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## FISCAL IMPACT REPORT

SPONSOR Romero, GA ORIGINAL DATE 1/25/22  
LAST UPDATED 2/4/22 HB 57/aHEC  
SHORT TITLE 2023 Transportation Distribution Calculations SB \_\_\_\_\_  
ANALYST Liu

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

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		See Fiscal Implications				

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to SB75  
Relates to Appropriation in the General Appropriation Act

### **SOURCES OF INFORMATION**

LFC Files

Responses Received From  
Public Education Department (PED)  
Albuquerque Public Schools (APS)

### **SUMMARY**

#### Synopsis of HEC Amendment

The House Education Committee amendment to House Bill 57 includes a temporary provision allowing state-chartered charter schools that operated a transportation program in FY22 but did not operate a program in FY19 or FY20 to receive transportation funding based on FY22 data.

#### Synopsis of Original Bill

House Bill 57 changes the FY23 calculation for the school transportation distribution to use FY20 transportation data and FY19 transportation expenditure data, effectively allocating school transportation funding in the same proportion as FY22 distributions.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

## **FISCAL IMPLICATIONS**

The bill does not include an appropriation but requires PED to provide the same transportation distribution allocation to schools in FY23 as the agency did in FY22 and FY21. As such, school districts and charter schools will receive the same share of transportation funds as calculated in FY22, regardless of changes to student ridership or mileage in FY23.

The HAFC Substitute for House Bill 2 includes \$119 million for the transportation distribution, a \$6.8 million, or 6 percent, increase from FY22 operating levels. As such, enactment of this bill would increase each school district's current transportation distribution by 6 percent for FY23.

APS reports the district transported 10 thousand fewer students from its normal average of transporting 40 thousand students. Absent this bill, APS estimates the decreased ridership would reduce the district's transportation distribution allocation by \$5 million.

## **SIGNIFICANT ISSUES**

The school transportation distribution formula allocates funding to school districts and charter schools based on prior year data, including the number of school buses in operation, miles traveled, road surface types, bus mileage, student ridership, transportation expenditures, and population density. Although virtually all schools reopened in FY22 to some extent, school closures due to Covid-19 outbreaks reduced some student ridership and vehicle mileage, which alters how the formula computes FY23 transportation distributions. PED notes school district transportation data this year remains abnormal, despite the department's guidance to keep schools open for in-person instruction. Provisions of this bill would use data prior to FY21 to determine the allocation, effectively prohibiting transportation funding changes caused by school closures.

In FY21, school districts and state-chartered charter schools spent transportation funding on meal distribution and occasional transportation for special education students and small-group learning during school closures. However, the absence of regular, daily transportation expenditures resulted in unspent transportation funding reverting to the transportation emergency fund. December 2021 transportation emergency fund cash balances reached \$3.6 million, twice the balance from the same period of the prior year. Money in the fund can only be allocated to fund transportation emergencies, including fuel price increases.

## **ADMINISTRATIVE IMPLICATIONS**

PED notes school districts and charter schools are required to report transportation data on the second and third reporting dates of each year. As required in statute, PED uses the average of this data in the transportation formula to calculate the final distributions for the subsequent fiscal year. School districts and charter schools will still be required to submit data, even if those data are not the basis for transportation distributions.

## **RELATIONSHIP**

This bill relates to Senate Bill 75, which limits expenditures for school administration. The bill also relates to the transportation distribution appropriation in the General Appropriations Act.

## TECHNICAL ISSUES

The LFC and executive FY23 budget recommendations for the General Appropriations Act both include notwithstanding language to use prior year data for the transportation distribution calculation (i.e. similar to provisions in this bill). If this bill is enacted, the Legislature should consider striking language in the General Appropriations Act to remove duplicative provisions.

According to PED, three new charter schools are requesting a transportation distribution for FY23. Currently, those charter schools are providing their first year of transportation out-of-pocket. This bill and current statute would make these charter schools ineligible for a transportation distribution next year because they do not have site characteristic data from FY20, nor expenditures from FY19. PED recommends adding the following language on page 3, line 14, of the bill (before the period):

**“and use the average amounts of fiscal year 2022 for public schools that did not report data in fiscal year 2020”**

The HEC amendment address this issue.

PED further suggests striking the entirety of Subsection F of Section 22-8-29.1 NMSA 1978 on page 5, lines 17 through 21. This provision only applied to FY02 through FY04 and is no longer necessary statutory language.

## OTHER SUBSTANTIVE ISSUES

Plaintiffs in the *Martinez-Yazzie* education sufficiency lawsuit contend the transportation distribution has historically provided inadequate and inconsistent allocations, often requiring some districts to supplement transportation dollars with state equalization guarantee (SEG) payments. Staff review of the transportation distribution formula suggests the population density factor may be contributing to substantial differences between school district allocations, as it reduces a district’s allocation based on student ridership and district area. The formula component assumes a denser district boundary will result in higher route efficiency and thus lower costs. However, local decisions on transportation expenditures may exceed revenues from the transportation distribution, forcing districts to use SEG to cover the difference. While provisions of this bill keep the transportation distribution in stasis for FY23, concerns about the equity and efficiency of the transportation formula remain outstanding.

## WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

According to PED, school districts may receive extremely irregular transportation distributions, which would likely be insufficient to fund the cost of transportation programs in most cases. School districts and charter schools would need to use SEG payments or federal relief funds to cover any transportation expenditures in FY23, and reversions to the transportation emergency fund would increase.

SL/al