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FISCAL IMPACT REPORT

ORIGINAL DATE 2/3/08

SPONSOR Ryan LAST UPDATED _____ HB _____

SHORT TITLE School District Instruction Expenditures SB 523

ANALYST Wilson

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|------|-------------------------|------------------|
| FY08 | FY09 | | |
| | NFI | | |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General's Office (AGO)
Public Education Department

SUMMARY

Synopsis of Bill

Senate Bill 523 enacts a new section of the Public School Finance Act (NMSA Sections 22-8-1 et seq. 1978) to require a school districts with an enrollment of 35,000 or more students to budget a minimum percentage of their total operating budget under function 1000, "instruction", as specified in the PED's uniform chart of accounts manual of procedures, as follows:

- A. 63% for fiscal year 2009,
- B. 64% for fiscal year 2010,
- C. 65% for fiscal year 2011 and succeeding fiscal years.

FISCAL IMPLICATIONS

This bill stipulates a minimum of operating expenditures that can go to direct instruction only applies to school districts with a student enrollment of more than 35,000. Currently, this will only apply to Albuquerque school district.

SIGNIFICANT ISSUES

This bill will affect the budgeting process for the Albuquerque Public Schools and will mandate that a certain percentage of that district's budget be allocated to "instruction". According to the PED, that district was the only school district in New Mexico with an enrollment over 35,000 for the 2006-2007 school year.

Function 1000 is a code used by the PED in its "Uniform Chart of Accounts" and generally includes expenses related to "instruction", including teacher salaries, benefits, and equipment used in instruction (computers etc.). Each school district must maintain a general ledger comprised of individual funds and account groups using the PED's Uniform Chart of Accounts. The ledger and chart are used by each school district to report budget and financial information to PED.

The Public School Finance Act sets procedures for preparing and submitting school district budgets for approval by the Department... The Act generally allows school districts to set their own budgets in accordance with its provisions, rules of the Department, and generally accepted accounting principles (GAAP). See NMSA Section 22-8-10 (1978). This bill will remove some discretion from the Albuquerque Public School District to set its budget in accordance with existing procedures, and will require that a minimum amount of its budget for certain fiscal years be used for "instruction", as opposed to other function code categories such as salaries and benefits for support services, student transportation, and, legal services.

OTHER SUBSTANTIVE ISSUES

According to First Class Education, if school spending can be reallocated so that 65 cents of every dollar goes directly to the classroom, spending on instruction can be increased with no accompanying increase in taxes.

A study done by Standard and Poor's in fall 2005 analyzed data in nine states that, at the time, were considering implementing the 65 percent solution. The study found no significant positive correlation between the percentage of funds that districts spend on instruction and the percentage of students who score proficient or higher on state reading and math tests"

Since the movement began, only four states have instituted this concept as public policy.

DW/mt