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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
56th Legislature, 1st Session, 2023

Bill Number	<u>HB85</u>	Sponsor	<u>Rehm</u>
Tracking Number	<u>.224069.1</u>	Committee Referrals	<u>HEC/HGEIC</u>
Short Title	<u>Public School Redistricting</u>		
Analyst	<u>Estupiñan</u>	Original Date	<u>1/24/23</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

House Bill 85 (HB85) would require a school district with a student enrollment greater than 40 thousand to prepare a plan for dividing itself into two or more school districts. HB85 would require each of the newly created school districts to have at least one high school and be similar in geographic size, student membership, and property tax base.

The bill requires the Public Education Department (PED) to notify impacted school districts and create a task force that considers several factors, including, but not limited to: population demographics, enrollment growth patterns, facility placements, charter schools, bonded indebtedness and voter-approved mill levies, property tax base, and the results of public surveys.

FISCAL IMPACT

HB85 does not contain an appropriation.

There are various potential costs directly associated with implementation of the bill, including assembling a task force in impacted school districts, providing per-diem to task force members that are not currently serving as school board members or public employees, conducting public surveys, contracting with recognized experts, and holding public hearings.

Other potential costs of the bill include the election of school board members for the newly created school districts, with much of those costs being borne by the relevant county government.

SUBSTANTIVE ISSUES

The proposed provisions of HB85 would apply only to Albuquerque Public Schools (APS) at this time and likely for the near future, as APS currently has a student enrollment of approximately 89 thousand. While Las Cruces, Rio Rancho, Gadsden, Gallup-McKinley, Santa Fe, and Farmington each have a student enrollment of greater than 10 thousand, none of these school districts have more than 40 thousand students.

Study of Decentralization of APS. In 1995, BDM Technologies, Research and Polling, Inc. (BDM) completed a study on the decentralization of APS that yielded a mixed range of findings on the impact of decentralization. Among the findings that were supportive of dividing APS into two or more smaller school districts were the perceived ability of smaller school districts to allocate resources more effectively, the improved ability of parents to impact decision-making within the district, the seeming success of smaller districts in integrating with their communities, the communities' increased ability to hold officials accountable in smaller districts, and the potential for those districts to be more responsive to student needs and thereby improving student outcomes.

The BDM study also noted a number of disadvantages to dividing APS into two or more smaller school districts. These included the greater political influence that is often leveraged by larger school districts, a greater range of programs and services provided by larger school districts, a larger and more varied pool of teachers, and the economies of scale enjoyed by larger school districts.

The study concluded that APS should not be decentralized because of the fiscal and administrative benefits of a large school district. However, the study also found there were educational advantages to children in smaller districts and smaller schools.

Current Statutory Requirements. According to Section 22-4-2 NMSA 1978, PED may order the creation of a new district under three circumstances. First, upon receipt of a resolution requesting the new school district by the local school board of the existing district. Second, after review by the local school board and upon receipt of a petition bearing signatures of 60 percent of the registered voters within the geographic area of the proposed school district. Finally, a new district can be created upon the Secretary of Public Education's recommendation, coupled with PED's determination that the new school district would: have a minimum of 500 members; include a high school program unless granted an exception by PED; and be in the best interest of public education in both the existing and proposed school districts, as well as the state as a whole.

Insurance and Transportation. The health benefits of APS personnel are administered locally, rather than by the New Mexico Public Schools Insurance Authority (NMPSIA). The premiums paid by APS employees differ from those of NMPSIA, with a single APS employee earning \$60 thousand paying a monthly premium of \$115.13 for the Blue Cross Blue Shield of New Mexico (BCBS) plan, compared to a monthly premium of \$238.60 for NMPSIA's BCBS low option plan. These differences in cost are partly attributed to APS being in an urban locality, with economies of scale also playing a role in lowering costs to the district and individual employees.

If APS were to divide into smaller school districts, the structure of its employee insurance program may be disrupted. A division of APS may lead to increased costs as each new school district may choose to administer its own health insurance program. Alternatively, one or more of those new school districts could choose to join NMPSIA, which may impact the costs borne by those enrolled in NMPSIA as greater economies of scale are realized with an influx of urban beneficiaries.

Student transportation services are also a potential challenge in dividing APS into smaller school districts, as the district currently utilizes contractors for much of its transportation services. A division of APS may require separate contracting agreements that could disrupt transportation routes and increase costs to each individual school district.

Division of Assets. While several states, including Hawaii, California, Louisiana, Nevada, and Utah have attempted to reorganize their large districts, only Utah and Louisiana have navigated

the reverberating impacts of doing so. Based on the experience in Utah, a primary challenge in the division of a large district centers on the division of its assets, including school buildings, land, administrative and service buildings, buses, vehicles, and other assets. While HB85 requires considerable analysis of asset division, the capacity of each proposed school district to generate capital and operational funds, and the projected property tax base of the proposed school districts, the division of APS could potentially lead to a scenario where the district cannot be equitably divided. This may contribute to significant disparities in the condition of real assets, which may lead to increased construction, maintenance, repair, and renovation costs for one or more of the proposed school districts. This has the potential to lead to resulting legal challenges.

Other considerations that may pose challenges are the division of existing debt obligations, which may be difficult to resolve if some portions of the proposed school districts are no longer benefiting from existing bond issues. It is also unclear whether APS could be divided in such a way where residents of one district are not paying the debt service for a constructed or renovated facility for which they no longer have access to.

A new school district would also lack a financial record of prior success in servicing a bond issue, which may impact its ability to issue a bond or raise the costs of servicing that debt.

Contracts and Personnel Issues. A division of APS may disrupt contracts and other agreements with vendors, local and state agencies, and employee bargaining units. This may require considerable legal review to ensure a division of APS does not result in one or more of the resulting school districts being held in breach of contract with those external stakeholders. Newly created school districts may also be required to enter into negotiations with employees who choose to remain at their current school assignments, or with those that choose to transfer between the newly created school districts.

Additionally, it is unclear what impact a division of APS would have on charter schools that receive their charter from the APS school board.

Effects on Academics and Curricular Options. Larger school districts typically have greater capacity to offer a significant range of programs and services to students. These may include advanced placement courses, fine arts programs, international baccalaureate courses, and language courses. Dividing a large district, such as APS, may constrict the ability of each resulting school district to offer the same range of courses to its students. Alternatively, a division of APS could also lead to a scenario where only one of the resulting school districts has a greater capacity to offer those curricular supports, thereby limiting educational opportunities for some students.

Administrative Costs. While attempts to decentralize a large school district are often driven by a desire to reduce administrative costs, it is unclear whether a division of APS would lead to a decrease in the number of administrative personnel and their associated compensation and benefits. Instead, it is possible that a division of APS would increase the total number of administrative personnel needed, as each new district would need skilled personnel to serve in highly technical areas of operation. These could include positions requiring considerable education or experience, such as chief financial officers or technology directors.

Background and Other Issues of Concern. The last time a new school district was created in New Mexico was the formation of Rio Rancho Public Schools (RRPS) in 1994. Local businesses and parent-teacher associations, concerned with the growth of the local community and resulting crowding in their schools, commissioned a study that concluded Rio Rancho, which was divided

between APS and Jemez Valley Public Schools (JVPS), could support its own school district. After the APS and JVPS school boards signed resolutions supporting the creation of the new school district, the New Mexico State Board of Education (predecessor to PED) voted to create the Rio Rancho school district. Unlike the example provided by the creation of RRPS, HB85 would impose the division of APS onto communities that have yet to formally request such action.

There are also various qualitative factors that go beyond the logistical, fiscal, and legal considerations of dividing a large school district such as APS. It is possible that the division of the district could disrupt students and families' relationships with their teachers, faculty, and administrators, while also potentially disrupting student cohorts in ways that adversely impact student achievement at the school-level.

Studies have compared student outcomes at large school districts with those at smaller school districts, while controlling for variables other than district size. While school districts were often consolidated with the thought that greater centralization of resources would yield more cost-efficiency for the school district, few studies of optimal school district size considered student achievement and other outcomes. Recent research, which specifically examines academic outcomes in relation to district size, has found that students enrolled in smaller districts tend to perform better on standardized tests than those enrolled at large districts. One such study, completed in 1991, drew data from the New Jersey Department of Education on standardized tests administered to ninth grade students in 293 schools. (See, Fowler and Walberg, "School Size, Characteristics and Outcomes," Educational Evaluation and Policy Analysis, University of Illinois, Summer 1991.) School size and the number of schools in the district were among the most impactful variables in the study. Ten academic outcomes, including high school proficiency exams and minimum basic skills tests in reading and mathematics, as well as average district SAT scores in mathematics, were negatively impacted by the number of schools per district.

A recent study in California came to similar conclusions, (See, Driscoll, Halcoussis, and Svorny, "School District Size and Student Performance," Economics of Education Review, 2003). One in six schools in California are in districts of greater than 40 thousand students; the smallest district included in the study tested 101 students. Using data provided by the California Department of Education, Driscoll, et al, found that students in larger school districts score lower on standardized tests than their peers in smaller school districts. Controlling for variables other than district size shows negative results for both elementary and middle schools, though middle school students appear to experience the most negative impacts related to school district size.

School quality is known to have an impact on community property values and several studies have examined the effect of school district consolidation. Generally, studies have indicated long-range effects of consolidation upon home values are positive in census tracts with lower incomes, and negative in high-income census tracts (see. e.g., Ducomb, Yinger, and Zhang, How Does School District Consolidation Affect Property Values? A Case Study in New York, December 2013). While the converse cannot be assumed to be true in the case of division of an existing school district, such division may likewise effect property values in ways that are unknown at this time.

ADMINISTRATIVE IMPLICATIONS

While the bill does not contain an appropriation, there may be considerable administrative implications for PED. With the creation of one or more additional school districts in the Albuquerque region, PED may require more employees to implement existing programs and services, as well as receiving, analyzing, and reporting relevant student achievement data.

SOURCES OF INFORMATION

- LESC Files
- LFC Files

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