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## FISCAL IMPACT REPORT

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| <b>SPONSOR</b> <u>Reps. Romero, GA and Lane/Sen. Stewart</u> | <b>LAST UPDATED</b> <u>1/31/24</u><br><b>ORIGINAL DATE</b> <u>1/26/24</u> |
| <b>SHORT TITLE</b> <u>School Graduation Requirements</u>     | <b>BILL NUMBER</b> <u>House Bill 171/aHEC</u>                             |
| <b>ANALYST</b> <u>Valdez/Liu</u>                             |   |

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

| Agency/Program | FY24 | FY25 | FY26                    | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|----------------|------|------|-------------------------|-------------------|---------------------------|---------------|
|                |      |      | See Fiscal Implications |                   | Recurring                 | General Fund  |

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent analysis of this legislation.

Conflicts with House Bills 244 and 246

### Sources of Information

LFC Files  
 Legislative Education Study Committee (LESC) Files

Agency Analysis Received From  
 Workforce Solutions Department (WSD)  
 Higher Education Department (HED)  
 University of New Mexico (UNM)

Agency Analysis was Solicited but Not Received From  
 Public Education Department (PED)

## SUMMARY

### Synopsis of HJC Amendment to House Bill 171

The House Education Committee amendment to House Bill 171 allows students to count a computer science course toward their math or science requirement or both requirements without having to first demonstrate competence in mathematics or science. The amendment further removes references to the New Mexico diploma of excellence for students entering in the 2010-2011 school year (Subsection O), leaving only requirements to graduate and receive a New Mexico diploma of excellence for students entering ninth grade in the 2024-2025 school year.

### Synopsis of Original House Bill 71

House Bill 171 (HB171) changes high school graduation requirements for students entering the ninth grade in the 2025-2026 school year. The bill adds a provision requiring each school district

and charter school to develop a graduate profile unique to their community and requiring student next-step plans align with the profile. The bill requires PED to adopt and promulgate rules by December 31, 2024, and said rules must include revision to course offerings.

| Subject            | Current Graduation Requirements |  | House Bill 171 Proposal |  |
|--------------------|---------------------------------|--|-------------------------|--|
| English            | <b>4.0 units</b>                | <ul style="list-style-type: none"> <li>Major emphasis on grammar, nonfiction writing, and literature</li> <li>1 unit can be work-based training (WBT) or career technical education (CTE)</li> </ul>             | <b>4.0 units</b>        | <ul style="list-style-type: none"> <li>Must include a 3-unit sequence</li> <li>Units can be WBT/CTE</li> </ul>   |
| Math               | <b>4.0 units</b>                | <ul style="list-style-type: none"> <li>1 unit must be Algebra 2 or higher</li> <li>1 unit can be financial literacy, WBT/CTE, or computer science</li> </ul>   | <b>4.0 units</b>        | <ul style="list-style-type: none"> <li>Schools must offer Algebra 2</li> <li>Must include a 2-unit sequence of Algebra 1 and geometry or equivalent</li> <li>Units can be financial literacy or WBT/CTE</li> </ul>   |
| Science            | <b>3.0 units</b>                | <ul style="list-style-type: none"> <li>2 units must have lab component</li> <li>1 unit can be WBT/CTE or computer science</li> </ul>   | <b>3.0 units</b>        | <ul style="list-style-type: none"> <li>2 units must have lab component</li> <li>Units can be WBT/CTE</li> </ul>  |
| Social Studies     | <b>3.5 units</b>                | <ul style="list-style-type: none"> <li>U.S. history and geography, world history and geography, and government and economics</li> <li>0.5 unit of N.M. history</li> </ul>  | <b>4.0 units</b>        | <ul style="list-style-type: none"> <li>U.S. history, geography (including N.M. history), world history and geography, government and economics, and personal financial literacy (including civics)</li> </ul>  |
| Physical Education | <b>1.0 unit</b>                 | <ul style="list-style-type: none"> <li>Can be marching band, JROTC, or sports</li> </ul>   | <b>1.0 unit</b>         | <ul style="list-style-type: none"> <li>Can be marching band, JROTC, sports, or dance</li> </ul>  |
| Language or Career | <b>1.0 unit</b>                 | <ul style="list-style-type: none"> <li>1 unit of a career cluster course, workplace readiness, or language other than English</li> </ul>   |                         |  |
| Electives          | <b>7.5 units</b>                | <ul style="list-style-type: none"> <li>CTE, student service learning, financial literacy must be offered</li> <li>Pre-apprenticeships and media literacy may be offered</li> </ul>                               | <b>5.5 units</b>        | <ul style="list-style-type: none"> <li>CTE, student service learning, financial literacy must be offered</li> <li>Pre-apprenticeships and media literacy may be offered</li> <li>Must include a 2-unit pathway of: a language other than English, fine arts, health, military career preparation, CTE, community or service learning, capstone course, or work-based learning</li> </ul> |
| Health Education   |                                 | <ul style="list-style-type: none"> <li>1 course offered in middle or high school</li> <li>Must include sexual abuse and assault awareness and prevention training, lifesaving and CPR skills training</li> </ul> | <b>0.5 unit</b>         | <ul style="list-style-type: none"> <li>Can be offered in middle or high school</li> <li>Must include sexual abuse and assault awareness and prevention training, lifesaving and CPR skills training</li> </ul>   |
| Local Discretion   |                                 |  | <b>2.0 units</b>        | <ul style="list-style-type: none"> <li>2 units set by local school boards or governing bodies</li> <li>Units are transferrable</li> </ul>  |
| Other              |                                 | 1 unit must be either an AP or honors course, dual-credit, or distance learning course   |                         | <ul style="list-style-type: none"> <li>Students may take AP or honors courses, dual-credit, or distance learning courses</li> <li>Districts and charters may require more units than prescribed here</li> </ul>  |
| <b>Total Units</b> | <b>24.0 units</b>               |  | <b>24.0 units</b>       |  |

The bill adds references to charter schools and requires students to be reasonably informed of international baccalaureate courses in developing their “next-step plans.” Finally, the bill adds definitions of “capstone course” and “graduate profile.”

## FISCAL IMPLICATIONS

This bill does not contain an appropriation, however, changes to the mix of required units could affect school staffing patterns, beginning in FY26. Schools will likely need more social studies teachers to teach additional course units, such as personal financial literacy, and may need fewer teachers for currently required courses with higher failure rates, such as Algebra II. It is likely schools will maintain current staffing levels with changes to courses taught by individual teachers or new educators. It is unclear if the proposed changes would require more specialized educators to provide new course offerings or if existing staff could be repurposed for the new requirements. As such, the fiscal impact of these policy changes on public school budgets are indeterminate.

Provisions of the bill no longer require students to take a dual credit, Advanced Placement, or honors course for graduation. This change may reduce enrollment at higher education institutions (HEI) and affect new state formula support for colleges, particularly those that enroll a significant number of dual-credit students. HEIs are funded through a base-plus formula which can increase with new money but does not reduce budgets even if workload falls. Removing dual credit as a graduation requirement would likely reduce the number of credit hours delivered by HEIs, but this would not automatically trigger funding reductions. The funding formula does have a component that distributes new funds based on the dual credit course hours delivered and this measure may need to be updated if dual credit course delivery fell significantly. The higher education funding formula measures are not established in statute and updating or changing measures could be done during the annual review and update process.

HED points out many rural public community colleges in New Mexico serve many dual credit students. In some cases, over half of an institution's headcount enrollment is comprised of dual credit students. In FY22, New Mexico institutions enrolled 16.5 thousand students in dual-credit courses and 1,786 high school concurrent courses. Dual credit courses fell within four broad categories: liberal arts, science and technical, career technical education (CTE), and other courses. Approximately 2,155 students signed up for “other” courses, which included classes on personal awareness and self-improvement, basic skills and remedial education, and leisure activities. These dual credit courses could see significant enrollment loss, given the lack of a clear pathway toward a terminal degree or program.

## SIGNIFICANT ISSUES

State law sets the standards necessary for a student to graduate high school, including the number of credit hours, types of credits, and level of competence. Compared to most other states, New Mexico requires students to pass more credits, and, as a result, some policymakers have focused on lessening the credit requirements to improve graduation. However, most students who drop out of high school do so in their first or second years, indicating they struggle long before hitting credit requirements. Over two-third of students who drop out of high school in New Mexico have done so by the end of 10<sup>th</sup> grade. School officials note most students who leave do so well before coming near total unit requirements.

The increased flexibility of changes to the mathematics pathway removing Algebra II as a barrier to graduation could result in more students graduating from high school. For students who pursue any postsecondary pathways where calculus is required, they would need to take college-

level algebra and pre-calculus. This could adversely affect students who want to pursue some pathways (primarily STEM-related fields where a student would benefit from preparedness for higher-level math courses and science courses requiring some calculus) and result in increased remediation for students who want to choose those pathways.

In 2022 only 12 states required Algebra II for graduation. Among the top 10 ranked states in U.S. News and World Report's 2023-2024 "Best High School Rankings" by state, only one, Massachusetts, requires Algebra II. Among the top 20, only Washington D.C. and Delaware also require Algebra II. Graduation data from 2021 shows states with an Algebra II requirement had an average graduation rate of 84 percent, lower than the national average of 86.1 percent. While this difference does not conclusively show that removing the Algebra II requirement will improve graduation rates in New Mexico, the evidence shows states with higher graduation rates, and with higher overall national rankings by and large do not require Algebra II for graduation.

Research indicates CTE participants and, especially, "concentrators" (those students who complete more than one CTE course in the same career pathway) graduate at higher rates than their peers who do not participate in these programs. Concentrators are also more likely to continue with their education in post-secondary institutions and are more likely to be employed eight years after graduation. Other studies show the largest benefits in terms of workforce participation, post-graduation, and post-secondary achievement, are enjoyed by Black and Hispanic students, and students in CTE-intensive high schools.

## **PERFORMANCE IMPLICATIONS**

A 2024 LFC progress report on high school graduation found New Mexico increased the graduation rate from 69.3 percent in 2014 to 76.2 percent in 2022. Despite this progress, New Mexico is among the lowest ranking states in the nation in high school graduation, with students tending to drop out in ninth and 10th grades. The 2021 New Mexico graduation rate exceeds only that of Arizona and the District of Columbia and falls well short of the national average of 86.1 percent. As of 2021, New Mexico would need 2,065 additional students to graduate to match the national graduation rate.

Completing a high school diploma results in many personal and societal benefits. First, high school graduates make more money. In 2022, individuals with no high school diploma in New Mexico earned an average of \$26.4 thousand. Those who had completed high school made \$32 thousand on average—21 percent more.

Second, the jobs available now and into the future will require higher levels of education. A study by the Georgetown University Center on Education and the Workforce projects, by 2031 about 72 percent of jobs will require at least a secondary education. The greatest growth in job demand is likely to occur in education, STEM, healthcare, and business services—all industries that typically require more than a high school diploma.

Third, high school graduates are less likely to commit crimes. Research shows attending quality schools reduces the likelihood of arrest as an adult. Other researchers at the London School of Economics showed from 1980 to 2010 in the U.S., dropout age reforms reduced criminality. In studying the reasons behind this observation, the authors noted it was both because students are in school and therefore not engaged in a life of crime and have improved labor market prospects and participation.

Fourth, high school graduates use fewer social services, resulting in cost savings for the state. Pew Research data show individuals without a high school diploma made up 8.9 percent of the U.S. population and 23.4 percent of Supplementary Nutritional Assistance Program recipients in 2020. In summary, both short- and long-term benefits for individuals and the state result from improved graduation rates.

Raising New Mexico’s graduation rate to the national average by graduating 2,065 more students annually would produce over \$626.2 million in net benefits to New Mexico over the lifetime of these students. Each additional high school graduate produces roughly \$303 thousand in net benefits. Using New Mexico data, the New Mexico Results First cost-benefit model suggests each high school graduate in New Mexico produces considerable net benefits, including almost \$60 thousand to taxpayers and other beneficiaries and \$195 thousand to participants, compared to nongraduates.

## **ADMINISTRATIVE IMPLICATIONS**

PED will need to communicate new graduation requirements to districts and provide technical assistance for any changes occurring with districts and charters to meet new graduation requirements, primarily in adjusting math requirements or reorganizing elective requirements. Districts and charters will also need to create graduate profiles specific to their community and to determine two of the graduation units at their discretion, potentially incurring administrative costs for this increase in local flexibility over graduation requirements. HEIs may also need to adjust academic admissions requirements to incorporate changes from New Mexico high school credits.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

This bill conflicts with House Bill 244, which would require CTE courses offered by high schools must be part of a three-course series in a single field of study, or in pursuit of an industry credential.

This bill also conflicts with House Bill 246, which would require a 0.5 unit of financial literacy and reduce electives from 7.5 units to 7 units.

## **TECHNICAL ISSUES**

On page 14, line 4, the “or” before “community or service learning” creates some ambiguity as to whether the list includes a suite of options, a singular category, or a separate requirement from the two-unit pathway track. The sponsor may wish to list each pathway concentration separately to provide more clarity.

## **OTHER SUBSTANTIVE ISSUES**

WSD notes the bill addresses many reported concerns from employers. Specifically, the ability to substitute work-based learning for certain requirements in the diploma of excellence program recognizes the desire from employers across the state to incorporate work readiness earlier into secondary education.

Prior to the 2019-2020 school year, students were required to both complete coursework, and complete either a primary demonstration of competence, or submit a waiver to PED to complete an alternative demonstration of competence. Options for the primary demonstration of competence included only the statewide standardized assessment. After the 2019-2020 school year, there were no longer “primary” or “alternative” demonstrations. Instead, students could choose from a menu of options without any waivers. These options included the state standardized test as well as other national tests such as the SAT or ACT. The 2020 cohort could have chosen to complete a “locally determined demonstration of competence.”

The 2021 cohort would have had the same option, but due to pandemic-related disruptions, coursework completion was allowed to demonstrate competence. The 2022 and 2023 cohorts were given the same exemption and allowed to use coursework completion to demonstrate competence. The 2024 cohort will benefit from the same exemption but must take the Title I assessments. The full demonstration of competence, including both Title I assessments and demonstrations of competence in reading, writing, math, science, and social studies, will be once again required for the class of 2025.

It is unclear to what extent the relaxation of requirements to demonstrate competence for cohorts from 2021-2023 affected graduation rates. Schools and PED do not have comprehensive data to shed light on how intensively students used alternative demonstrations before 2019, or the numbers or percentages of students who took advantage of each menu option in 2020. A statutory change in 2007 that took effect in the 2011 school year allowing students to demonstrate competency for high school graduation through alternative demonstrations of competency likely contributed to increased graduation rates, but the effect of the more recent changes is unclear and PED does not collect data to track the effects of such changes.

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