



LFC Requester: Liu

**PUBLIC EDUCATION DEPARTMENT
BILL ANALYSIS
2025 REGULAR SESSION**

SECTION I: GENERAL INFORMATION

Check all that apply:

Original Amendment
Correction Substitute

Date Prepared: 01/24 /25
Bill No: HB63

Agency Name and Code: PED - 924

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Short Title: PUBLIC SCHOOL FUNDING
FORMULA CHANGES

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SECTION II: FISCAL IMPACT

(Parenthesis () Indicate Expenditure Decreases)

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
\$136,680.4	None	Nonrecurring	GF

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
None	None	None	N/A	NFA

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$123,854.6	Undetermined	Undetermined	Undetermined	N/A	GF

Duplicates/Relates to Appropriation in the [General Appropriation Act](#):

The FY26 LESC recommendation for public school support includes \$38.1 million for the at-risk index, \$3.3 million for the EL standalone factor, and \$91.3 million for the increase to the secondary factor.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Bill 63 (HB63) would amend the [Public School Finance Act](#) to adjust the Statewide Equalization Guarantee (SEG) formula, which provides budget entities (school districts and charter schools) with the bulk of their operational revenue. The bill primarily would effect three changes:

- (1) increasing and expanding secondary-grade-level program unit calculations by adding sixth grade to the secondary grade span and increasing the cost differential factor from 1.25 to 1.30;
- (2) associating at-risk program cost projections with a student economic disadvantage factor only, eliminating the existing student mobility and English learner (EL) factors, and
- (3) adding a new EL-related program unit.

The bill contains a hold-harmless provision for the first fiscal year that affects some budget entities to prevent revenue loss due to these changes. The bill also provides for state-chartered charter schools to have their at-risk factor.

The bill is effective July 1, 2025. Pursuant to the Public School Finance Act, school district and charter school budgets are due for approval by the Public Education Department (PED) as early as April 15.

This bill is endorsed by the Legislative Education Study Committee (LESC).

FISCAL IMPLICATIONS

The bill would appropriate \$137.725 million from the General Fund to the SEG distribution for expenditure in FY26 to cover the cost of SEG changes pursuant to the proposed bill, and an additional \$5 million from the General Fund to the state support reserve fund for expenditure in FY26 to distribute supplemental funding associated with the bill's proposed hold harmless provisions. Any unexpended or unencumbered balance remaining at the end of FY26 would revert to the General Fund; however, any unexpended or unencumbered balance remaining at the end of FY26 to the state support reserve fund would not revert to the general fund.

The table below shows HB63's formula changes and projected program cost by LESC and PED.

SEG Factor Change	LESC Estimated Change in SEG Program Cost	PED Estimated Change in SEG Program Cost
Increase from secondary factor changes	\$91,264,180	\$91,264,180
Increase from all changes to at-risk index/EL	\$421,418,926	\$426,120,479
Hold-harmless provisions	\$3,956,375	\$4,508,344

Under both projections, all budget entities, including school districts and charter schools, would see a positive overall change in SEG program cost projections in FY26. After the expiration of hold-harmless provisions, however, the equitable distribution of at-risk funding introduced by HB63 may result in relative losses for several budget entities.

The Public School Support Recommendations (PSSR) from the LESC and the Legislative Finance Committee (LFC) for the General Appropriation Act (GAA) include \$132.5 million and \$56.5 million, respectively, for changes to SEG related to this bill.

SIGNIFICANT ISSUES

HB63 has been endorsed by LESC for the 2025 session as the product of a study prompted by House Memorial 51 (HM51) of 2023. An [October 16, 2024 LESC staff presentation](#) for the committee summarized the goals of the working group, convened with the intent to improve the responsiveness, accuracy, and adequacy of the formula's methodology. The goals were to:

- Identify existing challenges, strengths, and opportunities related to the SEG;
- Identify what constitutes adequacy in the context of the SEG; and
- Build consensus on whether the SEG is responsive to the current and evolving needs of all students.

PERFORMANCE IMPLICATIONS

The new EL component may incentivize the identification of and service for ELs. The new EL factor provided for in HB63 would generate revenue for schools based on the number of students who are either currently identified EL or who have exited EL status within the past two years, a period during which schools are to continue monitoring students' English language proficiency. Revising the EL component of the SEG [may incentivize budget entities](#) to develop programs to meet the educational needs of ELs in order to be eligible for these program units. This may result in better programs and improved student outcomes.

Ensuring that each charter school has adequate at-risk program funding based on an appropriate student indicator is likely to distribute resources more equitably to the districts and charter schools with the greatest need. This provision will decrease funding for those state-chartered charter schools that have fewer low-income students than the school districts in which the charter schools are physically located. This provision may improve educational programs and, ultimately, improve educational outcomes for students in poverty.

The removal of the mobility factor in the calculation of at-risk program units would ameliorate the spurious effect it has had on cost projections as part of the SEG formula. School districts and charter schools report enrollment events and withdrawals in a variety of ways, which does not lead to consistent data across the state. Mobility is also the most volatile of the at-risk factors. LESC staff made the point that removing the mobility factor may improve the overall accuracy of the program cost projections in operational budgets in an [October 16, 2024 presentation to the committee](#).

HB63 would provide for a more equitable distribution of at-risk funding to the local school districts and charter schools serving at-risk students representative of the populations served. In the first year of implementation, the hold harmless provision of HB63 would support charter schools accustomed to at-risk funding derived from the at-risk population of the school district within the geographic boundaries of which they are located rather than on the count of at-

risk students enrolled at the charter school. By LESC’s projections, the hold-harmless provision would support five school districts and 26 charter schools in FY26.

By PED’s projections, the hold-harmless provision would support eight school districts and 34 charter schools in FY26, 21 of which are within the geographic boundaries of Albuquerque Public Schools.

HB63 is likely to increase the number of identified EL students funded through the SEG. HB63 would add students who have exited EL status in the previous two academic years who are not part of the current at-risk calculation.

ADMINISTRATIVE IMPLICATIONS

Removing the mobility factor from SEG formulas reduces the administrative burden for PED, school districts, and charter schools. This [point also has been made by LESC staff](#).

Provisions of HB63 maintain the role of the department in determining a district or charter school’s eligibility for program units based on each program’s compliance with law and rule, pursuant to [Section 22-8-11\(A\)\(2\) NMSA 1978](#). Department personnel and administrative processes are currently in place to determine eligibility for program units for at-risk and EL programs. Similar processes are in place for other SEG-funded programs, such as Bilingual-multicultural and Fine Arts programs, which also have statutory eligibility requirements “to ensure that each program . . . meets the requirements of law and the department’s rules and procedures” ([Section 22-8-11\(A\)\(2\) NMSA 1978](#)). Meeting the minimum requirements of HB63 will not increase the administrative burden on the department. PED staff would continue to rely primarily on program reports and plans from budget entities to determine eligibility. For a more thorough evaluation of programs, however, sufficient funding would be necessary to cover the cost of PED staff travel to support and monitor program quality throughout the state.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None.

TECHNICAL ISSUES

Although HB63 includes a methodology for calculating the at-risk index for new charter schools lacking the three-year history of enrollment required for most calculations, it does not include a similar provision for the new EL factor. It is likely that this oversight would result in conflicting interpretations of the law if enacted without amendment.

HB63 introduces new material with provisions for an EL factor with eligibility criteria that are unclear, which may lead to conflicting interpretations between law and related rule if not clarified in an amendment. It is not clear in the bill what the term “identified services” means in Section 6. However, 6.29.5.11(D) NMAC requires prompt *identification* of ELs, which may lead to conflation with similar language in the bill, suggesting that eligibility is to be based on services for identifying ELs. However, the remaining language of the sentence in Section 6 defines “services” that “assist English learners to *attain English language proficiency* in a reasonable period of time.” PED recommends that the word, “identified” be stricken from Section 22-8-23.15(A) NMSA 1978, so that subsection would read, “A school district or charter school is eligible for additional program units if it establishes ~~identified~~ services to assist English

learners to attain English language proficiency...” This would place the emphasis appropriately on services being used to help ELs *exit EL status* and achieve proficiency, rather than suggesting the emphasis be on the identification of ELs. PED further recommends that criteria for eligibility be aligned with federal requirements and state administrative law addressing identification, instruction, exit criteria, monitoring, and reclassifying ELs.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None.

AMENDMENTS

The sponsors may consider the following amendments to discourage conflicting interpretations of the language, simplify the SEG formulas, and reduce administrative burden on state agencies:

1. To achieve a greater level of simplicity and transparency of calculations in the SEG in calculating the at-risk index factors and the EL factors each year, HB63 may be amended so that the calculations uses the prior-year counts of eligible MEM for at-risk and EL factors. This would be a straightforward formula, similar to the current methodology provided in law for bilingual-multicultural and fine arts programs. This recommendation removes the three-year average in the at-risk and EL formulas, basing those formulas instead on the prior year average of the second and third reporting period eligible MEM, establishing a consistent and predictable pattern throughout the SEG that may be more easily estimated by district and charter school staff and understood by the general public.
2. An amendment may more clearly state the criteria for districts and charter schools EL programs to be eligible for program units by striking the word " identified" from Section 22-8-23.15(A) NMSA 1978. Reference to federal law and state regulation for services from EL programs is recommended.