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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/11

SPONSOR Fischmann LAST UPDATED _____ HB _____

SHORT TITLE School District Student Membership Minimums SB 80

ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		See Fiscal Implications				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 80 adds a new section to the Public School Code, prohibiting the Public Education Department from allowing or approving a budget for a school district with fewer than 1000 students beginning with the 2018-2019 school year. The bill establishes procedures whereby the Public Education Department (PED) and the Public Education Commission (PEC) can jointly exempt school districts from the requirement to consolidate and issue an order consolidating districts.

FISCAL IMPLICATIONS

PED indicates during the 2009-2010 school year, 48 of 89 school districts had a student membership less than 1000, and 5 districts had a membership slightly larger than 1000 but have

experienced declining membership making it likely their student membership will be below 1000 by 2017. Of the 48 districts that have student membership fewer than 1,000, 33 have fewer than 500 students, 16 have fewer than 200 students, and 7 have fewer than 100 students.

Consolidation would likely lead to administrative savings; however it is hard to estimate the exact savings. For each district that is consolidated with another district, expenses related to school board functions and central office staff would likely decrease and centralized planning would streamline administrative duties. Consolidation of districts may in fact also decrease the workload of the Public Education Department, as the number of different entities the department is required to service would decrease.

SIGNIFICANT ISSUES

Senate Bill 80 prohibits the department from approving school district budgets for a district of fewer than 1000 students. The PEC and the Secretary may jointly determine that, because of distance, geographic features, or extraordinary cost, a school district does not have any logical choice of another school district with which to consolidate, and grant the district a waiver from this provision. In cases in which a school district has not voluntarily found at least one other district to consolidate with by July 1, 2017, the PEC and the Secretary shall jointly issue a consolidation order, including the annexation of areas to another school district.

PED notes that current methods and standards for school district consolidation are found in 22-4 NMSA 1978. The bill, however, provides that consolidations are not subject to other provisions of 22-4 NMSA 1978. Some of these provisions may be useful and necessary, even if consolidations were to occur under this bill. For example, the department notes under section 22-4-10 NMSA an order for consolidation shall include the following:

- An accurate description of the geographical boundaries of all school districts affected by the order;
- The disposition of all property affected by the order; and
- The dissolution of the elected local school board of each school district affected by the order of consolidation.

In FY 2010, 72 of the 89 school districts were eligible for district size adjustment funding at a cost of over \$17 million. In order to be eligible, district wide student membership must be smaller than 4,000. LFC has noted that the central offices of a number of districts are located within a few miles of each other and, in one case, within the same city (West Las Vegas and Las Vegas City). While individual communities may want their 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.

ADMINISTRATIVE IMPLICATIONS

Senate Bill 80 will have substantial administrative impact. The department indicates that it may be difficult for districts to meet the 2017 deadline since over 50 percent of the state's school districts have a membership less than 1000.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to SB 219. SB 219 changes the process for making a new school district, making it easier to petition the Secretary for a new district.

TECHNICAL ISSUES

Article XII, Section 6 of the New Mexico Constitution establishes a Secretary of Education and grants to the Secretary administrative and regulatory powers and duties, including all functions relating to the distribution of school funds and financial accounting for the public schools to be performed as provided by law. Section 6 also creates the Public Education Commission (PEC) and grants the PEC such powers and duties as provided by law. Law mandates that the PEC serves in an advisory capacity to the Secretary. The bill allows the PEC and the Secretary to jointly determine and order, under certain circumstances, that a district does not have to consolidate. This bill is granting the PEC powers that are generally reserved for the Secretary. Chapter 4 of Section 22 outlines procedures for the creation, consolidation and annexation of school districts, and generally only allow the department to order or approve such changes. It is possible that granting the PEC powers that this bill does will lead to a constitutional challenge.

OTHER SUBSTANTIVE ISSUES

The Government Restructuring Task Force Final 2010 Report outlines a history of school districts in the state. At one time, reportedly, there were close to 1,000 school districts; by 1941, after numerous consolidations, there were approximately 500 rural districts that were answerable to county boards of education, as well as municipal and independent districts. During the 1950s, the legislature directed the state board of education and the department of education to consolidate school districts. A department staffer was assigned the task and, using board-approved criteria, consolidated many school districts. By 1968, there were 89 school districts, as there are now, with the loss of two districts and the addition of the Zuni and Rio Rancho school districts. In the early 1970s, the state board consolidated Dora and Causey, closing the Causey school district; in 1983, Encino and Vaughn were consolidated, closing the Encino school district. Both Causey and Encino essentially have ceased to exist as viable communities. The Encino closure became a highly emotional and public event that prompted the legislature to change the law. Now, consolidating school districts has become a much more difficult, tedious, expensive and litigious process.

The final report indicates that there was consensus among Task Force members in support of reducing the number of school districts or requiring the regionalization of administrative functions. However, the Task Force deferred to LESC as the legislative experts to drive public education recommendations to the fiftieth legislature, first session.

RSG/svb