

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SJM 38

50th Legislature, 2nd Session, 2012

Tracking Number: .188773.1

Short Title: Public School Funding Rural Isolation Units

Sponsor(s): Senators Lynda M. Lovejoy and George K. Munoz

Analyst: David Craig

Date: February 12, 2010

Bill Summary:

SJM 38 requests that the Legislative Education Study Committee (LESC) study the law and funding formula calculations for:

- small school size adjustment;
- rural isolation units; and
- the need for a hold harmless provision to minimize the impact to the Gallup-McKinley County Schools (GMCS).

Fiscal Impact:

Legislative memorials do not carry appropriations.

HAFC CS/HB 2a, et al., *General Appropriation Act of 2012*, contains a \$75,000 appropriation to the Legislative Council Service to update data from the 2007-2008 public school funding formula study.

Fiscal Issues:

In response to an identical Senate Memorial passed during the 2011 regular legislative session¹, the LESC requested and heard an LESC staff report on the same issues to be examined by SJM 38.

During the June 2011 LESC interim meeting staff reported that:

- the *Public School Finance Act* provides that the number of rural isolation units generated by a school district is based on the number of approved **regular senior high schools that are not eligible for senior high units**;
- once a high school becomes eligible for senior high units, it is no longer considered in the calculation of rural isolation units;
- from school year 2009-2010 to school year 2011-2012, the number of high schools at GMCS not eligible for senior high units has decreased from four to two. This reduction created two effects:

¹ SM 70 requested the LESC to study the provisions of law governing the rural isolation units provided through the Public School Funding Formula and report its findings and recommendations to the appropriate interim legislative committee by December 1, 2011.

- a decrease in the number of rural isolation units, from 501.0 to zero; and
- an increase in the number of senior high units, from 452.03 to 632.35; and
- because the generation of rural isolation units and senior high units is related, both of these types of units must be viewed together when determining their effect on program cost. For GMCS, the table below shows a five-year history of GMCS’ number of high schools, rural isolation units, senior high units, unit value, and the program cost attributable to those units. As the table indicates:
 - the number of rural isolation units decreased to zero as a result of the reduction in high schools not eligible for senior high units; and
 - the reduction in units is partially offset by an increase in the number of senior high units; and the net change in rural isolation and senior high units between school year 2009-2010 and school year 2011-2012 is a decrease of 320.68 units.

Gallup-McKinley County School District Senior High Size and Rural Isolation Units

School Year	Total # of High Schools	# of HS Eligible for Senior High Size Units	# of HS Not Eligible for Senior High Size Units	Rural Isolation Units	Senior High Size Units	Total Isolation and Senior High Size Units	Unit Value	Program Cost
2007-2008	8	4	4	459.94	474.71	934.65	\$3,674.26	\$3,434,137.92
2008-2009	8	4	4	488.81	484.64	973.45	\$3,871.79	\$3,768,992.04
2009-2010	8	4	4	501	452.03	953.03	\$3,792.65	\$3,614,494.06
2010-2011	8	5	3	29.2	522.16	551.37	\$3,712.17	\$2,046,772.99
2011-2012	8	6	2	0	632.35	632.35	\$3,585.97	\$2,267,580.96

After studying the issues raised by the 2011 senate memorial and the provisions in the *Public School Finance Act*, the LESC staff report concluded that:

- current law already includes a mechanism to minimize fluctuations in funding such as those that GMCS has experienced; and
- any decrease in funding that results from a reduction in the number of rural isolation units is partially offset by an increase in the number of senior high units generated within the district.

Substantive Issues:

During the 2011 interim, the LESC heard testimony regarding the GMCS funding under rural isolation and high school size adjustment units that discussed the following points:

- rural isolation units are sometimes referred to as the “sparsity” factor;
- the rural isolation factor was added as a size adjustment factor in the public school funding formula in 1976;
- in 1979, the multiplier in the formula used to calculate the number of rural isolation units to which a district is entitled was increased from 0.2 to 0.5;
- historically, only GMCS has qualified for rural isolation units;

- the changing structure of the school district in recent years has resulted in a reduction in the rural isolation units;
- GMCS contacted the Public Education Department (PED) in letters dated April 20, 2010 and May 3, 2010 to request that the district be “held harmless” from the reduction in units and the resulting reduction in funding; and
- in a letter dated May 20, 2010, Secretary of Public Education Veronica C. García denied the district’s request for a waiver because “[t]he Secretary of Education only has authority to issue those waivers that are permitted by state law.” The Secretary further explained that she denied the district’s request because “there is no statutory provision available to waive a district’s eligibility for the size adjustment calculation for rural isolation units[.]”

Background:

The *Public School Finance Act* provides for several mechanisms that generate additional program units based on school district or school size including:

Senior High Units

Current statute provides that an approved public high school with a MEM of less than 400 is eligible for additional program units. The number of additional program units to which a school district is entitled is calculated as the greater of:

$$\begin{aligned} \text{Units} &= ((200-\text{MEM})/200) * 2.0 * \text{MEM} \\ &\text{or} \\ \text{Units} &= ((400-\text{MEM})/400) * 1.6 * \text{MEM} \end{aligned}$$

With regard to generation of senior high units by MEM:

- when MEM ranges from 0 to 66.5, the formula based on a MEM of 200 generates more units for the district; and
- where MEM is greater than 66.5, the formula based on a MEM of 400 generates more units for the district.

Rural Isolation Units

Current law also provides that “a school district with over 10,000 MEM with a ratio of MEM to senior high schools less than 4,000:1 is eligible for additional program units based on the number of approved regular senior high schools that are not eligible for senior high units[.]”

The number of additional program units to which an eligible school district is entitled under this subsection is the number of units computed in the following manner:

$$\text{Units} = [4000 - (\text{MEM}/\text{Number of High Schools})]*0.5$$

With regard to generation of rural isolation units by MEM and the number of high schools:

- holding MEM constant, a decrease in the number of high schools reduces the number of isolation units that are generated; and
- holding the number of high schools constant, an increase in MEM reduces the number of isolation units that are generated.

Related Bills:

SJM 43 *Transportation Funding Formula Work Group*

HB 228 *New Public School Funding Formula*

HB 229 *Public School Funding Formula Changes*