

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 186

52nd Legislature, 1st Session, 2015

Tracking Number: .198746.1

Short Title: Restore Funding Formula Vocation Differential

Sponsor(s): Senator Linda M. Lopez

Analyst: Ian Kleats

Date: February 20, 2015

Bill Summary:

SB 186 amends the *Public School Finance Act* to restore (see “Background,” below) vocational education program units and require that school districts and state-chartered charter schools report the number of full-time equivalent (FTE) MEM for vocational education programs on each reporting date.

Among its provisions, SB 186:

- creates new program units in the public school funding formula, also known as the state equalization guarantee (SEG) equal to the FTE MEM in vocational education programs approved by the Public Education Department (PED) times a cost differential factor of 0.8; and
- applies the instructional staff training and experience (T&E) index to vocational education units in the calculation of program cost.

If enacted, SB 186 would become effective on June 19, 2015 – 90 days after the end of the legislative session (see “Technical Issues,” below).

Fiscal Impact:

SB 186 does not contain an appropriation.

Fiscal Issues:

Operational funding to school districts and charter schools through the SEG is discretionary to the local school board or governing body to meet local priorities and responsibilities, and there is no assurance that SEG funding attributable to vocational education units would be exclusively used for vocational education programs, which are more commonly referred to as career technical education (CTE) programs.

Two issues in the PED agency analysis of SB 186 suggest that the cost estimate provided therein may be incorrect:

1. The analysis stated that PED data indicate 58,594 students participated in CTE programs for school year 2013-2014, but does not appear to reflect FTE MEM.

- The number cited by the PED analysis matches the number of students participating in CTE programs as reported in the department's Consolidated Annual Report for the federal *Carl D. Perkins Career and Technical Education Improvement Act of 2006*. The number in that report was based on student headcount, not FTE participation.
2. The calculation in the PED bill analysis does not include multiplication by the T&E index within its estimate of units or SEG funding.
- SB 186 requires the T&E index to be applied to vocational education units in the calculation of program cost due to its placement of the units on page 4, line 12.

If the PED data do reflect the number of students participating rather than the FTE MEM, assumptions about the FTE participation in those programs could be drawn from graduation requirements in statute, which require:

- successful completion of 24 units;
- one unit in either a career cluster course, workplace readiness, or a language other than English; and
- seven and one-half units in electives.

Assuming that all students identified by PED as participating in a CTE program take CTE courses for all electives, each student could be counted as 0.3125 FTE MEM in the vocational education program (8.5 units/24 units = 0.354), resulting in 20,742.276 funded FTE MEM.

Using this estimate of FTE MEM and the statewide average T&E index, SB 186 could generate the following units and funding through the SEG:

$$(\text{Vocational Education FTE MEM}) \times 0.8 = \text{Unadjusted Vocational Education Units}$$

$$20,742.276 \text{ FTE MEM} \times 0.8 = 16,593.82 \text{ Unadjusted Vocational Education Units}$$

$$(\text{Unadj. Voc. Ed. Units}) \times (\text{T\&E Index}) \times (\text{FY 15 Preliminary Unit Value}) = \text{SEG Funding}$$

$$16,593.82 \times 1.088 \times \$4005.75 = \$72,320,115.58$$

The addition of new units to the public school funding formula, if not fully funded, may dilute the unit value, potentially impairing the ability of school districts and charter schools to meet their local obligations. If SB 186 were to be enacted, the Legislature would have to consider funding for these new program units during the 2016 legislative session.

Technical Issues:

If enacted, SB 186 would become effective on June 19, 2015, which is at the end of FY 15, and PED would be required to adjust FY 15 SEG distributions to school districts to reflect the addition of the new units. The sponsor may wish to consider an amendment adding an effective date coinciding with the start of a fiscal year on July 1. Furthermore, the PED bill analysis recommends an effective date of July 1, 2016 in order to give PED time to update its data collection systems and worksheets.

The PED bill analysis notes that vocational education is now more commonly referred to as career technical education. Because career technical has supplanted vocational in other areas of statute and regulation, the sponsor may wish to consider an amendment to use the more common term.

Substantive Issues:

By providing a funding mechanism through the SEG, SB 186 may stimulate the creation or expansion of CTE programs by school districts and charter schools. According to the provisions of SB 186, these programs would have to be approved by PED, which might allow PED to ensure that educational standards in those programs are being maintained.

The PED analysis of a related bill introduced during the 2015 session – HB 178, *Career Technical Education Courses & Terms* – notes that New Mexico students who completed three or more CTE courses during high school (also known as CTE concentrators) are more likely to graduate than other New Mexico students. According to PED data, in school year 2013-2014, the statewide graduation rate was 68.5 percent while students with a career technical concentration had a graduation rate of 89.6 percent.

Background:

Funding for Career Technical Education in New Mexico

When the public school funding formula was enacted in 1974, it included an add-on cost differential for students enrolled in approved vocational education programs; the resulting units were subject to multiplication by the T&E index (Laws of 1974, Chapter 8). However, in 1976, the vocational cost differential was eliminated as a separate factor and subsumed into a single cost differential for grades 7 through 12 (Laws of 1976, Chapter 32).

Although the funding formula is non-categorical in the sense that the funding actually spent on an educational program does not have to equal the amount of money generated for that particular program, school districts had been required to provide a program in order for the program to generate funds through the formula. Thus, there is no longer a vocational factor in the Public School Funding Formula that financially encourages school districts to offer such programs.

In contrast to SEG formula funding, grants allocated to states, school districts, and postsecondary institutions under the various federal Perkins acts, described below, have always been categorical and must be used to support CTE programs. Unless the Legislature makes a categorical appropriation, there is no state funding specifically identified to support CTE (vocational) programs.

Federal Support for Career Technical Education

The 1963 *Vocational Education Act* increased federal support for vocational education schools and also provided funding for vocational work-study programs and research, training, and demonstration programs related to vocational education. Five years later, the *Vocational Education Amendments of 1968* modified the existing vocational education programs, established a National Advisory Council on Vocational Education, and provided funding for collecting and disseminating information about programs administered by the Commissioner of Education.

In 1984, the *Vocational Education Act* was renamed the *Carl D. Perkins Vocational Education Act* (Perkins I). Perkins I continued federal support for vocational education, established programs emphasizing the acquisition of job skills through both vocational and technical education, and sought to make vocational education programs accessible to “special populations,” including individuals with disabilities, disadvantaged individuals, single parents and homemakers, and incarcerated individuals.

The *Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990* (Perkins II) created the tech-prep program designed to coordinate secondary and postsecondary vocational education activities into a coherent sequence of courses. Most set-asides for “special populations” were removed from the legislation, but the program remained focused on providing members of special populations with access to high-quality vocational education. Programs to eliminate sex bias were designed to prepare students for nontraditional training and employment (e.g., training women to be welders or men to be nurses). The law also required states to develop and implement performance standards and measures to assess gains in learning and in program performance.

According to a number of sources, the *Carl D. Perkins Vocational and Technical Education Act of 1998* (Perkins III) included a number of substantive changes made by Congress to Perkins II, primarily in an effort to direct more resources for vocational education to the local level, i.e. to school districts, schools, and postsecondary institutions. As a consequence, set-aside funding streams for gender equity were eliminated, as were most other funding distribution requirements weighted toward “special population groups.” To ensure that these special populations were not ignored, however, the law included an accountability system that not only continued to require states to disaggregate reporting but also introduced potential rewards or consequences for states that did or did not improve student performance, respectively.

On August 12, 2006, the most recent incarnation of the act, the *Carl D. Perkins Career and Technical Education Improvement Act of 2006* (Perkins IV), was signed into law. As was the case with its predecessors, Perkins IV remains the principal source of federal funding to states for secondary and postsecondary vocational and technical education programs.

Committee Referrals:

SEC/SFC

Related Bills:

SB 157 *High School Work Force Assessment System* (Identical to HB 308)

SB 338 *Career Technical Student Organizations*

SB 496 *Career Tech Education Courses as Electives*

HB 178a *Career Technical Education Courses & Terms*

HB 308 *School Workforce Assessment System* (Identical to SB 157)