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## FISCAL IMPACT REPORT

SPONSOR Stewart LAST UPDATED 2/17/23  
ORIGINAL DATE 1/23/23  
SHORT TITLE Family Income Index Distributions BILL  
Flexibility NUMBER Senate Bill 3/aSFC  
ANALYST Liu

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		No fiscal impact				

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to HB194, HB199

### Sources of Information

LFC Files

Legislative Education Study Committee (LESC) Files

Responses Received From

Public Education Department (PED)

## SUMMARY

### Synopsis of SFC Amendment to Senate Bill 131

The Senate Finance Committee amendment to Senate Bill 131 strikes the \$15 million appropriation from the bill.

### Synopsis of Original Bill

Senate Bill 3 appropriates \$15 million from the general fund to PED for family income index (FII) allocations in FY24. The bill removes restrictions on the FII allocations, which requires schools to spend one-third of the allocation on structured literacy interventions, one-third on evidence-based math interventions, and one-third on at-risk student programming.

This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

## FISCAL IMPLICATIONS

The appropriation of \$15 million contained in this bill is a recurring expense to the general fund.

Any unexpended or unencumbered balance remaining at the end of FY24 shall revert to the general fund. The HAFC Substitute for House Bill 2 includes \$15 million for FII distributions from the public education reform fund. Schools received \$15 million in FII distributions in FY22 and FY23.

Provisions of this bill will provide schools that receive FII distributions with increased flexibility to spend the allocation. According to PED's FY22 FII report, schools reported spending \$6.7 million of the \$10.1 million awarded to 73 schools on various items. PED did not report spending information on the remaining 34 schools that received FII allocations. Schools used funds for school personnel pay, educational technology and software, professional development, curriculum, instructional materials and supplies, stipends, field trips, equipment, custodial services, tutoring, student activities, and extended learning programs.

## **SIGNIFICANT ISSUES**

Provisions of this bill remove restrictions requiring schools to spend FII distributions in thirds, specifically:

- At least one-third for evidence-based structured literacy interventions that have been shown to improve reading and writing achievement of students;
- At least one-third for evidence-based mathematics instruction and interventions, including educational programming for college and career readiness; and
- No more than one-third for various interventions for at-risk students.

The uses for FII funding largely mirror uses for funding generated by the public school funding formula's at-risk index. The current at-risk index is based on the three-year average of three indicators: the percentage of student membership used to calculate a school district's Title I allocation, the percentage of students that are English learners, and student mobility. These indicators are added together and multiplied by a cost differential factor to calculate program units. Unlike the at-risk index, which is based on district-level data and is distributed at the district level, the FII uses school-level data and allows PED to distribute funds directly to individual schools.

PED notes the public school funding formula's at-risk index traditionally directs funding to the school district as a whole, not the individual school sites that serve a disproportionate number of at-risk students. The FII, on the other hand, employs household income and tax data to determine more accurately the level of concentrated poverty at individual schools across the state. Starting in FY22, PED used the FII to identify the schools serving the largest concentrations of low-income students and families and direct additional resources to more than 100 of those schools.

## **PERFORMANCE IMPLICATIONS**

Of the 107 schools receiving FII distributions in FY22, 51 schools responded to PED's survey. Over 92 percent of respondents noted a positive student impact in literacy, math, or social emotional learning. The department has not yet verified these results with supporting evidence from test scores.

## ADMINISTRATIVE IMPLICATIONS

Provisions of this bill would reduce administrative requirements for PED to verify the use of FII distributions for eligible expenditures and potentially reduce reporting requirements for schools.

## RELATIONSHIP

This bill relates to House Bills 194 and 199, which both raise the at-risk index multiplier in the public school funding formula from 0.30 to 0.33 and 0.35, respectively.

## OTHER SUBSTANTIVE ISSUES

On February 14, 2019, the 1st Judicial District Court issued a final judgment and order on the consolidated *Martinez v. New Mexico* and *Yazzie v. New Mexico* education sufficiency lawsuits, and found that New Mexico's public education system failed to provide a constitutionally sufficient education for at-risk students, particularly English language learners, Native American students, and special education students. The court's findings suggested overall public school funding levels, financing methods, and PED oversight were deficient. As such, the court enjoined the state to provide sufficient resources, including instructional materials, properly trained staff, and curricular offerings, necessary for providing the opportunity for a sufficient education for all at-risk students.

Additionally, the court noted the state would need a system of accountability to measure whether the programs and services actually provided the opportunity for a sound basic education and to assure that local school districts spent funds provided in a way that efficiently and effectively met the needs of at-risk students. However, the court stopped short of prescribing specific remedies and deferred decisions on how to achieve education sufficiency to the legislative and executive branch instead.

SL/al/ne/rl