

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 19/ec

SHORT TITLE: School Finance Unit Value Reset

SPONSOR: Muñoz, Shendo, Trujillo, Campos, Gonzales

LAST UPDATE: _____ **ORIGINAL DATE:** 1/27/26 **ANALYST:** Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact				Recurring	General Fund
Total	No fiscal impact				Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to language in the General Appropriation Act

Sources of Information

LFC Files

Legislative Education Study Committee (LESC) Files

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of Senate Bill 19

Senate Bill 19 (SB19) authorizes the Public Education Department (PED), to consult with the Department of Finance and Administration (DFA), LFC, and LESC to adjust the FY26 unit value on February 27, 2026, which would reallocate the state equalization guarantee (SEG) distribution to all public schools. The bill includes an emergency clause and would take effect immediately upon the governor's signature.

FISCAL IMPLICATIONS

The bill does not include an appropriation but allows PED to adjust the FY26 unit value after the legislative session. The department must calculate a unit value that does not overspend the SEG appropriation; therefore, there is no estimated fiscal impact in authorizing PED to make a unit

value adjustment. To calculate the unit value, PED divides the number of FY26 funding formula program units generated by school districts and charter schools by the total FY26 program cost (i.e. SEG) appropriation. Typically, PED sets a preliminary unit value each year after the legislative session to determine SEG distributions for the beginning of the new fiscal year on June 30. Language in the General Appropriation Act has historically authorized PED to adjust the unit value in the middle of the fiscal year (usually January 31) to account for changes in enrollment growth program units, which are counted on the first reporting date of the school year (40th day).

Fiscal Year	Preliminary Program Units	Preliminary Unit Value	Final Program Units	Final Unit Value	Unit Value Change
2016	632,383.9	\$4,027.75	634,189.6	\$4,037.75	\$10.00
2017 ¹	630,637.1	\$4,040.24	631,050.5	\$3,979.63	(\$60.61)
2018 ²	623,420.4	\$4,053.55	625,330.6	\$4,115.60	\$62.05
2019	629,132.8	\$4,159.23	631,218.5	\$4,190.85	\$31.62
2020	654,732.9	\$4,565.41	656,369.5	\$4,602.27	\$36.86
2021	667,820.6	\$4,531.74	671,684.0	\$4,536.75	\$5.01
2022	642,119.6	\$4,770.70	639,895.6	\$4,863.00	\$92.30
2023	628,686.6	\$5,450.92	630,921.1	\$5,522.50	\$71.58
2024	639,577.7	\$6,241.67	638,481.8	\$6,241.67	\$0.00
2025	644,367.3	\$6,553.75	644,207.4	\$6,553.75	\$0.00
2026 ³	660,769.6	\$6,801.35	666,072.0	\$6,764.35	(\$37.00)

Footnotes:

1. In FY17, the Legislature set the unit value lower to address state budget solvency issues, effectively reducing the SEG distribution
2. In FY18, PED adjusted the unit value in June 2018 to meet federal special education maintenance of effort requirements
3. In FY26, PED projects the unit value will decrease by \$37 due to new online enrollment growth units

Source: PED, LFC Files

Except for FY17, when the Legislature set the unit value lower to address state budget solvency issues, the final unit value has increased over the preliminary unit value in the last decade. For FY26, PED anticipates a lower final unit value due to significant enrollment growth units generated by the Santa Rosa and Chama school districts from acquiring nearly 3,000 online students that were originally counted in the Gallup school district.

The anticipated reduction in the FY26 final unit value of \$37 would decrease average SEG distributions per student by \$83, or 0.5 percent. While this may be minimal for small districts and charters, the effect would be significant for larger districts. For example, Albuquerque Public Schools would experience a \$5.5 million reduction in total SEG distributions from its initial budgeted allocation.

The General Appropriation Act of 2025 authorizes PED to adjust the FY26 unit value by January 31, 2026. Provisions of this bill would allow PED to adjust that unit value once again by February 27, 2026—eight days after the legislative session—if the state enacted funding formula changes that affect the final FY26 unit value. Even if no funding formula changes are enacted for FY26, PED would still need to set a unit value that does not overspend SEG appropriations.

SIGNIFICANT ISSUES

In 2012, the Farmington school district authorized New Mexico Virtual Academy as a local online charter school and contracted with Stride K12, Inc., a for-profit education management company that provides online education, to manage the online school of 500 students in sixth through 12th grade. In 2016, the New Mexico Attorney General opened an investigation into Stride K12, Inc. after California's attorney general reached an over \$160 million settlement with

Stride K12, Inc. to resolve allegations of false advertising, false claims, and unfair competition. Following this announcement and citing academic and procurement issues, Farmington initially chose not to renew New Mexico Virtual Academy's charter, then extended the charter with multiple stipulations, and ultimately ended its charter in 2019.

In 2020, the Gallup school district contracted with Stride K12, Inc. to operate an online school within the district called Destinations Career Academy (DCA) of New Mexico. In FY21, Gallup generated 2,152 enrollment growth units, which included DCA students. In 2025, after citing issues with DCA's academic performance, staffing, instructional time, special education services, enrollment processes, and reporting practices and alleging conspiracy, fraud, and misinformation, Gallup chose to end its contract with Stride K12, Inc. Months later, Stride K12, Inc. signed agreements with Chama and Santa Rosa to host DCA.

During the LFC hearing on December 11, 2025, PED requested a \$35 million supplemental appropriation to keep the FY26 unit value flat at \$6,801.35 for all public schools in anticipation of a budgetary shortfall from new enrollment growth units. Neither the executive, LFC, nor LESC FY27 budget recommendations support this \$35 million supplemental appropriation request. These projected enrollment growth units are due to 3,000 online students transferring in FY26 to the Chama and Santa Rosa districts from Gallup. After accepting an offer from Stride K12, Inc. to equally split students of the DCA online school in each district, Chama and Santa Rosa made a school reorganization request to PED, which is still pending.

By statute, these transferred DCA online students are still contributing to Gallup's funded student (MEM) counts for FY26 from the prior year, despite the fact DCA is no longer a school within the district this year. Additionally, the Chama and Santa Rosa districts are entitled to enrollment growth units due to the sudden influx of DCA students in the 40th day student count.

Gallup	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Funded Students (MEM)	10,872	10,720	11,792	11,750	11,867	11,964	12,557
Enrollment Growth Program Units	0	2,152	0	85	0	615	0
Total Program Units	22,005	25,834	24,417	23,697	26,168	26,587	28,427
State Equalization Guarantee (SEG), in thousands	\$101,274.0	\$117,203.9	\$118,738.7	\$130,869.0	\$163,330.8	\$174,242.8	\$193,341.1

Source: PED

Pursuant to the Public School Finance Act, schools are entitled to program units using an average MEM count from the prior year and enrollment growth units using the 40th day student count from the current year. As shown in the table above, Gallup experienced a substantial increase in enrollment and funding in the 2020-2021 school year due to contracting with Stride K12, Inc. in 2020. The subsequent MEM increase in the 2021-2022 year became part of the district's base—an anomaly that year given most other districts lost students from their formula due to school closures in 2020-2021. For the 2025-2026 year, Gallup continues to have a higher MEM count, despite revoking the contract with Stride K12, Inc. in 2025. For the 2026-2027 school year, however, Gallup will lose a significant number of units once the MEM count is reconciled for DCA's exit.

While provisions of this bill attempt to buy more time to address the FY26 funding issue, the bill will not address the current double-funding issue nor will it prevent future budget issues if online

schools are allowed to continue moving between districts and generating enrollment growth units.

ADMINISTRATIVE IMPLICATIONS

Provisions of this bill do not change the potential unit value reduction for FY26. The bill simply allows the PED another chance to change the FY26 unit value after the legislative session.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to budget language in the General Appropriation Act authorizing PED to adjust the unit value.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

PED will adjust the FY26 unit value on January 31, 2026, likely reducing it by \$37, and will not be able to readjust it for the remainder of the fiscal year.

SL/ct/dw/ct