
Horizon Academy West	72%	438	78%	NO
School of Dreams Academy	68%	447	78%	NO
Hagerman	69%	448	78%	NO
Turquoise Trail Elementary	71%	461	78%	NO

DISTRICT/CHARTER	Percent of Operating Budget for Instructional	MEM	Goal	Meets or Exceeds
Jal	65%	469	78%	NO
North Valley Academy	74%	470	78%	NO
Clayton	69%	484	78%	NO
Lordsburg	62%	484	78%	NO
Capitan	64%	496	78%	NO
New Mexico Virtual Academy	85%	498	90%	NO
McCurdy Charter School	67%	524	78%	NO
Texico	72%	528	78%	NO
Cuba	58%	541	78%	NO
Loving	71%	568	78%	NO
Pecos	60%	577	78%	NO
South Valley Academy	75%	587	78%	NO
Santa Rosa	66%	639	78%	NO
Estancia	67%	668	78%	NO
Dulce	63%	687	78%	NO
Cottonwood Classical Preparatory School	79%	699	78%	YES
Mission Achievement and Success	76%	717	78%	NO
Eunice	65%	778	78%	NO
Tularosa	70%	916	78%	NO
Tucumcari	68%	938	78%	NO
Raton	76%	950	78%	NO
Dexter	67%	952	78%	NO
New Mexico Connections Academy	91%	1,123	90%	YES
Cobre	66%	1,197	78%	NO
Zuni	63%	1,262	78%	NO
Hatch	70%	1,269	78%	NO
Truth or Consequences	60%	1,306	78%	NO
West Las Vegas	64%	1,453	78%	NO
Socorro	66%	1,560	78%	NO
Las Vegas City	63%	1,629	78%	NO
Pojoaque Valley	68%	1,892	78%	NO
Ruidoso	65%	1,954	78%	NO
Taos	73%	2,365	83%	NO
Moriarty	73%	2,513	83%	NO
Portales	75%	2,737	83%	NO
Silver City	75%	2,876	83%	NO
Bernalillo	72%	2,957	83%	NO
Bloomfield	73%	2,989	83%	NO
Aztec	71%	3,036	83%	NO
Los Alamos	69%	3,559	83%	NO
Grants/Cibola	68%	3,654	83%	NO
Lovington	75%	3,705	83%	NO
Espanola	67%	3,759	83%	NO
Artesia	71%	3,930	83%	NO
Belen	65%	3,951	83%	NO
Deming	71%	5,235	83%	NO
Alamogordo	71%	5,774	83%	NO
Central	70%	6,062	83%	NO
Carlsbad	76%	6,411	83%	NO
Clovis	70%	8,247	87%	NO
Los Lunas	68%	8,295	87%	NO
Hobbs	82%	9,702	87%	NO
Roswell	70%	10,148	87%	NO
Farmington	77%	10,896	87%	NO
Gallup	66%	11,107	87%	NO
Santa Fe	76%	12,965	87%	NO
Gadsden	73%	13,455	87%	NO
Rio Rancho	75%	16,744	87%	NO
Las Cruces	75%	24,040	87%	NO
Albuquerque	77%	84,138	88%	NO