

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number:** HB 35a

**51st Legislature, 2nd Session, 2014**

**Tracking Number:** .194785.3

**Short Title:** Additional Funding Units for Some Schools

**Sponsor(s):** Representatives Jimmie C. Hall, Nora Espinoza, David Gallegos, and Other

**Analyst:** Mark Murphy

**Date:** February 14, 2014

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**AS AMENDED**

**The House Appropriations and Finance Committee amendments strike the appropriation.**

**Original Bill Summary:**

HB 35 amends the *Public School Finance Act* to provide size adjustment program units to school districts whose membership (MEM) is less than 200 students. If HB 35 is enacted, these units will be included in the program cost calculation of the State Equalization Guarantee (SEG) distribution (commonly referred to as the public school funding formula).

Among its provisions, HB 35 specifies that the Public Education Department (PED) is to certify that eligible school districts have implemented practices to reduce scale inefficiencies, including:

- shared service agreements with regional education cooperatives (REC) or other school districts for non-instructional functions; and
- distance education.

The provisions of HB 35 take effect on July 1, 2014.

**Original Fiscal Impact:**

\$5.76 million is appropriated from the General Fund to the SEG distribution for expenditure in FY 15. Any unexpended or unencumbered balance remaining at the end of FY 15 reverts to the General Fund.

**Technical Issues:**

Any increase in the total number of program units without a corresponding increase to the appropriated program cost results in a decrease in the Unit Value. The \$5.76 million appropriation in HB 35 comes close to providing the appropriation amount needed to hold the Unit Value flat at \$3,817.55; however, based on the FY 14 Preliminary Funded Run data provided by PED, it appears that an appropriation of \$5.94 million would be necessary to avoid a decrease in the unit value.

Using this data, it appears that HB 35 will generate 1,556 additional program units. Given the PED established FY 14 Preliminary Unit of \$3,817.55, the appropriation to hold the Unit Value constant is calculated as follows:

$$(1,556) \quad X \quad (\$3,817.55) \quad = \quad (\$5,940,107.80)$$

The sponsor may wish to consider augmenting the appropriation to ensure that the newly generated units would not decrease the Unit Value.

**Fiscal Issues:**

**Table 1**, below, indicates that at least 19 school districts with a MEM of less than 200 in FY 14 would be eligible for an increase in funding if HB 35 is enacted. The table also shows the percentage increase over FY 14 program cost distributions for those districts.

**Table 1. Impact on Districts with a MEM of Less Than 200**

District	Amount Increase	Percentage Increase Over FY 14
Animas	\$81,916.05	3.9%
Carrizozo	\$246,099.21	15.7%
Corona	\$479,004.42	55.8%
Des Moines	\$404,554.25	38.9%
Elida	\$265,201.13	19.6%
Grady	\$414,095.79	38.9%
Hondo	\$188,828.79	11.0%
House	\$482,812.10	48.8%
Lake Arthur	\$253,742.79	17.6%
Maxwell	\$367,325.39	31.0%
Melrose	\$8,441.38	0.4%
Mosquero	\$610,725.12	117.6%
Quemado	\$172,603.02	9.9%
Reserve	\$160,185.62	8.4%
Roy	\$618,361.87	126.5%
San Jon	\$257,553.29	16.8%
Springer	\$56,139.68	2.5%
Vaughn	\$351,093.34	27.0%
Wagon Mound	\$519,084.95	59.7%

Data Source: PED, Preliminary Funded Run FY 14.

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**Substantive Issues:**

In generating program units for small school districts, the provisions of HB 35 may help reduce the need for emergency supplemental funding for some districts. It may not, however, entirely eliminate the need for emergency supplemental funding statewide.

Based on FY 14 preliminary data:

- four school districts (Des Moines, Elida, San Jon, and Vaughn) receiving emergency supplemental funding would have seen their need for emergency supplemental funding eliminated;

- fourteen school districts (Carrizozo, Corona, Grady, Hondo, House, Lake Arthur, Maxwell, Melrose, Mosquero, Quemado, Reserve, Roy, Springer, and Wagon Mound) receiving emergency supplemental funding would have seen a reduction in the amount needed; and
- four school districts (Chama Valley, Cimarron, Fort Sumner, and West Las Vegas) receiving emergency supplemental funding would not have seen additional benefits from the provisions of this bill.

**Background:**

*10-Year History of Appropriations for Emergency Supplemental*

Data from the Legislative Education Study Committee’s (LESC) *Summaries of Legislation Introduced* from FY 05 through FY 14 provides appropriation amounts authorized by the Legislature for operational emergency supplemental. **Table 2**, below, illustrates the total appropriation amounts for each of the last 10 fiscal years.

**Table 2. 10-Year Appropriation History for Operational Emergency Supplemental**

School Year	Appropriation Amount for Operational Emergency Supplemental Funding Statewide
FY 05	\$2,600,000
FY 06	\$7,000,000
FY 07	\$6,997,900
FY 08	\$8,300,000
FY 09	\$7,000,000
FY 10	\$11,870,000
FY 11	\$7,989,100
FY 12	\$3,924,600
FY 13	\$8,000,000
FY 14	\$8,300,000

**Source:** LESC, Summaries of Legislation Introduced, FY 05-FY14. **LESC – 1/2014**

*Appropriation Language*

In addition, the *General Appropriation Act of 2013* contained the following language laying out specific parameters for districts needing to seek emergency supplemental funds:

Prior to the distribution of emergency supplemental funds to any public school district or charter school, the Secretary of Public Education shall verify with the New Mexico state auditor that the school district or charter school is in compliance with all provisions of Section 12-6-12 NMSA 1978. No emergency supplemental distributions shall be made to any school district not current with its audits.

Emergency supplemental funds shall not be distributed to any school district or charter school having cash and invested reserves, or other resources or any combination thereof, equaling five percent or more of their operating budget [Laws 2013, Ch. 227].

Therefore, districts applying for operational emergency supplemental funding must also abide by these additional restrictions, as stated above.

*FY 14 Emergency Supplemental Funding*

According to PED data<sup>1</sup>, in FY 14, PED is budgeting approximately \$9.1 million in operational emergency supplemental funding for 22 school districts in New Mexico. **Table 3**, below, displays those budgeted amounts of emergency supplemental funding.

**Table 3. FY 14 Budgeted Operational Emergency Supplemental Funding**

School District	FY 14 Budgeted Operational Emergency Supplemental Funding
Carrizozo	\$385,308
Chama Valley	\$525,000
Cimarron	\$290,000
Corona	\$687,655
Des Moines	\$350,000
Elida	\$190,000
Ft. Sumner	\$279,617
Grady	\$478,200
Hondo Valley	\$232,000
House	\$575,000
Lake Arthur	\$400,000
Maxwell	\$483,000
Melrose	\$389,147
Mosquero	\$640,000
Quemado	\$422,000
Reserve	\$433,387
Roy	\$719,649
San Jon	\$144,631
Springer	\$153,016
Vaughn	\$309,653
Wagon Mound	\$830,000
West Las Vegas	\$200,000
<b>TOTAL STATEWIDE</b>	<b>\$9,117,263</b>

Source: PED, Statbooks.

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**Committee Referrals:**

HEC/HAFC/SEC/SFC

**Related Bills:**

- HB 13 *School Equalization Guarantee “Local Revenue”*
- HB 19a *Update School Finance At-Risk Index*
- HB 37 *Equalization Distribution to Certain Schools*
- HB 122 *Licensed School Employee Program Units*
- SB 54 *Public School Funding Adequacy*

<sup>1</sup> PED, Statbooks, Section C, Actual and Estimated Revenues.