LESC bill analyses are available on the New Mexico Legislature website (www.nmlegis.gov). Bill analyses are prepared by LESC staff for standing education committees of the New Mexico Legislature. LESC does not assume any responsibility for the accuracy of these reports if they are used for other purposes.

LEGISLATIVE EDUCATION STUDY COMMITTEE BILL ANALYSIS

55th Legislature, 1st Session, 2021

Bill Number	HJM5	Sponsor	Stapleton/Lundstr	om/Romero, GA/Dow
Tracking Nun	nber .220172.1	Committe	ee Referrals HE	C/SRC
Short Title Study Effects of Funding Formula Changes				
·			Original D	Date 03/07/2021
Analyst Simo	on		Last Upda	ted

BILL SUMMARY

Synopsis of Bill

House Joint Memorial 5 requests the Legislative Education Study Committee (LESC) and the Legislative Finance Committee (LFC) to create a joint subcommittee to undertake a study of current issues affecting the public school funding formula and report findings and recommendations to the Legislature before the December 15, 2021.

FISCAL IMPACT

Memorials do not carry appropriations.

SUBSTANTIVE ISSUES

New Mexico's Public School Finance Act governs annual distributions of \$3 billion to school districts and charter schools statewide through the public school funding formula, an enrollment-based calculation of relative need in school districts and charter schools throughout the state. Although primarily based on student enrollment, the funding formula has consideration for other factors that increase school costs, such as the number of students with special needs or enrollment in small, isolated schools and school districts. Unlike many other states, New Mexico primarily funds public schools at the state level, rather than relying on local property taxes for school district and charter school operational expenses. The state's funding formula is designed to guarantee each student is treated like other similar students, regardless of local economic conditions. The public school funding formula determines program cost, the amount of money the state assumes public schools need to operate. Under current law, the state's funding formula accounts for nearly all unrestricted funding received by school districts and charter schools.

Funds allocated through the public school funding formula are given to school districts and charter schools on a "non-categorical" or unrestricted basis. School districts and charter schools have broad discretion over how to budget these funds, with PED exercising oversight through a program and budgetary approval process. Rather than appropriate to specific programs separately each year,

HJM5 - Page 2

the finance act provides a structure for how to allocate funds to school districts and charter schools in an equitable manner and relies on locally elected governing boards to determine local needs and develop programming to meet those needs. Some other states provide a more prescriptive funding stream, allocating funds through "categorical" programs that can only be used for specific purposes. In New Mexico, student transportation programs are funded on a categorical basis, along with some other, small grant program.

Public schools' \$3 billion allocation represents nearly 46 percent of New Mexico's recurring general fund appropriations, by far the largest area of government. Because of this LESC and LFC conduct ongoing research and analysis of public school funding to support the Legislature in making annual appropriations to public schools. Recently, LESC and LFC have jointly endorsed legislation to amend the public school funding formula to align the instructional staff Training and Experience (T&E) index with the three-tiered teacher licensure system, increase the weight of the at-risk index within the funding formula, create new programs within the public school funding formula to extend the number of instructional days, and reform the funding formula's system for funding small, rural schools. In prior years, LESC and LFC leadership have formed joint subcommittees to study the funding formula, prior to making recommendations to the full Legislature.

OTHER SIGNIFICANT ISSUES

As part of the findings from the *Martinez-Yazzie* education sufficiency lawsuit, the court noted grant funding outside of the public school funding formula tended to disequalize public school funding and divert resources away from core educational needs. The court also criticized the year-to-year uncertainty of grant funding, which is generally not available to all school districts and charter schools and makes programs difficult to sustain from year-to-year.

In 2006 and 2007 the funding formula study task force undertook a comprehensive study of New Mexico's public school funding formula, with the assistance of the American Institutes for Research. That study recommended a \$335 million increase, or 14.5 percent, in public school funding to reduce class sizes, provide additional staff for culturally and linguistically responsive programming and to extend the number of instructional days for all students. In 2011, LESC and LFC conducted a joint study of the public school funding formula. The recommendations from this study became the basis for several funding formula reforms completed in recent years.

RELATED BILLS

HJM5 relates to House Bill 6, House Bill 84, House Bill 135, as introduced, House Bill 138, House Bill 171, Senate Bill 41, Senate Bill 225, and Senate Bill 249. Each of these bills proposed changes to the public school funding formula.

HJM5 relates to House Memorial 24, which requests PED conduct a study of the at-risk index and develop a new at-risk index, and House Education Committee Substitute for House Bill 135, which appropriates \$100 thousand for PED to develop a new at-risk index.

SOURCES OF INFORMATION

• LESC Files

JWS/mb