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FISCAL IMPACT REPORT

ORIGINAL DATE 10/22/2009

SPONSOR HEC LAST UPDATED _____ HB 10/HECS

SHORT TITLE School District Solvency SB _____

ANALYST Aguilar

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

Total	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
		(\$3,000.0)	(\$3,100.0)	(\$6,100.0)	Nonrecurring	School Districts Op- erational Funds
		(\$633.2)	(\$700.0)	(\$1,333.2)	Nonrecurring	School Districts Transportation Fund Balances
		\$633.2	\$700.0	\$1,333.2	Nonrecurring	School Districts Op- erational Funds

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

The House Education Committee Substitute for House Bill 10 makes available a number of options to school districts to provide flexibility in dealing with revenue shortfalls resulting from legislative solvency initiatives. These include allowing transportation cash balances to be used for other purposes; delaying state assessments not required by the federal No Child Left Behind (NCLB) Act and requiring public hearings.

The committee substitute declares an emergency.

FISCAL IMPLICATIONS

Provisions contained in this bill will have differing effects on each school district as they make individual decisions on how to implement revenue reductions. Expanding the use of excess transportation cash balances and suspending assessments will free up a modest amount of operational funds for districts use.

Potential total revenue that could be generated for each recommendation if available is noted below under significant issues.

SIGNIFICANT ISSUES

All provisions contained in the committee substitute are temporary and apply to FY10 and FY11.

Section 1 delays the administration of the college readiness assessment, the workforce readiness assessment and the alternative demonstration of competency using standards-based indicators until the 2011-2012 school year.

The delay in administering the college readiness assessment and the workforce readiness assessment is estimated to reduce PED costs for test development by an estimated \$30.0 in FY10 and \$100 thousand in FY11. Delaying implementation of the readiness assessments and the social studies subtest of the new high school graduation assessment is estimated to save the districts approximately \$415 thousand.

Section 2 provides for districts to use excess cash balances from transportation allocations for purchasing instructional materials and for operating expenses, excluding salaries and benefits. The transportation share that may be available for these uses is approximately \$633.8 thousand.

Section 3 provides districts with the option of suspending the administration of a required state assessments no required by NCLB.

Short cycle assessments will continue to be required but districts will determine the number of tests that will be administered annually.

Assessments required for prekindergarten, kindergarten and kindergarten-three-plus will continue without change.

PED estimates that if district take full advantage of these provisions and suspend all but the NMLC required assessments, districts will save approximately \$3 million annually.

Section 4 provides that before implementing solvency measures, local school boards shall hold at least one public hearing to provide for public input. The committee substitute also specifies notification requirements and reporting requirements to PED and LESC.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Many of the provisions contained in this bill are similar to some of the general provision contained in Senate Bill 13 but are more prescriptive in directing districts and PED how to implement the bill.

PA/sb