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FISCAL IMPACT REPORT

ORIGINAL DATE 02/01/11
 SPONSOR Hall LAST UPDATED 02/03/11 HJM 11/aHEC
 SHORT TITLE Small School District Service Consolidation SB _____
 ANALYST Haug

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$36.4		\$36.4	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

SUMMARY

Synopsis of HEC Amendment

The House Education Amendment 1) clarifies that public school districts, as well as regional educational cooperatives, presently offer a range of programmatic and other services to small rural school districts, and 2) changes the more passive “examine” feasibility to the more directive “determine” feasibility in the charge to the work group.

Synopsis of Original Bill

House Joint Memorial 11 requests that the PED, the Office of Education Accountability (OEA), the Office of the State Auditor (OSA), Regional Education Cooperatives (REC), and other stakeholders conduct a feasibility study to examine consolidation of business services in small school districts, support services to small schools through a regional system and operation of pilot projects to determine the effectiveness of such proposals. Findings and recommendations would be presented to the Legislative Education Study Committee by October 31, 2011.

FISCAL IMPLICATIONS

The PED reports that PED would be required to participate in the joint study, attend meetings, collect data, develop recommendations, write a report, and present findings. This process takes approximately 200 hours of staff time (for example: Educator Administrator-A @\$25.495/hour

X 200 hours plus benefits (30%). Total cost is \$6.6). Assuming similar costs for the other participants in the study the total cost for specified participants would be approximately \$36,400 dollars.

SIGNIFICANT ISSUES

The PED notes currently, business and financial services provided to school districts are determined by local school boards and administrators.

New Mexico is very large in area with a relatively small population, with many communities in rural areas of the state.

The economic recession has placed fiscal constraints on all governmental entities, but particularly on those smaller entities in rural communities, including small school districts.

The legislative education study committee, during the 2010 interim, established a school finance work group to evaluate the adequacy and effectiveness of New Mexico's laws and rules relating to public school finance, including the capacity and controls of school districts and charter schools statewide. The school finance work group was charged with investigating the availability of qualified school business officials and independent auditors, with a focus on the needs of small rural school districts.

The work group determined that small rural school districts may benefit from consolidation of business and financial services, as well as regionalization of other support services.

New Mexico law allows the public education department, at its discretion, to establish and maintain regional centers for conducting cooperative services between public schools and school districts within and among those regions and for facilitating regulation and evaluation of school programs. Regional education cooperatives organized under state statute currently offer a range of programmatic and other services to small rural school districts.

In addition, Cooperative Educational Services is a member-owned agency, operating under a joint powers agreement authorized by the department of finance and administration, whose membership includes charter schools and public school districts. Cooperative Educational Services exists to provide leverage in the acquisition of required services, supplies and equipment for its members.

Several institutions of higher education throughout the state host public education department offices and regional education cooperatives that provide regional services.

The public education department has decentralized the delivery of some support and technical assistance services to areas of the state that are located at a distance from Santa Fe. The further decentralization of programmatic and financial support services to school districts by the public education department, as well as the consolidation of some school district business and other services, may improve cost- effectiveness by reducing travel expenses and increasing economies of scale for the department and for rural school districts.

The value and feasibility of decentralizing public education department services and consolidating small rural school district services might best be determined by operating pilot projects in selected regions of the state.