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FISCAL IMPACT REPORT

SPONSOR Begaye DATE TYPED 2/4/04 HB 42

SHORT TITLE Impact Aid Revenue as Federal Revenue SB _____

ANALYST Segura

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|------|-----------------------------|------------|----------------------|---------------|
| FY04 | FY05 | FY04 | FY05 | | |
| | | | \$50,362.5 | Recurring | GF |

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

| Estimated Revenue | | Subsequent Years Impact | Recurring or Non-Rec | Fund Affected |
|-------------------|------|-------------------------|----------------------|---------------|
| FY04 | FY05 | | | |
| | | (\$50,362.5) | Recurring | Impact-Aid |

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 42 would amend the Public School Finance Act to reduce the percentage of Impact Aid revenue for purposes of the State Equalization Guarantee (SEG) from 75 percent to 50 percent.

Significant Issues

According to statutory provisions, New Mexico qualifies under the federal Impact Aid requirements as an equalized state and has been allowed to consider eligible Impact Aid receipts in determining the amount of state aid to public school districts.

House Bill 42 -- Page 2

The department indicates that if House Bill 42 were enacted, substantial disequalization within the state would occur with regard to funds available to school districts for operational expenditures. The resulting disparity would disqualify the State of New Mexico from meeting federal criteria that allows the state to qualify as an equalized state, thereby removing the state's ability to take credit for any impact aid receipts.

FISCAL IMPLICATIONS

House Bill 42 would have a substantial fiscal impact and require the Legislature to appropriate a projected \$50.0 million in general fund revenue to replace the loss of Impact Aid credits in-order to maintain current unit value. Otherwise, the unit value for all school districts would have to be reduced proportionally to make up for the loss to the SEG.

OTHER SUBSTANTIVE ISSUES

According to PED, if New Mexico were not allowed to take credit for Impact Aid receipts, the state equalization guarantee would be reduced by an estimated \$50.0 million currently being applied as a credit. Impact Aid districts would have over \$88.0 million that would not be considered in the SEG formula calculation.

RS/yr