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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/27/10

SPONSOR Smith LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE School Cost Differential & Cost Units SB 105

ANALYST Hoffmann

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
	See narrative		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Public Education Department (PED)

### SUMMARY

#### Synopsis of Bill

Senate Bill 105 makes changes the public school funding formula by reducing the cost differential factor for twelfth grade and clarifies the qualifications for a school or district to claim small school and small district size adjustment program units.

Senate Bill 105 changes the public school funding formula in the following ways.

- The cost differential factor for twelfth grade is reduced from 1.25 to 1.045.
- The bill changes the criteria for a school to be eligible for small school size units. The new qualification criteria will be as follows: an approved public school that is located in a small town, village or rural community with a population of less than 3,000 and that is located at least five miles from another public school offering a similar academic program and has a membership of less than 400.
- The bill also changes the qualification criteria for additional program units by reducing the total MEM needed for a school district with a total MEM from 4,000 to 3,000 if the district's office is located more than 15 miles for the central office of another school district.

## **FISCAL IMPLICATIONS**

The LFC estimates that by changing the funding formula multiplier for 12<sup>th</sup> grade, \$15.9 million would be available for reallocation among all districts.

Senate Bill 105 provides that for schools to be eligible to claim size adjustment units they need to be located in communities greater than 3,000 and located at least 5 miles from another school offering the same services. The LFC estimates that resources of \$29.3 million would be available for reallocation.

Senate Bill 105 also provides that for districts to be eligible to claim size adjustment units a school district could not have more than a total MEM of 3,000 (the current formula allows up to 4,000) including early childhood education full-time-equivalent MEM and be located more than 15 miles from the central office of another school district.

## **SIGNIFICANT ISSUES**

Student attendance in the 12th grade continues to be of concern with the increasing number of programs available for seniors to complete their course of studies. As a result of programs such as dual credit, distance learning, computer-based learning, and career technical and workforce training, it appears that a large number of seniors are not present at school for the majority of their senior year. As a result, schools are receiving funding for students that are not receiving direct services. SB-105 reduces the unit multiplier for seniors to account for their reduced time in school from 1.25 to the base of 1.045.

School size units are included in the current funding formula to compensate districts for the increased costs of operating small schools, particularly in rural areas. A number of districts and charter schools maintain low school enrollment to guarantee school size adjustment. As many as 25 districts operate kindergarten through eighth grade schools housed in the same building, share administrators, teachers, educational assistants, and other support services yet are claimed for formula funding as two separate schools (e.g. K-5 elementary school and 6-8 middle school) in order to generate size adjustment units

The district size adjustment is another factor in the funding formula used to generate funding for districts with small enrollment. In New Mexico, 72 of the 89 school districts are eligible for district size funding at a cost of about \$19 million. A number of districts statewide operate within a few miles of each other and in one case within the same city. While communities may want these small districts to function independently, it appears to be unfair to other districts for the state to pay for the extra administrative costs associated with operating these districts. SB105 changes the eligibility criteria for the district size factor to districts with enrollment less than 3,000 students and located at least 15 miles from another district.

## **ADMINISTRATIVE IMPLICATIONS**

The PED states that the criteria for small school size may require some additional programming in STARS since some of the factors are currently not collected. The database will need to add new data elements to collect these new factors.

**OTHER SUBSTANTIVE ISSUES**

*The Report of the Legislative Finance Committee to the Forty-ninth Legislature Second Session Volume I Legislating for Results: Policy and Performance Analysis* makes the following recommendation.

“Consideration should be given to alternatives to the standard school structure that has existed for decades. Primary among these is a student’s senior year. For a large number of students, the 12th grade is spent either taking a large number of dual credit courses and preparing for college or just getting by with as little effort as possible, resulting in students being present in school for only part of the school day, if at all. Both of these scenarios appear to be costly to the state and raise questions as to the cost-effectiveness of the 12th grade.”

CH/mt