

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website ([www.nmlegis.gov](http://www.nmlegis.gov)). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

ORIGINAL DATE 02/01/13

SPONSOR Garcia-Richard, S. LAST UPDATED \_\_\_\_\_ HJR 7

SHORT TITLE Limit School Class Sizes, CA SJR \_\_\_\_\_

ANALYST Gudgel

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
	See Fiscal Implications		

(Parenthesis ( ) Indicate Expenditure Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	\$62,700.0	\$62,700.0	\$62,700.0	\$188,200.0	Recurring	School District and Charter School Operating Budget
<b>Total</b>	\$203,500.0	\$203,500.0	\$203,500.0	\$610,500.0	Recurring	Capital Outlay Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public School Facilities Authority (PSFA)

Public Education Department (PED)

### SUMMARY

#### Synopsis of Bill

House Joint Resolution 7 proposes amendments to Article 12 of the New Mexico Constitution, which if approved by the voters, would establish class size maximums for public schools. HJR 7 requires the Legislature to ensure that beginning with the 2020-2021 school year sufficient numbers of classrooms and teachers exist so that the maximum number of students who are

## House Joint Resolution 7 – Page 2

assigned to each teacher in a public school do not exceed 18 students for kindergarten through third grade, 22 students for grades four through eight, and 25 for grades nine through twelve. The Joint Resolution excludes music, band, elective and extracurricular classes from the class load maximums.

The Joint Resolution requires the Legislature to begin providing resources with the 2015-2016 school year (FY16) to reduce the average number of students in each classroom by at least 2 students per year until the maximum number of students does not exceed the established requirements. The joint resolution allows the Secretary of Public Education to waive the individual school class sizes requirements established by the resolution until the 2020-2021 school year only if the school demonstrates that 1) no portable classrooms are reasonably available, 2) there are no available sources of funding to meet the need for additional classrooms, and 3) the school district is planning alternatives to increase building capacity for implementation within one year.

### FISCAL IMPLICATIONS

The requirements of this joint resolution would change the class size requirements as follows:

Grade	Current Class Load Maximum	SJR2 Class Load Maximum	Difference
	(per class unless otherwise noted)	(per class unless otherwise noted)	
Kindergarten	20	18	-2
First - Third	22	18	-4
Fourth - Sixth	24	22	-2
Seventh & Eighth English	27	22	-5
Seventh & Eighth	average 19 to 23	22	3 to -1
Ninth - Twelfth English	30	25	-5
Ninth - Twelfth	average 23 to 27	25	2 to -2

Source: LFC (Estimate for current Seventh & Eighth and Ninth-Twelfth)

### Estimate of Additional Staff and Associated Salary/Benefits Costs - \$188.2 Million

If approved by the voters, SJR2 will have substantial recurring impact on the general fund appropriations beginning with the 2015-2016 school year (FY16). PED estimates a minimum of 3,115 additional teachers (and classrooms) will be required to comply with the requirements of the SJR based on the differences between actual class loads and teaching loads for the 2012-2013 school year and the lowered maximums established in the SJR. Based on 2012-2013 school budgets, the average returning teacher salary statewide is \$46,469. Adjusting for benefits, the minimum estimated cost of SJR2 when fully implemented to accommodate the required teachers is \$188.2 million. This represents approximately 8 percent of the program cost received by public schools in FY13.

### Capital Needs - \$610.5 Million

In cases where school districts are unable to accommodate the new class size configurations in existing school buildings within existing space, it will result in new construction or construction to remodel existing spaces. The number of excess classrooms statewide is undetermined at present. PED estimates that of the 3,115 new teachers required, 20 percent, or 623 teachers will be able to be accommodated within current school configurations without capital costs. The department estimates that school districts will need to build 2,492 new classrooms totaling \$610.5 million (estimated at \$245 thousand per classroom).

## **House Joint Resolution 7 – Page 3**

The PSFA indicates that some small, rural school districts have seen a decline in enrollment and may have sufficient existing space. PSFA indicates that in a review of self reported school district information at the Elementary School level, 14 of 89 school districts are over capacity – the elementary enrollment exceeds the number of seats available based on general classroom capacity.

The bill requires the Legislature to make adequate funding available beginning with the 2015-2016 school years to implement the changes proposed in this bill, including the funding for teacher salaries and benefits and capital funding needs.

**This bill has not been referred to House Appropriations and Finance Committee.**

### **SIGNIFICANT ISSUES**

Section 22-10A-20 NMSA 1978 establishes class loads for elementary schools teachers up to grade six, and daily teaching load per teacher for grades seven through 12. The average class load for kindergarten teachers is 20 students – classes with 15 or more students are entitled to an educational assistant. The average class load for teachers in grades one through three is 22 students averaged among the grades – classes with 21 or more students are entitled to an educational assistant. The average class load for teachers in grades four, five, and six is 24 students when averaged among the grades. The average daily teaching load for grades seven through 12 is 160 students, with a lower average daily teaching load established for required English courses.

Currently, a school district or charter school may request a waiver under three separate sections of law as follows:

Section 22-10A-20 allows the Secretary to waive the individual school class load requirements for up to two years if a school demonstrates that no portable classrooms are available, no other available sources of funding exist to meet its need for additional classrooms, the school district is planning on alternatives to increase building capacity for implementation within one year, and the parents of all children affected have been notified in writing. If a waiver is granted pursuant to Section 22-10A-20 to an individual school, the average class load for elementary school teachers at that school shall not exceed twenty students in grade one and shall not exceed twenty-five students when averaged among grades two, three, four, five and six.

Section 22-2-2.1 NMSA 1978 requires the Secretary to grant all reasonable requests to waive the individual class load requirements pursuant to Section 22-10A-20 NMSA 1978, for all schools that exceed educational standards. Waivers pursuant to this section begin in the school year following that in which a public school exceeds the educational standards and may remain in effect as long as the school continues to exceed educational standards. Statute does not define “educational standards”, nor has the department promulgated regulations defining educational standards.

Section 22-1-10 NMSA 1978, enacted in 2010, allows the Secretary to waive class load and teaching load requirements to allow school districts to meet fiscal solvency requirements. This waiver provision has been allowed for the 2009-2010 school year through the 2012-2013 school year, and by its plain language appears to exclude charter schools. The department has expanded the waiver caps established in Section 22-10A-20 NMSA 1978 to no more than a 10 percent

variance from the class load, teaching load standards in law.

Information provided by PED indicates that average class overloads (classes that exceed the maximum statutory class load standards) generally exceed the established maximums by 2 or fewer students. PED indicates current class sizes are not adversely affecting student learning.

Additionally, PED analysis of districts have noted difficulty in recruiting teachers in sufficient numbers to fill currently needed positions. These provisions could be difficult to attain if the flow of new teachers statewide does not increase. In addition to federally designated shortage areas (math and science in kindergarten through twelfth grade, special education, and foreign language), New Mexico has determined additional shortage areas for preschool teachers (98 teachers), and science (732 teachers) and math (1,162 teachers) teachers in seventh through twelfth grades.

### **PERFORMANCE IMPLICATIONS**

PED is required by Section 22-1-10 to monitor class size and teaching load maximum waivers issued for the purpose of allowing financial flexibility to school districts and charter schools and report to the Legislative Education Study Committee and the LFC on any issues or actions of a school district that appear to adversely affect student learning. To date, the department indicates current class sizes are not adversely affecting student learning.

### **ADMINISTRATIVE IMPLICATIONS**

The Public School Facilities Authority's Facilities Assessment Database would need to be modified to accommodate this change.

The Public Education Department Licensure Bureau would see a significant increase in the number of license processed each year. The department indicates this would increase the time to issue license substantially.

### **DUPLICATION**

Duplicate to SJR 2.

### **OTHER SUBSTANTIVE ISSUES**

Expenditures required to maintain small class sizes are generally justified by the belief that small class sizes have positive impacts on student learning outcomes, despite limited and inconclusive research on the subject. The first credible study of class size reduction appears to be a meta-analysis conducted by Glass and Smith in 1978, which found that as class size decreases, student achievement increases. This research led several states to initiate class-size reduction programs during the 1980s and 1990s. Evaluations of state-led class-size reductions conducted in Tennessee and Wisconsin suggest that reduced class-size can improve student achievement. The Student Teacher Achievement Ratio, or STAR, study, conducted in Tennessee during the late 1980s, found that a large reduction in class size (from an average of 22 students to an average of 15 students – a difference of seven students, or 32 percent) increased student achievement by an amount equivalent to about three additional months of schooling four years later. Studies conducted in 1996 in California and 1999 in Wisconsin also found positive impacts, though the

effects of the 1996 study were found to be half of the STAR results.

However, other research has found that smaller class sizes make little to no difference in student achievement. A 2003 study of a North Carolina class-size reduction program found mixed results, while a 2003 study of the impact of a statewide class-size reduction policy in Florida found no increase in student achievement on standardized tests in grades three through eight. A 2000 study examined data from the 1998 National Assessment of Educational Progress (NAEP) reading examination analyzed the effect of class size on academic achievement and found little to no impact.

Generally, research indicates that very large class-size reductions, on the order of magnitude of seven to 10 fewer students per class, can have significant long-term effects on student achievement and other meaningful outcomes. These effects seem to be largest when introduced in the earliest grades, and for at-risk students. However, much of the effect of class-size reduction policy relies on how they are implemented. Research indicates that if class size reductions are not accomplished with effective teachers, many of the gains a student may see from smaller class sizes are lost.

## **ALTERNATIVES**

Research indicates that class size reductions can be one of the most expensive education reforms with little promise of improved student outcomes. Research and LFC performance evaluations have noted the importance of early childhood education, the need for interventions, and the importance of effective teachers on student learning. See LFC's evaluations, *Teacher and Administrator Preparation in New Mexico* (December 2012); *Promoting Effective Teaching in New Mexico* (November 2012); and *Developing Early Literacy in New Mexico* (July 2012)

RSG/bm