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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/6/2006

SPONSOR Marquardt LAST UPDATED \_\_\_\_\_ HB 608

SHORT TITLE Federally-Connected Student Impact Aid SB \_\_\_\_\_

ANALYST McOlash

### APPROPRIATION (dollars in thousands)

| Appropriation |      | Recurring<br>or Non-Rec | Fund<br>Affected |
|---------------|------|-------------------------|------------------|
| FY06          | FY07 |                         |                  |
|               | None |                         |                  |
|               |      |                         |                  |

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to: HB 607

Relates to Appropriation in the General Appropriation Act

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Education Department (PED)

Department of Finance and Administration/State Budget Division (SBD)

### SUMMARY

#### Synopsis of Bill

House Bill 608 amends the Public School Finance Act to add a new cost factor and a methodology for calculating additional units and funding for federally-connected students within the Public School Funding Formula.

The bill does not include an appropriation.

### FISCAL IMPLICATIONS

Without an addition to the appropriation, HB 608 would redistribute approximately \$17.6 million to 11 districts while likely decreasing the distributions to the other 78 districts.

## SIGNIFICANT ISSUES

It is not entirely clear, but HB 607 attempts to add funding units for military-connected students, presumably as defined by the federal Impact Aid Act. HB 607, Section 2 adds new material in an attempt to establish the methodology for calculating these units. The methodology, however, is confusing and probably incorrectly expressed. The statement (page 2, lines 9-12) provides for a single calculation that “will equal seventy-five percent of the total amount generated by the total number of military-connected students in the district. The word “amount” is undefined but, if the word “units” is inserted instead, some calculations can be made. These calculations do not involve cost differentials as indicated so the section would have to be rewritten.

Title VIII – Impact Aid defines military-connected students in two categories: 1. students residing on federal property with a parent(s) in the uniformed services; and 2. students with parent(s) in the uniformed services but not living on federal land. There are a couple of other categories of lesser importance for students with an accredited foreign military official parent(s).

The following estimate of the additional units and the increased distribution for the Clovis Municipal Schools might clarify the concepts. In 2004-2005, federal Impact Aid data includes 1,055.7 Impact Aid students in average daily attendance (ADA) in Clovis. Of that number, 638.1 were military-connected students living on federal property, 369.9 military-connected students not living on federal property, and 47.7 nonmilitary connected students living in low-rent housing. According to the same data, these 1,055.7 students represented 14.2% of the total district ADA of 7,434.5.

Every year, the state calculates the average number of units per student for each district as a relative indication of district costs. In 2004-2005, Clovis generated an average of 1.74 units per individual membership. Consequently, the 1,008.0 military-connected students would have generated 1,753.92 units. Seventy-five percent of those units equal 1,315.44. HB 607 would then add those 1,315.44 units in 22-8-18, 11. With the 2004-2005 unit value of \$3,035.15, the additional Clovis units would have added approximately \$4.0 million to the district distribution.

On a statewide level, the 4,051.8 military-connected students would have generated 7,738.94 additional units (4,051.8 X 1.91 average units per student statewide). At 75%, the resulting 5,804.2 units would have redistributed approximately \$17.6 million to the 89 districts.

When new units are added for some districts, the state appropriation is simply redistributed and some districts receive increased funding (11 districts with military-connected students) while others (78 districts) lose.

## OTHER SUBSTANTIVE ISSUES

The conceptual basis of the Public School Funding formula was implemented in 1974 to recognize various educational cost factors and to provide distributional equity for the public schools. The cost factors relate to policy decisions about what students, programs, teacher, school and district characteristics are important enough for disparate funding and cost differentials (weights) have been developed to implement the relative funding differences.

For example, the state has recognized that regular students in grades 4-6 are the least costly to educate and, therefore, the grade 4-6 membership is multiplied by a cost differential of 1.045 to

determine grades 4-6 funding units. Students in grades 7-12, for various reasons, require more resources and their membership is multiplied by a cost differential of 1.250. Various programs and school/district and teacher characteristics are treated in a similar manner.

The term “unit” is simply a numerical expression of the number of students, etc., times the cost differentials to standardize the relative costs and provide for distributional equity. Each district is funded on the total number of units. The state, by the appropriation level, determines a single unit value that, when multiplied by the number of units in a district, establishes the district funding amount.

At the same time, the accommodating system does not require expenditure equity in the sense that formula dollars received by local districts are not earmarked for specific programs. Within statutory and regulatory guidelines, school districts have the latitude to spend their dollars according to local priorities.

### **POSSIBLE QUESTIONS**

The addition of units and funding for a particular group of students implies that the group has some unique characteristics requiring a different instructional program with additional costs. Districts are funded by the state and the federal government for military-connected students. Do these students and their needs differ in ways requiring different programs and a higher level of funding?

Should these 11 districts reexamine their priorities and direct more resources to programs for these students?

BMC/mt