

LESC bill analyses are available on the New Mexico Legislature website (www.nmlegis.gov). Bill analyses are prepared by LESC staff for standing education committees of the New Mexico Legislature. LESC does not assume any responsibility for the accuracy of these reports if they are used for other purposes.

LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
57th Legislature, 1st Session, 2025

Bill Number	<u>HB63</u>	Sponsor	<u>Romero, GA/Stewart</u>
Tracking Number	<u>.229368.2</u>	Committee Referrals	<u>HEC/HAFC</u>
Short Title	<u>Public School Funding Formula Changes</u>		
Analyst	<u>Estupiñan</u>	Original Date	<u>1/24/2025</u>
		Last Updated	<u></u>

FOR THE LEGISLATIVE EDUCATION STUDY COMMITTEE

BILL SUMMARY

Synopsis of Bill

House Bill 63 (HB63) would revise the state equalization guarantee (SEG) by:

1. Removing English learners (ELs), mobility, and Title I as indicators in the at-risk index, and instead, embedding the methodology of the family income index (FII) as the indicator for poverty in the at-risk index;
2. Creating a standalone factor for ELs and students who have been reclassified as fluent English proficient (RFEP) in the prior two academic years; and
3. Increasing the basic program weight, known as the secondary factor, for sixth grade through 12th grade students to 1.30.

The proposed bill includes factors of 0.40 for the at-risk index and 0.33 for the EL factor.

The proposed bill would be effective July 1, 2025.

FISCAL IMPACT

HB63 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 proposed bill would create approximately 20,251 program units, including 6,326 program units for changes to the at-risk index and 13,925 program units for the increase to the cost

differential for grades six through 12. LESC staff analysis indicates the appropriations included in the proposed bill are sufficient to fund the new program units under an assumed unit value of \$6,553.75.

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.

At-Risk Index. Revising the at-risk index and increasing the at-risk factor to 0.40 from 0.33 would alter the allocation of program units. School districts and charter schools are currently assigned an at-risk index based on a three-year average of three indicators: Title I, EL, and mobility. These indicators are added together, and the number of program units is calculated as follows:

$$\text{Three-Year Average Rate} \times 0.33 \times \text{Membership} = \text{At-Risk Program Units}$$

HB63 would revise this methodology by removing Title I, ELs, and mobility from the at-risk index. To calculate program units, the at-risk index would instead use a three-year average of students whose household income is below 130 percent of the federal poverty line, as identified by the FII. The revised methodology for calculating at-risk program units would be as follows:

$$\text{FII Three-Year Average Rate} \times 0.40 \times \text{Membership} = \text{At-Risk Program Units}$$

Of note, the proposed bill would require each charter school to generate its own at-risk index based on the concentration of poverty in each charter school. This is a departure from current practice; Section 22-8-6.1 NMSA 1978 currently requires that a charter school be assigned the at-risk index of the school district in which it is geographically located.

LESC staff estimate the proposed methodology would generate 45,878 at-risk program units in FY26, or \$300.7 million at the FY25 preliminary unit value of \$6,553.75. These units would not be evenly distributed across all school districts and charter schools; some individual school districts and charter schools may see reduced at-risk units given the changes to the methodology, as shown in **Appendix 1: House Bill 63 Scenario**.

English Learners. Creating a standalone component for ELs and RFEP students would alter the allocation of program units in the SEG.

Instead of each school district and charter school receiving program units for ELs as a component of the at-risk index, HB63 would require each school district and charter school generate separate program units for the percentage of their membership identified as an English learner or RFEP student, as follows:

$$\text{Three-Year-Average Rate} \times \text{MEM} \times 0.33 = \text{English learner Program Units}$$

Similar to the proposed methodology for the at-risk index, HB63 would require each charter school to generate program units for the ELs and RFEP students they serve.

LESC staff estimate the EL component would generate approximately 18,424 program units, or \$120.7 million at the FY25 preliminary unit value. While these units would not be evenly distributed across all school districts and charter schools, some could see an increase in program units with the inclusion of RFEP students in the formula calculation.

Basic Program. The current weights for sixth grade students and seventh through 12th grade students are 1.045 and 1.250, respectively. HB63 would increase the weight to 1.30 for grades six through 12. LESC staff estimate this could generate 13,925 program units, or \$91.3 million at the FY25 preliminary unit value.

SUBSTANTIVE ISSUES

In 2018, the 1st Judicial Court issued a final judgement and order in the consolidated *Martinez-Yazzie* education sufficiency lawsuit, finding the state failed to provide a sufficient education for English learners, Native American students, students with disabilities, and economically disadvantaged students. The court cited graduation rates, assessment results, and college remediation rates as indicators of the state’s failure to ensure students have access to a sufficient education that affords them an opportunity to be college, career, and civic ready. The court’s findings suggested overall funding levels, financing methods, and oversight were deficient, and that highly trained staff and sufficient instructional materials and curricular offerings were needed to ensure a sufficient public education. However, the court did not prescribe specific remedies and deferred decisions on how to achieve sufficiency to the legislative and executive branch.

LESC Study of SEG. [House Memorial 51 \(HM51\)](#), passed during the 2023 legislative session, requested LESC convene a working group to complete an in-depth review of the SEG. The working group organized by LESC met during both the 2023 and 2024 interims and included lawmakers and staff from the Public Education Department (PED), the Legislative Finance Committee (LFC), school districts and charter schools, and statewide education organizations.

Proposed changes in HB63 align with [findings](#) from the HM51 working group, [findings](#) from a legislative task force focused on middle school education convened during the 2024 interim in response to House Memorial 4 (HM4) from the 2024 legislative session, a 2008 [study](#) of the SEG by the American Institutes for Research, and a joint [study](#) between LESC and LFC in 2011.

At-Risk Funding. A school district or charter school is eligible for at-risk program units if it provides services for at-risk students, which Section 22-8-23.3 NMSA 1978 currently defines as:

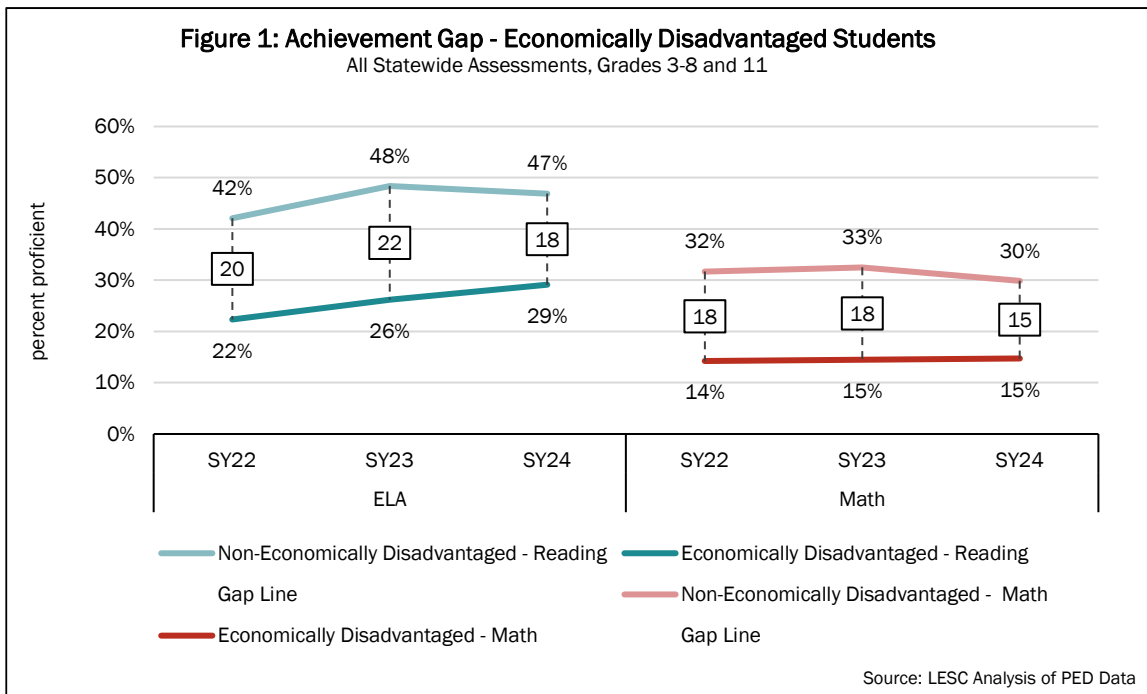
1. Case management, tutoring, reading interventions and after-school programs that are delivered by social workers, counselors, teachers or other professional staff;
2. Culturally relevant professional and curriculum development, including those necessary to support language acquisition, bilingual and multicultural education;
3. Additional compensation strategies for high-need schools;
4. Whole school interventions, including school-based health centers and community schools;
5. Educational programming intended to improve career and college readiness of at-risk students, including dual or concurrent enrollment, career and technical education, guidance counseling services and coordination with post-secondary institutions; and
6. Services to engage and support parents and families in the education of students.

By removing ELs from the calculation of at-risk units, the proposed bill would amend the current services listed above to remove “culturally relevant professional and curriculum development.” The bill would instead include those services as a permissible use of funding from EL program units.

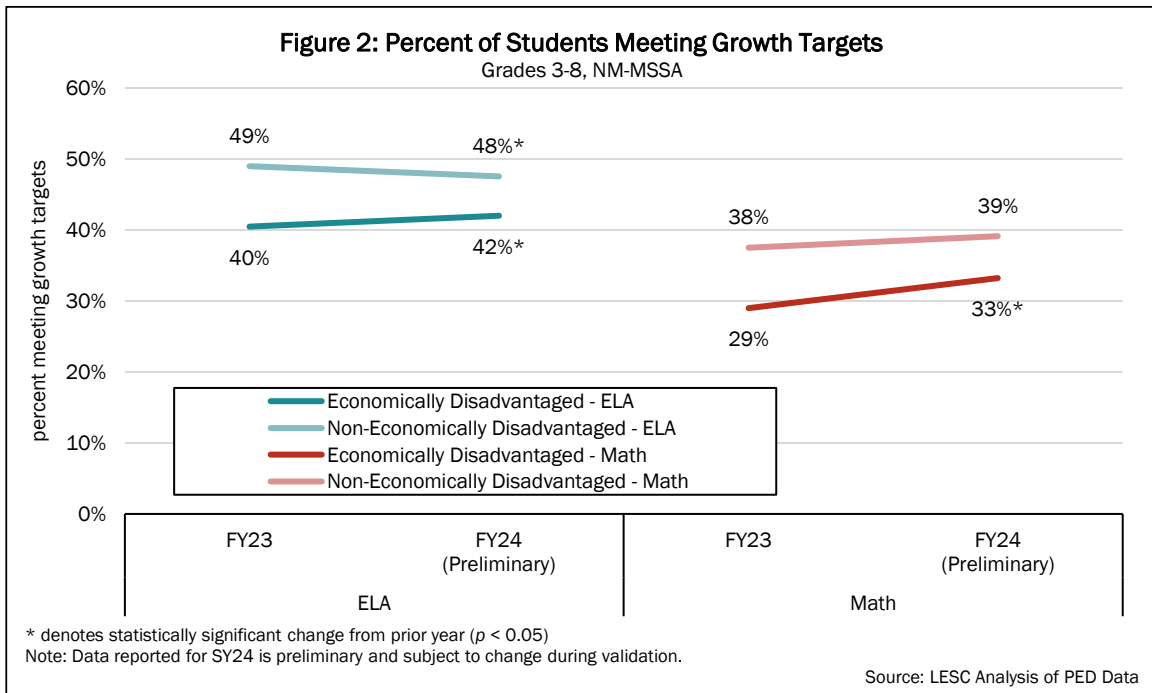
Statute requires Title I data be used as the SEG’s indicator for poverty. This federal data has shown to be an unreliable measure of student poverty that cannot be audited for accuracy. The student mobility data used in the at-risk index is also unreliable and its accuracy depends on local personnel. Student mobility data has also traditionally not been audited by legislative or executive staff and has produced significant year-over-year fluctuations in at-risk funding. The inclusion of ELs as one component of the at-risk index has also prevented school districts and charter schools from accurately determining the proportional share of their at-risk funding that was generated by EL students. Lastly, statutory requirements that charter schools be assigned the at-risk index of the school district in which they are geographically located has produced a significant disparity between the at-risk funding some charter schools receive and the at-risk factors of their students.

School districts and charter schools are not required to use at-risk funding on specific programs and services for at-risk students. However, in FY24, data from PED’s Operating Budget Management System (OBMS) suggests approximately \$313 million in operational funds were categorized as budgeted for alternative and at-risk programs and at-risk special programs, or approximately 83.2 percent of the \$376.1 million distributed by the at-risk index.

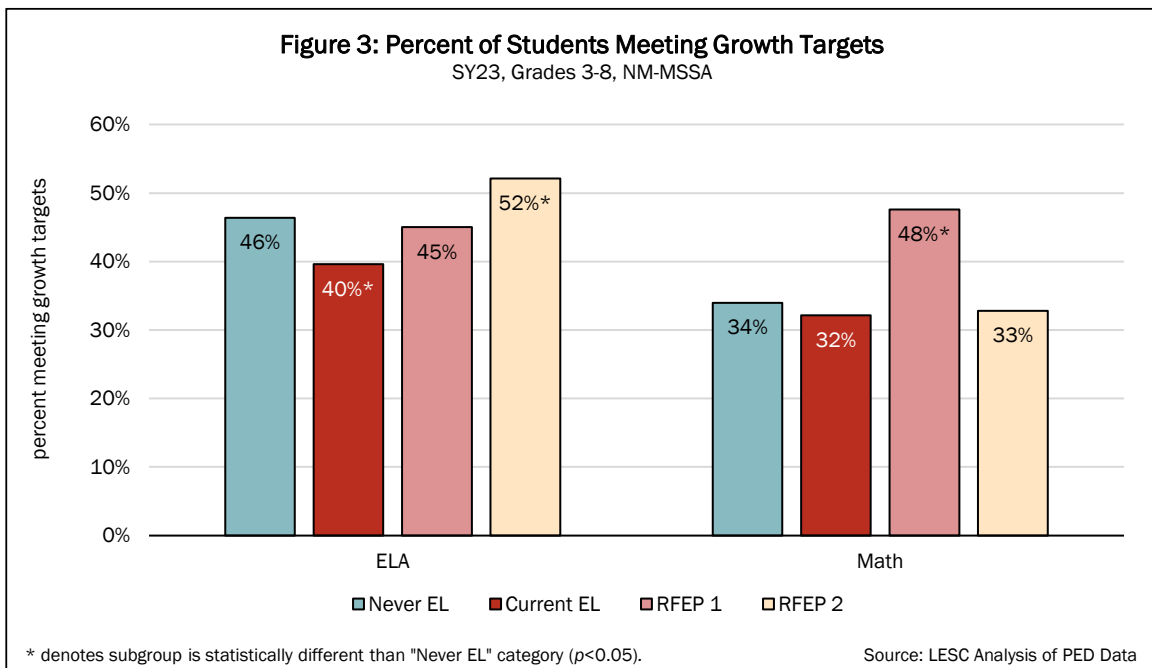
These at-risk expenditures were largely used for compensation and benefits with the intention of meeting the complex needs of low-income students, particularly as outcomes among economically disadvantaged students continue to trail those of noneconomically disadvantaged students, as shown in **Figure 1: Achievement Gap – Economically Disadvantaged Students**.



Despite the persistent achievement gap, LESC staff analysis of the Legislature’s recent investments in the at-risk index suggest these additional resources are playing a significant role in narrowing the gaps in achievement between economically disadvantaged students and their noneconomically disadvantaged peers, as shown in **Figure 2: Percent of Students Meeting Growth Targets**. These recent trends suggest the Legislature’s investments in at-risk funding are being intentionally leveraged at the local level to support responsive programming and interventions.



English Learner Funding. EL students are identified through a process specified in PED administrative rule. NMAC 6.29.5.11 requires students be screened using a language usage survey when a student first enrolls in a public school. Depending on the results, a student is assessed using the World-class Instructional Design and Assessment (WIDA) screener, where they are identified as proficient in English or as an EL. Guardians are then notified of their student’s status and the availability of relevant programs and services. To exit EL status, a student must score a 4.8 on the ACCESS for ELs 2.0 assessment, and the student is then monitored for academic progress for two school years following reclassification.



Historically, outcomes among EL students have trailed those of other student groups. However, as shown in **Figure 3: Percent of Students Meeting Growth Targets**, students who exit EL status

build a strong foundation by which they may continue to see academic gains over time. While [guidance](#) from PED uses five years as a benchmark for measuring the number of EL students exiting EL status, only 2,140 students were in the first two years of reclassification in SY24, compared to 52.3 thousand EL students.

HB63 could incentivize school districts and charter schools to dedicate programming and resources to the needs of ELs by creating a dedicated component in the SEG, while also directly supporting the ongoing needs of RFEP students in the SEG for the first time. To assist school districts and charter schools in using their EL funding on evidence-based programs and services for ELs, HB63 would codify guiding language specifying how funding may be used, including:

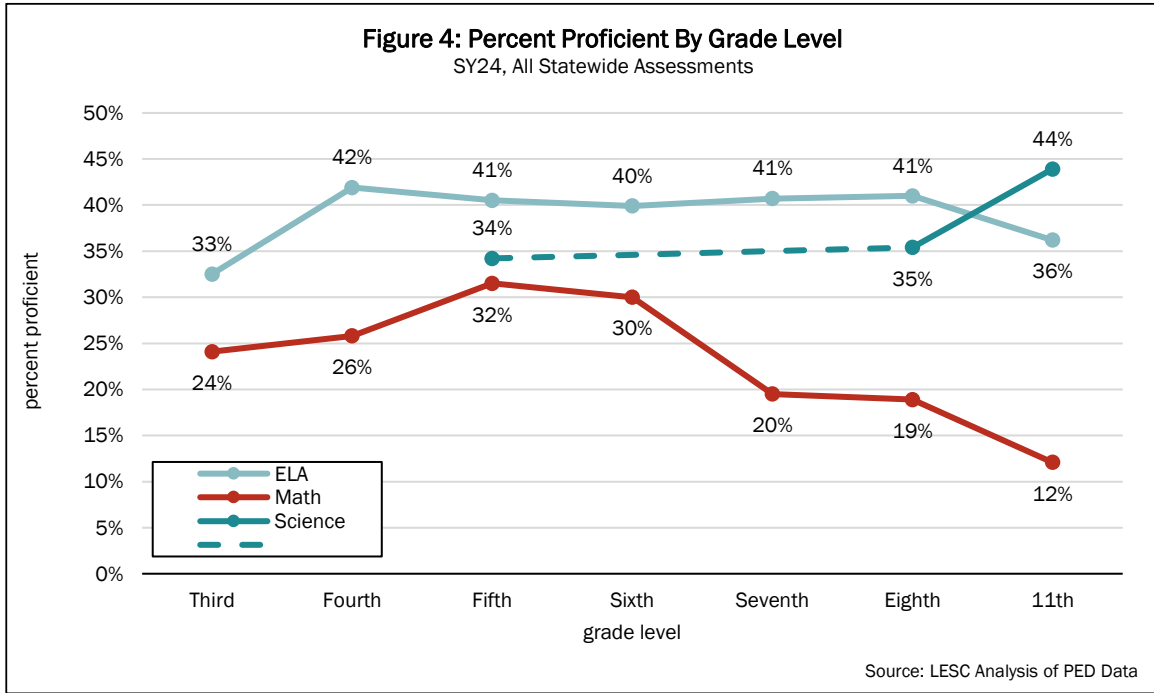
1. Culturally sustaining case management, tutoring, language development interventions, out-of-school time programs, and student service-leadership development opportunities;
2. Culturally sustaining professional learning, coursework, and curriculum development opportunities;
3. Culturally and grade-level appropriate instructional materials;
4. Additional compensation strategies that support high-quality, culturally, and linguistically sustaining instruction;
5. Innovative staffing, scheduling, and programming strategies that promote collaborative instruction; and
6. Services to support and partner with parents and families in the long-term success of students.

Basic Program Funding for Secondary Students. Basic program funding is typically used for compensation and benefits, utilities, instructional materials, and other programmatic needs, with the SEG assuming different costs for different grades. As the costs of operating public schools have evolved, however, the secondary factor has not, as the Legislature last adjusted the basic program factors in 1993.

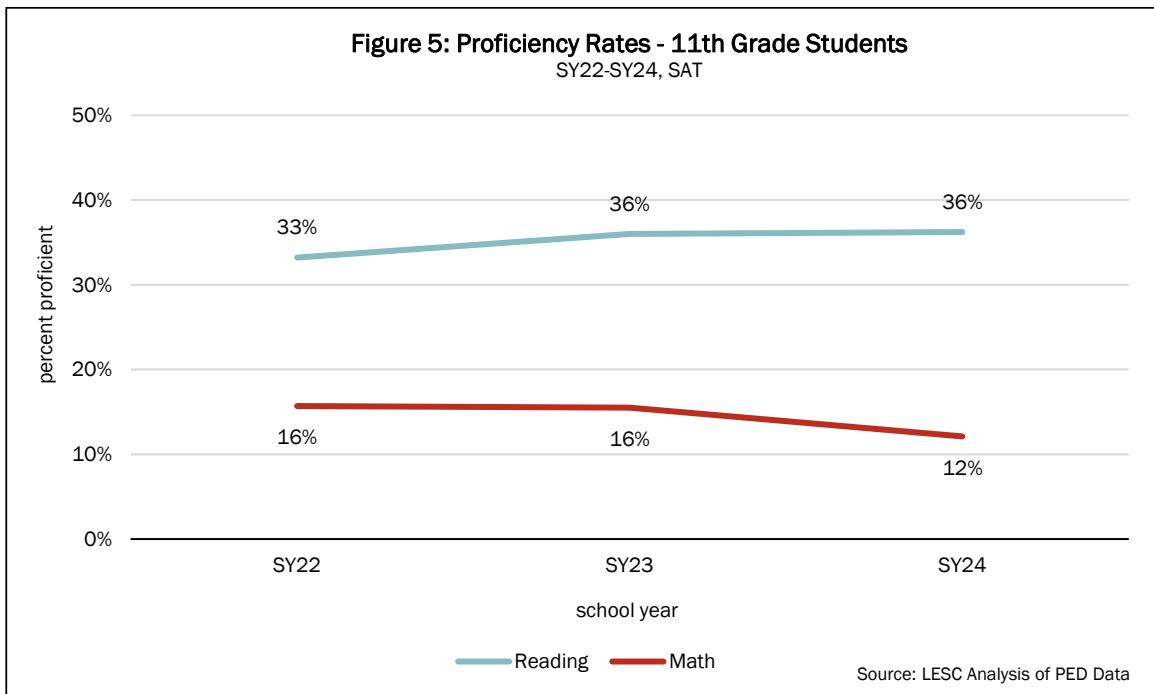
Secondary School Expenses. As expectations of high school students have evolved in response to changing expectations for college, career, and civic readiness, high schools have also had to shift in their offerings, design, and function. Included in this shift are increased career and technical education (CTE) programming, work-based learning experiences, student extracurricular activities, and other experiential learning options to prepare students for life after high school. Each of these factors, however, also impacts the cost of operating a high school. For example, a U.S. Department of Education [study](#) notes CTE costs may be 20 to 40 percent higher than those for traditional academic offerings and is driven by the costs of smaller classes sizes, specialized equipment and classroom materials, CTE instructors, and the need for tailored classroom spaces.

Middle School Funding. Currently, students in grades four through six have a cost differential of 1.045 in the SEG and students in grades seven through 12 have a cost differential of 1.25. The specific grades that fall into each factor were last adjusted in 1976, at a time when junior high schools for grades seven and eight were more common, and sixth graders were typically educated in the same environments and with the same practices as elementary students, such as a single educator in a room of students. Since 1976, the national understanding of middle school educational needs has shifted substantially. The most common model of middle school education in New Mexico places sixth graders in buildings alongside seventh- and eighth-grade students, yet the SEG has not been revised in response to these trends.

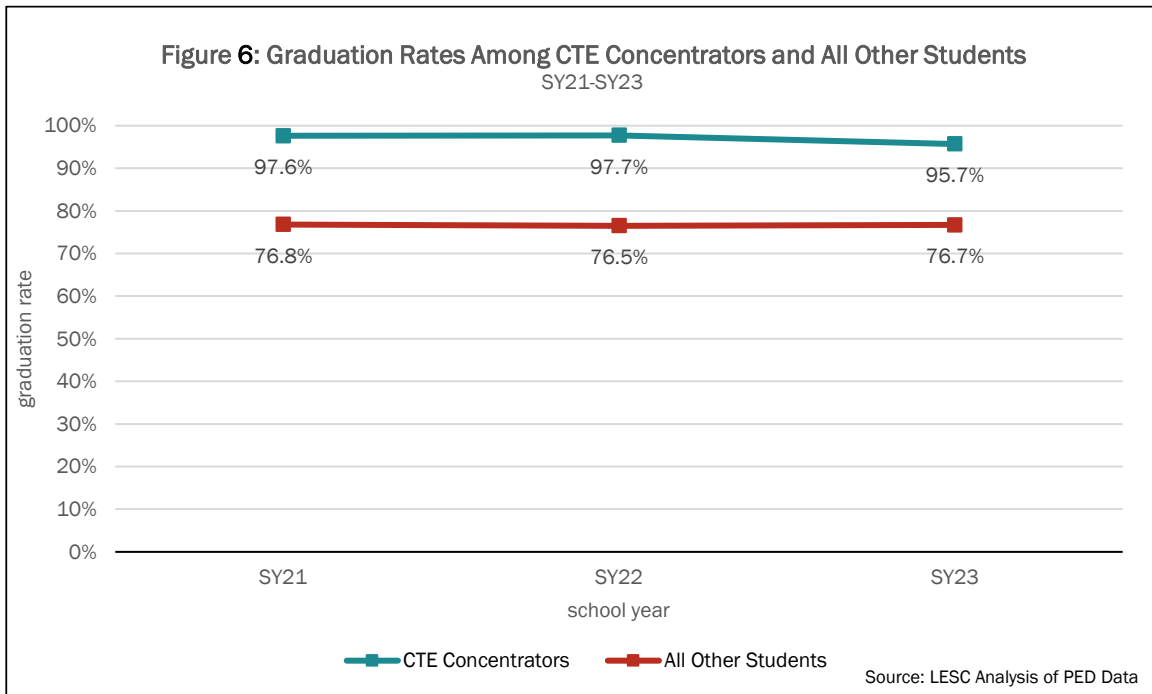
As shown in **Figure 4: Percent Proficient by Grade Level**, SY24 assessment results show proficiency in English language arts (ELA) and math decline in secondary grades, with 36 percent of grade 11 students achieving proficiency in ELA and 12 percent in math. Proficiency rates in ELA often stagnate in middle school and decline in grade nine, with proficiency rates in ELA declining five percentage points between grade eight and grade 12. In math, the decline is larger, with proficiency rates declining from 30 percent in grade six to 12 percent in grade 11.



As shown in **Figure 5: Proficiency Rates – 11th Grade Students**, assessment results in grade 11 increased by three percentage points in ELA between FY22 and SY24 and declined by four percentage points in math.



As academic outcomes among secondary students have declined in recent years, some programs have shown positive results in increasing achievement. Among the most promising of these initiatives have been CTE programs, particularly for CTE concentrators, or those who complete at least two courses in a single CTE career cluster. As shown in **Figure 6: Graduation Rates Among CTE Concentrators and All Other Students**, for SY23, graduation rates among CTE concentrators were 95.7 percent, compared to 76.7 percent for all other students.



Historically, the Legislature has supported CTE programs and summer internships with below-the-line appropriations, including a non-recurring appropriation of \$45 million in FY25. These funds require school districts to submit an application to PED and are generally not the sole source of CTE program funding; school districts and charter schools usually supplement below-the-line CTE funds using operational funds they receive through the SEG, federal Perkins funding (New Mexico received \$10.5 million in federal CTE funding in FY24), or other discretionary funds.

While SEG funding may be flexibly used at the local level, the increase to the cost differential for grades six through 12 could provide an additional \$91.3 million in recurring SEG funding for locally responsive programming that may increase outcomes and access for students, such as for those wanting to participate in CTE programs. The inclusion of sixth grade in the secondary factor could also support programs and services that alleviate declines in academic achievement in the transition to middle school. Other areas that may be supported with additional basic program funding could include secondary fine arts programs, behavioral health initiatives, and other programs that improve student engagement in middle and high schools.

ADMINISTRATIVE IMPLICATIONS

LESC staff anticipate the proposed bill could reduce the long-term administrative burden on PED as the department would no longer be required to compile Title I and mobility data when it calculates the at-risk index. Instead, PED would use FII data, which it already collects in compliance with Section 22-8F-3 NMSA 1978. The creation of the standalone EL component in the SEG will also use data that is already available to the department and would not present a significant administrative burden to the department.

In the short-term, however, PED should collaborate with the Taxation and Revenue Department and the Health Care Authority in formalizing processes for promptly exchanging consistent and reliable student data for calculating the FII, standardizing the period from which income data is used, and creating a framework for collaboratively verifying the accuracy of the data. A 2024 [LESC analysis](#) found the state struggles with data integrity challenges that often lead to data that is inaccurate, incomplete, inconsistent, insufficiently granular, and untimely. These challenges with data quality have impacted the state’s ability to implement and evaluate educational programs and could pose additional challenges in the implementation of HB63 if unaddressed.

OTHER SIGNIFICANT ISSUES

In August 2024, LESC staff presented the methodologies in the proposed bill as options for revising the SEG to the HM51 working group. Working group members expressed support for the proposed changes to the SEG.

The provisions of the proposed bill align with the recommendations of a 2008 SEG [study](#) by the American Institutes for Research, as well as a 2011 joint [study](#) between the LESC and the Legislative Finance Committee. Both studies recommended a revised indicator for poverty, the creation of a component for English learners, and the removal of mobility from the SEG.

HM63 aligns with the [recommendations](#) of the HM4 task force that recommended sixth grade be included in the secondary factor, providing additional support for students entering a critical transition out of elementary school and into middle school.

SOURCES OF INFORMATION

- LESC Files

DE/tb/jkh/clh/mca/jkh

House Bill 63 Scenario

(Analysis uses preliminary data that is subject to change upon the availability of additional information)

SCHOOL DISTRICT OR CHARTER SCHOOL	Basic Program Changes				At-Risk Changes							Total HB63 Impact		FY26 Projected Program Cost				
	A	B	C	D = B + C	E	F	G	H	I	J = E+F+G+H+I	K = D + J	L	M	N	O	P	Q	
	FY25 Preliminary Program Cost	Change from Increasing Grade 6 Factor 1.045 to 1.30	Change from Increasing Grade 7-12 Factor 1.25 to 1.30	Total Change from Secondary Consideration	Change from Title I Removal from At-Risk Index	Change from Mobility Removal from At-Risk Index	Change from EL Removal from At-Risk Index	Change from FI Addition to At-Risk Index	Change from EL Addition to SEG	Total Change from At-Risk Consideration	Total Change	% Change	FY26 Projected Program Cost	FY25 - FY26 Change	FY26 Hold Harmless	FY26 Grand Total Funding	FY25 - FY26 Change	
183 TIERRA ADENTRO	\$3,337,877	\$63,185	\$77,433	\$140,618	(\$116,769)	(\$85,524)	(\$104,549)	\$218,578	\$137,745	\$49,482	\$190,100	5.7%	\$3,649,341	\$311,464		\$3,649,341	9.3%	
184 TIERRA ENCANTADA CHARTER SCHOOL	\$3,559,086	\$0	\$96,255	\$96,255	(\$95,136)	(\$62,473)	(\$150,495)	\$257,290	\$185,502	\$134,688	\$230,943	6.5%	\$3,919,436	\$360,350		\$3,919,436	10.1%	
185 TURQUOISE TRAIL CHARTER SCHOOL	\$7,760,702	\$119,491	\$39,159	\$158,650	(\$218,796)	(\$143,676)	(\$346,110)	\$522,551	\$301,825	\$115,794	\$274,444	3.5%	\$8,317,322	\$556,621		\$8,317,322	7.2%	
186 VISTA GRANDE HIGH SCHOOL	\$1,469,934	\$0	\$22,559	\$22,559	(\$42,997)	(\$26,021)	(\$13,069)	\$89,111	\$14,314	\$21,338	\$43,897	3.0%	\$1,567,277	\$97,343		\$1,567,277	6.6%	
187 VOZ COLLEGIATE PREPARATORY CHARTER SCH	\$2,629,325	\$56,821	\$18,023	\$74,844	(\$42,160)	(\$30,879)	(\$37,748)	\$118,480	\$60,276	\$67,970	\$142,813	5.4%	\$2,867,740	\$238,415		\$2,867,740	9.1%	
188 WALATOWA CHARTER HIGH	\$896,324	\$0	\$12,025	\$12,025	(\$26,739)	(\$16,317)	(\$21,345)	\$31,734	\$54,690	\$22,023	\$34,048	3.8%	\$962,962	\$66,638		\$962,962	7.4%	
TOTAL STATEWIDE	\$4,223,022,966	\$40,115,839	\$51,148,342	\$91,264,180	(\$163,229,870)	(\$99,297,939)	(\$117,431,242)	\$300,670,500	\$120,748,426	\$41,459,874	\$132,724,054	3.1%	\$4,509,294,847	\$286,271,881	\$3,956,375	\$4,513,251,221	6.9%	

Note: Estimated program cost for FY26 is based on the FY26 LESC recommendation for public school support and variances in individual school district and charter school program cost may be partially attributable to participation rates in K-12 Plus programs and student enrollment. The analysis includes estimated program cost as a net change after all adjustments for FY26 are implemented as written in the bill, including changes to basic program and the at-risk index. The projected cost for changes to basic program was calculated using the number of new program units created by the revised cost differentials and multiplied by each school district's and charter school's teacher cost index. The analysis does not include projected unit changes for any other component of the formula other than those included in the bill and nor does it include projected changes in membership.