

1 AN ACT

2 RELATING TO PUBLIC EDUCATION; AMENDING THE PUBLIC SCHOOL
3 FINANCE ACT TO ESTABLISH A TEACHER COST INDEX FOR FISCAL
4 YEARS 2020 THROUGH 2023 AND TO REQUIRE A STUDY AND ANALYSIS
5 OF THE TEACHER COST INDEX'S SUFFICIENCY, AND TO MAKE A
6 FIVE-YEAR, PHASED-IN ADJUSTMENT TO THE AT-RISK INDEX.

7
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

9 SECTION 1. Section 22-8-6.1 NMSA 1978 (being Laws 1993,
10 Chapter 227, Section 8, as amended) is amended to read:

11 "22-8-6.1. CHARTER SCHOOL BUDGETS.--

12 A. Each state-chartered charter school shall
13 submit to the charter schools division of the department a
14 school-based budget. The budget shall be submitted to the
15 division for approval or amendment pursuant to the Public
16 School Finance Act and the Charter Schools Act. Thereafter,
17 the budget shall be submitted to the public education
18 commission for review.

19 B. Each locally chartered charter school shall
20 submit to the local school board a school-based budget for
21 approval or amendment. The approval or amendment authority
22 of the local school board relative to the charter school
23 budget is limited to ensuring that sound fiscal practices are
24 followed in the development of the budget and that the
25 charter school budget is within the allotted resources. The

1 local school board shall have no veto authority over
2 individual line items within the charter school's proposed
3 budget, but shall approve or disapprove the budget in its
4 entirety. Upon final approval of the local budget by the
5 local school board, the individual charter school budget
6 shall be included separately in the budget submission to the
7 department required pursuant to the Public School Finance Act
8 and the Charter Schools Act.

9 C. For the first year of operation, the budget of
10 every charter school shall be based on the projected number
11 of program units generated by that charter school and its
12 students, using the at-risk index, the instructional staff
13 training and experience index and the teacher cost index of
14 the school district in which the charter school is
15 geographically located and shall be adjusted using the
16 qualified MEM on the first reporting date of the current
17 school year. For the second and subsequent fiscal years of
18 operation, the budgets of charter schools shall be based on
19 the number of program units generated using the average of
20 the MEM on the second and third reporting dates of the prior
21 year and the at-risk index of the school district in which
22 the charter schools are geographically located and their own
23 instructional staff training and experience index and teacher
24 cost index unless otherwise provided in the Public School
25 Finance Act."

1 SECTION 2. Section 22-8-18 NMSA 1978 (being Laws 1974,
2 Chapter 8, Section 8, as amended) is amended to read:

3 "22-8-18. PROGRAM COST CALCULATION--LOCAL
4 RESPONSIBILITY.--

5 A. For fiscal year 2018, the total program units
6 for the purpose of computing the program cost shall be
7 calculated by multiplying the sum of the program units
8 itemized as Paragraphs (1) through (6) in this subsection by
9 the instructional staff training and experience index and
10 adding the program units itemized as Paragraphs (7) through
11 (14) in this subsection. For fiscal year 2019 and subsequent
12 fiscal years, the total program units for the purpose of
13 computing the program cost shall be calculated by multiplying
14 the sum of the program units itemized as Paragraphs (1) and
15 (2) of this subsection by the staffing cost multiplier and
16 adding the program units itemized as Paragraphs (3) through
17 (14) of this subsection. The itemized program units are as
18 follows:

- 19 (1) early childhood education;
20 (2) basic education;
21 (3) special education, adjusted by
22 subtracting the units derived from membership in class D
23 special education programs in private, nonsectarian,
24 nonprofit training centers;
25 (4) bilingual multicultural education;

- 1 (5) fine arts education;
- 2 (6) elementary physical education;
- 3 (7) size adjustment;
- 4 (8) at-risk program;
- 5 (9) enrollment growth or new district
- 6 adjustment;
- 7 (10) special education units derived from
- 8 membership in class D special education programs in private,
- 9 nonsectarian, nonprofit training centers;
- 10 (11) national board for professional
- 11 teaching standards certification;
- 12 (12) home school student program unit;
- 13 (13) home school student activities; and
- 14 (14) charter school student activities.

15 B. The total program cost calculated as prescribed
16 in Subsection A of this section includes the cost of early
17 childhood, special, bilingual multicultural, fine arts and
18 vocational education and other remedial or enrichment
19 programs. It is the responsibility of the local school board
20 or, for a charter school, the governing body of the charter
21 school to determine its priorities in terms of the needs of
22 the community served by that board. Except as otherwise
23 provided in this section, funds generated under the Public
24 School Finance Act are discretionary to local school boards
25 and governing bodies of charter schools; provided that the

1 special program needs as enumerated in this section are met;
2 and provided further that if a public school has been rated D
3 or F for two consecutive years, the department shall ensure
4 that the local school board or, for a charter school, the
5 governing body of the charter school is prioritizing
6 resources for the public school toward proven programs and
7 methods linked to improved student achievement until the
8 public school earns a C or better for two consecutive years.

9 C. For purposes of this section, a staffing cost
10 multiplier shall be equal to the following:

11 (1) for fiscal year 2019, the instructional
12 staff training and experience index;

13 (2) for fiscal year 2020, the weighted
14 average of the instructional staff training and experience
15 index at seventy-five percent and the teacher cost index at
16 twenty-five percent;

17 (3) for fiscal year 2021, the weighted
18 average of the instructional staff training and experience
19 index at fifty percent and the teacher cost index at fifty
20 percent;

21 (4) for fiscal year 2022, the weighted
22 average of the instructional staff training and experience
23 index at twenty-five percent and the teacher cost index at
24 seventy-five percent; and

25 (5) for fiscal year 2023 and for all

1 subsequent fiscal years, the teacher cost index."

2 SECTION 3. Section 22-8-23.1 NMSA 1978 (being Laws 1990
3 (1st S.S.), Chapter 3, Section 7, as amended) is amended to
4 read:

5 "22-8-23.1. ENROLLMENT GROWTH PROGRAM UNITS.--

6 A. A school district or charter school with an
7 increase in MEM equal to or greater than one percent, when
8 compared with the immediately preceding year, is eligible for
9 additional program units. The increase in MEM shall be
10 calculated as follows:

11 (Current Year MEM - Previous Year MEM)

12 _____ X 100 = Percent Increase.

13 Previous Year MEM

14 The number of additional program units shall be calculated as
15 follows:

16 ((Current Year MEM - Previous Year MEM) - (Current Year
17 MEM x .01)) X 1.5 = Units.

18 B. In addition to the units calculated in
19 Subsection A of this section, a school district or charter
20 school with an increase in MEM equal to or greater than one
21 percent, when compared with the immediately preceding year,
22 is eligible for additional program units. The increase in
23 MEM shall be calculated in the following manner:

24 (Current Year MEM - Previous Year MEM)

25 _____ X 100 = Percent Increase.

1 Previous Year MEM

2 The number of additional program units to which an eligible
3 school district or charter school is entitled under this
4 subsection is the number of units computed in the following
5 manner:

6 (Current Year MEM - Previous Year MEM) X .50 = Units.

7 C. As used in this section:

8 (1) "current year MEM" means MEM on the
9 first reporting date of the current year minus MEM reported
10 on the first reporting date of the current year that is
11 included in the calculation of a school district's or charter
12 school's program cost;

13 (2) "MEM" means the total school district or
14 charter school membership, including early childhood
15 education full-time-equivalent membership and special
16 education membership, but excluding full-day kindergarten
17 membership for the first year that full-day kindergarten is
18 implemented in a school pursuant to Subsection D of Section
19 22-13-3.2 NMSA 1978; and

20 (3) "previous year MEM" means MEM on the
21 first reporting date of the previous year."

22 SECTION 4. Section 22-8-23.3 NMSA 1978 (being Laws
23 1997, Chapter 40, Section 7, as amended) is amended to read:

24 "22-8-23.3. AT-RISK PROGRAM UNITS.--

25 A. A school district is eligible for additional

1 program units if it establishes within its
2 department-approved educational plan identified services to
3 assist students to reach their full academic potential. A
4 school district receiving additional at-risk program units
5 shall include a report of specified services implemented to
6 improve the academic success of at-risk students. The report
7 shall identify the ways in which the school district and
8 individual schools use funding generated through the at-risk
9 index and the intended outcomes. For purposes of this
10 section, "at-risk student" means a student who meets the
11 criteria to be included in the calculation of the three-year
12 average total rate in Subsection B of this section. The
13 number of additional units to which a school district is
14 entitled under this section is computed in the following
15 manner:

$$16 \quad \text{At-Risk Index} \times \text{MEM} = \text{Units}$$

17 where MEM is equal to the total district membership,
18 including early childhood education, full-time-equivalent
19 membership and special education membership and where the
20 at-risk index is calculated in the following manner:

21 (1) for fiscal year 2018,

22 Three-Year Average Rate \times 0.106 = At-Risk Index;

23 (2) for fiscal year 2019,

24 Three-Year Average Total Rate \times 0.112 = At-Risk Index;

25 (3) for fiscal year 2020,

1 Three-Year Average Total Rate x 0.121 = At-Risk Index;

2 (4) for fiscal year 2021,

3 Three-Year Average Total Rate x 0.131 = At-Risk Index;

4 (5) for fiscal year 2022,

5 Three-Year Average Total Rate x 0.140 = At-Risk Index; and

6 (6) for fiscal year 2023 and for all
7 subsequent fiscal years,

8 Three-Year Average Total Rate x 0.150 = At-Risk Index.

9 B. To calculate the three-year average total rate,
10 the department shall compute a three-year average of the
11 school district's percentage of membership used to determine
12 its Title I allocation, a three-year average of the
13 percentage of membership classified as English language
14 learners using criteria established by the federal office of
15 civil rights and a three-year average of the percentage of
16 student mobility. The department shall then add the
17 three-year average rates. The number obtained from this
18 calculation is the three-year average total rate.

19 C. The department shall recalculate the at-risk
20 index for each school district every year."

21 SECTION 5. A new section of the Public School Finance
22 Act is enacted to read:

23 "TEACHER COST INDEX--DEFINITIONS--FACTORS--
24 CALCULATIONS.--

25 A. Beginning in fiscal year 2020, for purposes of

1 calculating the teacher cost index, the following definitions
2 shall apply:

3 (1) "number of teaching staff" means the
4 actual number of full-time-equivalent teaching staff on the
5 October payroll beginning with October 2018 and in each
6 October thereafter;

7 (2) "teaching licensure level" is that level
8 described in the School Personnel Act;

9 (3) "teaching staff" means a licensed
10 teacher who is assigned classroom teaching responsibilities;
11 and

12 (4) "years of experience" means the number
13 of years of experience as determined by department rule.

14 B. The factors for each classification of
15 licensure level by years of experience are provided in the
16 following table:

17 Classroom Teacher Licensure Levels

18 Years of Experience

	0 to 2	3 to 5	6 to 8	9 to 15	over 15
19 Level 1	0.755	0.785	0.800		
20 Level 2		0.994	1.023	1.050	1.123
21 Level 3			1.184	1.208	1.277.

22 C. The teacher cost index for each school
23 district or charter school shall be calculated in accordance
24 with instructions issued by the department. The following
25

1 calculations shall be computed:

2 (1) multiply the number of
3 full-time-equivalent teaching staff in each licensure level
4 by the numerical factor in the appropriate years of
5 experience column in Subsection B of this section;

6 (2) add the products calculated in Paragraph
7 (1) of this subsection; and

8 (3) divide the total obtained in Paragraph
9 (2) of this subsection by the total number of
10 full-time-equivalent teaching staff.

11 D. No school district's or charter school's
12 factor shall be less than 1.0.

13 E. In the event that a new school district is
14 created, the teacher cost index shall be 1.0 for the first
15 year of operations.

16 F. The department, the legislative education
17 study committee and the legislative finance committee shall
18 jointly gather data, conduct an analysis and submit a report
19 by November 1 of each year to the governor, the legislative
20 education study committee and the legislative finance
21 committee. The report shall provide the following:

22 (1) alignment of the weights in the matrix
23 and their relationship to actual cost differences;

24 (2) an analysis of data on relationships
25 among teacher licensure level, educational attainment, years

1 of experience and salary; and

2 (3) any recommended changes to the teacher
3 cost index and to this section of the Public School Finance
4 Act."

5 SECTION 6. Section 22-8-25 NMSA 1978 (being Laws 1981,
6 Chapter 176, Section 5, as amended) is amended to read:

7 "22-8-25. STATE EQUALIZATION GUARANTEE DISTRIBUTION--
8 DEFINITIONS--DETERMINATION OF AMOUNT.--

9 A. The state equalization guarantee distribution
10 is that amount of money distributed to each school district
11 to ensure that its operating revenue, including its local and
12 federal revenues as defined in this section, is at least
13 equal to the school district's program cost. For
14 state-chartered charter schools, the state equalization
15 guarantee distribution is the difference between the
16 state-chartered charter school's program cost and the two
17 percent withheld by the department for administrative
18 services.

19 B. "Local revenue", as used in this section,
20 means seventy-five percent of receipts to the school district
21 derived from that amount produced by a school district
22 property tax applied at the rate of fifty cents (\$.50) to
23 each one thousand dollars (\$1,000) of net taxable value of
24 property allocated to the school district and to the assessed
25 value of products severed and sold in the school district as

1 determined under the Oil and Gas Ad Valorem Production Tax
2 Act and upon the assessed value of equipment in the school
3 district as determined under the Oil and Gas Production
4 Equipment Ad Valorem Tax Act.

5 C. "Federal revenue", as used in this section,
6 means receipts to the school district, excluding amounts
7 that, if taken into account in the computation of the state
8 equalization guarantee distribution, result, under federal
9 law or regulations, in a reduction in or elimination of
10 federal school funding otherwise receivable by the school
11 district, derived from the following:

12 (1) seventy-five percent of the school
13 district's share of forest reserve funds distributed in
14 accordance with Section 22-8-33 NMSA 1978; and

15 (2) seventy-five percent of grants from the
16 federal government as assistance to those areas affected by
17 federal activity authorized in accordance with Title 20 of
18 the United States Code, commonly known as "PL 874 funds" or
19 "impact aid".

20 D. To determine the amount of the state
21 equalization guarantee distribution, the department shall:

22 (1) calculate the number of program units to
23 which each school district or charter school is entitled
24 using an average of the MEM on the second and third reporting
25 dates of the prior year; or

1 (2) calculate the number of program units to
2 which a school district or charter school operating under an
3 approved year-round school calendar is entitled using an
4 average of the MEM on appropriate dates established by the
5 department; or

6 (3) calculate the number of program units to
7 which a school district or charter school with a MEM of two
8 hundred or less is entitled by using an average of the MEM on
9 the second and third reporting dates of the prior year or the
10 fortieth day of the current year, whichever is greater; and

11 (4) using the results of the calculations in
12 Paragraph (1), (2) or (3) of this subsection and the
13 instructional staff training and experience index and,
14 beginning in fiscal year 2020, the teacher cost index from
15 the October report of the prior school year, establish a
16 total program cost of the school district or charter school;

17 (5) for school districts, calculate the
18 local and federal revenues as defined in this section;

19 (6) deduct the sum of the calculations made
20 in Paragraph (5) of this subsection from the program cost
21 established in Paragraph (4) of this subsection;

22 (7) deduct the total amount of guaranteed
23 energy savings contract payments that the department
24 determines will be made to the school district from the
25 public school utility conservation fund during the fiscal

1 year for which the state equalization guarantee distribution
2 is being computed; and

3 (8) deduct ninety percent of the amount
4 certified for the school district by the department pursuant
5 to the Energy Efficiency and Renewable Energy Bonding Act.

6 E. Reduction of a school district's state
7 equalization guarantee distribution shall cease when the
8 school district's cumulative reductions equal its
9 proportional share of the cumulative debt service payments
10 necessary to service the bonds issued pursuant to the Energy
11 Efficiency and Renewable Energy Bonding Act.

12 F. The amount of the state equalization guarantee
13 distribution to which a school district is entitled is the
14 balance remaining after the deductions made in Paragraphs (6)
15 through (8) of Subsection D of this section.

16 G. The state equalization guarantee distribution
17 shall be distributed prior to June 30 of each fiscal year.
18 The calculation shall be based on the local and federal
19 revenues specified in this section received from June 1 of
20 the previous fiscal year through May 31 of the fiscal year
21 for which the state equalization guarantee distribution is
22 being computed. In the event that a school district or
23 charter school has received more state equalization guarantee
24 funds than its entitlement, a refund shall be made by the
25 school district or charter school to the state general fund."

1 SECTION 7. TEMPORARY PROVISION--PROTECTION FROM PROGRAM
2 COST REDUCTIONS.--

3 A. Using funds appropriated by the legislature,
4 the public education department shall implement a program to
5 maintain school districts' and charter schools' respective
6 program cost calculations in cases of reductions that result
7 solely from the implementation of provisions of this act,
8 and:

9 (1) for fiscal year 2019, the department
10 shall maintain school districts' and charter schools'
11 respective program cost calculations at one hundred percent
12 of the fiscal year 2018 program cost calculations that have
13 resulted solely from the implementation of provisions of this
14 act;

15 (2) for fiscal year 2020, the department
16 shall maintain school districts' and charter schools'
17 respective program cost calculations at a minimum of
18 seventy-five percent of the fiscal year 2019 program cost
19 calculations that have resulted solely from the
20 implementation of provisions of this act; and

21 (3) for fiscal year 2021, the department
22 shall maintain school districts' and charter schools'
23 respective program cost calculations at a minimum of fifty
24 percent of the fiscal year 2020 program cost calculations
25 that have resulted solely from the implementation of

1 provisions of this act.

2 B. The public education department shall provide
3 the legislative education study committee and the legislative
4 finance committee with a report on school districts' and
5 charter schools' respective program cost calculations that
6 have resulted solely from the implementation of provisions of
7 this act.

8 SECTION 8. EFFECTIVE DATE.--The effective date of the
9 provisions of this act is July 1, 2017. _____

10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25