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Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR	Hall		ORIGINAL DATE LAST UPDATED	·	нв	35/aHAFC
SHORT TITI	LE .	Additional Funding	Units for Some Schoo	ls	SB	
				ANAL	YST	Gudgel

APPROPRIATION (dollars in thousands)

Appropr	iation	Recurring	Fund	
FY14	FY15	or Nonrecurring	Affected	
	See Fiscal Implications	Recurring	General Fund	

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the Public School Support section of the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From
Public Education Department (PED)

SUMMARY

Synopsis of HAFC Amendment

House Appropriations and Finance Committee Amendment to House Bill 35 eliminates the general fund appropriation of \$5.8 million.

Synopsis of Original Bill

House Bill 35 amends the Public School Finance Act to create a new factor in the public school funding formula that generates units for school districts with fewer than 200 students provided the district has implemented practices to reduce scale inefficiencies, including shared service agreements with regional education cooperatives or other school districts for non-instructional functions and distance education. The bill also appropriates \$5.8 million dollars to cover the new units. The bill has an effective date of July 1, 2014.

FISCAL IMPLICATIONS

House Appropriations and Finance Committee (HAFC) struck the appropriation contained in this bill. House Bill 2 as amended by HAFC currently includes the \$5.8 million appropriation the HAFC amendment struck.

House Bill 35/aHAFC - Page 2

The LFC recommendation for public school support included \$5.8 million for this purpose.

Generally, an increase in program units generated by school districts or charter schools that is not accompanied by an appropriation has the effect of diluting the unit value, impacting school districts and charter schools statewide. Because the bill includes sufficient funds to fully fund the new units, the unit value will not be diluted.

Currently, there are a number of small school districts that do not receive sufficient public school formula funding to cover annual operational costs and are required to seek emergency supplemental funding from the department each year. The creation of a new formula factor will allow the smallest school districts in the state to generate additional units annually, resulting in additional funding annually. The fewer MEM (enrolled full time students) a school district has the more units the district will receive pursuant to the provisions of this bill, directing the most funding to the smallest school districts. The bill will generate approximately 1,560 new units.

Based on final funded FY13 data, the bill will generate approximately 1,500 new units. Based on the current unit value of \$3817.55, \$5,761.6 million is needed in FY15 to ensure the unit value is not diluted. These figures should be updated when FY14 final funded data is available.

The more MEM a qualifying school district has the fewer program units they will generate pursuant to this bill. The bill will not completely eliminate the need for recurring emergency supplemental appropriations. For FY15, House Bill 2 currently includes \$5 million for emergency supplemental appropriations.

SIGNIFICANT ISSUES

Based on FY13 enrollment data, there were 17 school districts with fewer than 200 students. The districts and additional units they would generate are included in the following Table.

		FY13 Additional
		Units Pursuant to
School District	FY13 MEM	HB 35
CARRIZOZO	146	54.5
CORONA	76	124
DES MOINES	81	119
ELIDA	139	61
GRADY	101	99.5
HONDO	159	41.5
HOUSE	95	105
LAKE ARTHUR	128	72.5
MAXWELL	90	110
MOSQUERO	48	152.25
QUEMADO	146	54.5
RESERVE	154	46.25
ROY	38	161.75
SAN JON	116	84
SPRINGER	190	10
VAUGHN	117	83.5
WAGON MOUND	70	130

House Bill 35/aHAFC – Page 3

The amount of funding generated for some of these districts will not be sufficient to eliminate annual emergency supplemental allocations, resulting in continuing need for some annual emergency supplemental appropriations.

PED's analysis indicates, based on preliminary FY14 data, 19 school districts would be eligible for these dollars. If all school districts met the requirements of the bill the department estimates the need for a total of \$5.9 million to implement the provisions of this bill in FY15. The difference of less than \$200 thousand noted represents 0.0008 percent of the program cost included in House Bill 2 for FY15.

ADMINISTRATIVE IMPLICATIONS

PED administers the public education funding formula. Administrative implications for the department should be minimal and include certifying school districts have implemented practices to reduce scale inefficiencies. This should not be any more cumbersome than the budget review the department does to allow a school district to budget emergency supplemental funds.

The department also indicates STARS (the student, teacher accountability reporting system) will need to be updated to collect these additional units for small school districts.

OTHER SUBSTANTIVE ISSUES

To illustrate the impact of this bill, for FY13 Mosquero Public Schools (MEM of 49.5) received:

- \$606 thousand in formula funding (state equalization guarantee distribution); and
- \$335 in emergency supplemental funding.

Assuming units funded at the FY13 level under the provisions of this bill, Mosquero would have received an additional \$541,632 in small district adjustments (formula funding), eliminating the need for emergency supplemental funding.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Large emergency supplemental funding appropriations will likely continue to be necessary, especially as small rural school districts continue to lose enrollment.

RSG/ds:il