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FISCAL IMPACT REPORT

SPONSOR <u>Brandt</u>	LAST UPDATED <u>3/14/23</u>
	ORIGINAL DATE <u>1/30/23</u>
SHORT TITLE <u>Career Technical Education Program Unit</u>	BILL NUMBER <u>Senate Bill 108</u>
	ANALYST <u>Helms</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		\$100.00	\$100.00	\$200.00	Recurring	Public Education Department Operating Budget
		\$94,796.47	\$94,796.47	\$189,592.94	Recurring	General Fund
Total		\$94,896.47	\$94,896.47	\$191,592.94	Recurring	

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to General Appropriation Act

Sources of Information

LFC Files

Response Received From
Public Education Department (PED)

SUMMARY

Synopsis of Senate Bill 108

Senate Bill 108 (SB108) amends the Public School Finance Act to add a section designating a career technical education (CTE) program unit determined by multiplying the membership in department-approved CTE courses by a multiplier of 0.25. These units would be added to program cost as determined in the state equalization guarantee (SEG), the pool of money distributed to school districts and charter schools through a funding formula.

SB108 would be effective beginning in the 2023-2024 school year and for subsequent years.

FISCAL IMPLICATIONS

According to PED data submitted for federal Perkins CTE grants, 65,759 students, 44 percent of students in grades 7-12, participated in department-approved CTE programs in the 2020-2021

school year. LFC analysis estimates, at a multiplier of 0.25, these students would generate 17,165.5 units in the school funding formula at an estimated cost of nearly \$95 million, according to the 2023-2024 school year unit value.

LFC analysis indicates without a commensurate appropriation of the estimated \$94.8 million, the increase of 17,165.5 new program units—adding total program units without increasing the SEG by a commensurate amount—would then dilute the unit value.

These new CTE program units would represent a 2.8 percent increase in base program units generated by the funding formula and would represent 2.7 percent of total units if SB108 were passed. By comparison, FY23 at-risk program units currently represent 9.5 percent of base program units, school size adjustment factors represent 4 percent of base program units, fine arts program units represent 1.2 percent, and special education factors represent 18 percent of base program units.

The General Appropriation Act, as adopted by the House and amended by the Senate, includes \$40 million, \$20 million from general fund and \$20 million from the public education reform fund, for career technical education in public schools, quadrupling the FY23 appropriation of \$10 million.

Of note, LFC analysis finds it is likely moving CTE funding into the state equalization guarantee (SEG) via program units would have implications for maintenance of effort with federal Perkins funding for CTE (see “Significant Issues”).

Analysis from PED (see “Administrative Implications”) notes PED would likely need an additional full-time employee to monitor school CTE programs.

SIGNIFICANT ISSUES

Creating a CTE program unit would establish CTE funding as part of the school funding formula. SB108 would allow for conditional PED approval of CTE programs as a prerequisite to receive the CTE program units affecting operational funding. In contrast to when schools receive CTE funds outside of the SEG, once schools would receive CTE program unit funds via the school funding formula, schools receive their total program unit funds in sum and have local discretion as to how those funds are spent, depending on PED’s approval process of PED reporting requirements.

While there is still local discretion when PED provides CTE funds via appropriation, an appropriation to PED rather than SEG funding, could afford greater transparency in how those funds are spent while CTE programs are still in their first four years of receiving state funding. For example, the funding formula includes program units for at-risk students, a multiplier which tripled in light of the *Martinez-Yazzie* lawsuit, and LFC reports have found it has been difficult to determine if at-risk funds are spent exclusively on services and supports for at-risk students because current PED reporting requirements for districts do not provide a direct break-down of at-risk expenditures across categories. By contrast, schools must provide detailed narratives to apply for, and to continue to receive, state-appropriated NextGen and Innovation Zone CTE funding.

While some districts may be well-prepared to use funding allocated for CTE, PED may need to

provide technical assistance and oversight to districts and charter schools less-prepared to establish meaningful uses for CTE funds. It is also possible districts that currently receive and depend on CTE appropriations from PED via NextGen and Innovation Zone programs would receive a different and possibly smaller sum if their CTE funds were instead based on membership via the school funding formula.

New Mexico's current investments in CTE include a CTE fund and a seven-year CTE pilot known as the NextGen program, both established during the 2019 legislative session, and the Innovation Zone program introduced in FY23. For a district or charter to receive NextGen funds, it must already have or be developing a program of study that can lead to an industry credential, a technical associates degree, or a STEM-related bachelor's degree. NextGen CTE funds are designed to complement Perkins funds, where 90 percent of funds are disbursed to non-Perkins LEAs and 10 percent of NextGen funds to current Perkins recipients. Unlike NextGen pilot funds, Innovation Zone funds are not restricted to non-Perkins grantees and have less-stringent, though detailed, guidelines. Innovation Zone applications were required to align to seven objectives and be able to demonstrate sufficient student counts, such that a minimum \$150 thousand grant would have sufficient student impact. In FY22, New Mexico had 70 charter schools and districts participating in either state or federally funded CTE or work-based learning programs.

In addition to \$40 million appropriated to CTE within the General Appropriation Act, LFC analysis has shown districts and charter schools have cash balances that have grown from \$273 million in FY19 to over \$525 million by FY22. If legislators decide to prioritize career technical education, it is possible some or all schools could use existing funds without potential additional funding for CTE initiatives.

If additional funding was provided for CTE, those funds may have implications for the *Martinez-Yazzie* lawsuit, which has required PED to provide for equal education outcomes across student groups. Recent data from the Perkins Collaborative Resource Network shows New Mexico students who participated in a CTE course had a 97 percent graduation rate, which is far above the statewide average. However, despite strengthening CTE programs through the past 15 years, with CTE-enrolled high school students rising from nearly 63 thousand students in FY17 to nearly 66 thousand by FY21 even as overall school enrollment has decreased, New Mexico has not seen overall gains in student proficiencies in math and reading, according to 2022 National Assessment of Educational Progress (NAEP) scores, which tests fourth and eighth grade students. Students with these low proficiency rates move into the CTE pipeline once they are in secondary school. Across all public schools, districts, and charter schools, the degree to which department-approved CTE programs are connected to broader skills in mathematics and reading proficiencies, or how CTE courses could be best leveraged to support improvements in mathematics, science, and reading, could be an important consideration connected to the *Martinez-Yazzie* lawsuit.

Additionally, increasing recurring state funding in the SEG for CTE impacts the federal Perkins grant maintenance of effort (MOE), the amount of state funds that must be spent to draw the federal dollars. The Perkins MOE states capital expenditures, special one-time project costs, and the cost of pilot programs are excluded from MOE requirements; recurring funding, such as SEG program units, would not fall under these exceptions. Should state CTE funding within the MOE, such as SEG-related funds, ever decrease, Perkins funding would correspondingly decrease by the same percentage. Perkins MOE requirements can be calculated by expenditure per students

or aggregate expenditure, depending on which is most beneficial to the state.

Analysis from PED notes:

SB108 does not define CTE, but definitions of CTE as outlined by the agency will continue to comport with the federal definitions of CTE under Perkins. In addition, the PED Strategic Plan does interpret CTE to include work-based learning opportunities, dual credit and early college opportunities, community service-based learning opportunities, and study abroad opportunities.

ADMINISTRATIVE IMPLICATIONS

PED would need to modify all funding formula worksheets used to compute the SEG distribution for school districts and charter schools. The unit value calculation would need to be modified to capture the impact of these additional changes to the funding formula. PED may need to provide technical assistance and oversight to districts and charter schools less-prepared to establish meaningful uses for CTE funds.

Analysis from PED notes oversight would include establishing guidelines for CTE programs and additionally notes:

[An approval process for CTE programs] will still necessitate that PED set up reporting and monitoring procedures which would include local school districts and charter schools completing a planning document for approval and ongoing monitoring. This will likely necessitate additional 1.0 FTE at the department to assure that funds are spent in alignment with objectives and strategies outlined by PED and in alignment with national research from Perkins and best practices for CTE education.

RELATIONSHIP

SB108 relates to HB126, which amends high school graduation requirements and includes provisions to encourage CTE courses in high schools, and HB198, which amends language concerning CTE pilots and the career technical education fund to include Bureau of Indian Education-funded schools. SB108 also relates to SB211, which would establish a career development success pilot program with incentives to schools with students earning industry-recognized credentials.

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