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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Trujillo/Gurrola/Herndon/Johnson/ Sariñana</u>	<b>LAST UPDATED</b> _____ <b>ORIGINAL DATE</b> <u>3/2/23</u>
<b>SHORT TITLE</b> <u>Dropout Recovery Act</u>	<b>BILL NUMBER</b> <u>House Bill 448</u>
<b>ANALYST</b> <u>Liu</u>	

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

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		\$0.0	\$2,979.8 - \$62,857.8	\$2,979.8 - \$62,857.8	Recurring	General Fund
<b>Total</b>						

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent analysis of this legislation.

Relates to House Bills 126 and 252 and Senate Bills 283 and 367

### Sources of Information

LFC Files

Responses Received From  
 Department of Health (DOH)  
 Children, Youth and Families Department (CYFD)

No Response Received  
 Public Education Department (PED)

## SUMMARY

### Synopsis of House Bill 448

House Bill 448 amends the Public School Code to establish dropout recovery schools (DRSs), which would allow a public school to serve students over the age of 22 who have been continuously enrolled or students who have dropped out of school. PED must promulgate rules to provide alternative state equalization guarantee (SEG) funding for dropouts at a DRS and set criteria for DRS designation. The bill further clarifies the type of students that a DRS can enroll or recruit, establishes annual reporting on dropout recovery efforts, requires appropriate student services, and allows students at a DRS to re-enroll in a school district or demonstrate alternative competencies for graduation. The effective date of this bill is July 1, 2024.

## FISCAL IMPLICATIONS

The bill does not contain an appropriation but would require PED to provide alternative SEG payments to a DRS enrolling dropout students. According to PED's latest report on outcomes of nongraduates in 2019, school districts and charter schools reported 2,993 students dropped out of school. Another 807 students exited schools with the intent to get a GED or other vocational credential, 46 students completed coursework for a certificate but did not pass exit exams, and 2,576 students were still enrolled in high school past their senior year.

The average SEG payment for each public school student in FY23 is \$11.3 thousand. Assuming the 2,576 students still enrolled in high school past their senior year will remain enrolled in a DRS, the new SEG costs would be approximately \$29 million. Assuming the 2,993 students who dropped out are recruited into a DRS, the additional cost would be about \$33.8 million. Altogether, the potential additional fiscal impact for this bill could be up to \$62.9 million.

It is unclear how many schools would apply or be designated as a DRS, although Gordon Bernell charter school, which serves students in Albuquerque's Metropolitan Detention Center, may already meet some criteria for a DRS in the bill. Prior to student age limits established in FY20, Gordon Bernell served 434 students. The charter has since decreased enrollment to 170, which is likely attributable to the age cap (despite continued enrollment in the detention center). The lower end of this fiscal impact assumes Gordon Bernell becomes a DRS and is able to serve 264 additional students. Absent a separate appropriation for dropout students in a DRS, the current SEG appropriation would be redistributed to DRSs for these newly enrolled students.

Provisions of the bill allow a school district or charter school to serve students over the age of 22, provided the student is continuously enrolled in a public school designated as a DRS. Prior to school age limits set in FY20, public schools had enrolled about 766 students over the age of 22. PED must promulgate rules to determine SEG funding for DRSs either:

- On a per student basis in the same year of enrollment;
- On a per credit completed rate in the same year of enrollment, provided the DRS would not receive more than the average cost per student; or
- Through traditional SEG funding distributions based on prior-year membership counts.

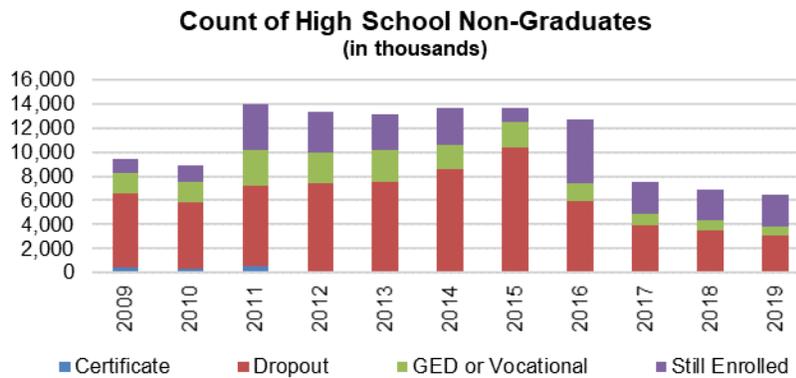
The bill also requires PED to establish criteria for students to exit DRS and re-enter the school district of residence, potentially allowing students over the age of 22 to re-enroll in school districts after exiting a DRS. It is unclear if these students would be counted in another public school's SEG formula, and this would need to be clarified through PED rulemaking. The fiscal analysis for this bill does not account for this transfer scenario.

The bill also allows a DRS to recruit and enroll students outside of the geographical boundaries of the school district. The costs of drawing enrollment from this population is indeterminate but could be substantial, particularly if the enrollment is due to online students.

## SIGNIFICANT ISSUES

The bill defines a dropout as a student who has abandoned their course of study and has not received a New Mexico diploma of excellence or high school equivalency credential. The number of high school nongraduates counted as dropouts has ranged between 2,993 students and

10.2 thousand students in the last decade, with fewer reported dropouts in recent years. Data on this population of students has not been published by PED since the Covid-19 pandemic, although previous counts of dropouts have reportedly been overstated.



Note: Counts do not use shared accountability; each student counts once at each school attended during high school.  
Source: PED

CYFD notes the bill may support some youth in Protective Services Division custody, particularly youth with placement instability or periods on run-away status. For Juvenile Justice Services field clients (parole/probation/supervision), the designation of certain schools as dropout recovery schools could potentially add resources to support their educational needs. However, school-related sanctions are not part of standard juvenile probation conditions in this state. The court can add special conditions to the probation agreement to address school concerns, and those additions are made on a case-by-case basis and only if the court determines that it is in the client’s best interest.

## PERFORMANCE IMPLICATIONS

DOH notes students who do not complete high school may experience poor health and premature death. Individuals who do not graduate high school are more likely to self-report overall poor health. They also more frequently report suffering from at least one chronic health condition (e.g., asthma, diabetes, heart disease, high blood pressure, stroke, hepatitis, or stomach ulcers) than graduates. Ultimately, finishing more years of high school, and especially earning a high school diploma, decreases the risk of premature death and increases employment prospects and lifelong earning potential. Full-time workers with a high school degree earned approximately 24 percent more than their counterparts without a high school degree. In 2020, the median weekly earnings for full-time workers with a high school degree but no college was \$781. This is \$162 higher than the median weekly earnings for full-time workers without a high school degree.

Provisions of the bill allow DRSs to report student performance and graduation rates in an alternative format than outlined in current law. Providing alternative requirements for performance and graduation for dropouts may improve reported student outcomes; however, the bill allows online modalities for DRS programming, which may result in worse student outcomes. A 2019 Stanford University study by the Center for Research on Education Outcomes (CREDO) on New Mexico charter schools found enrollment in online charter schools was associated with substantially weaker learning gains in both reading and math.

## ADMINISTRATIVE IMPLICATIONS

Provisions of this bill would require PED to promulgate rules that allow school districts and charter schools to apply for DRS status. The rules must include provisions that

- Permit a DRS to enroll students year-round;
- Allow a DRS to recruit and enroll students from outside its geographical boundaries;
- Choose a funding structure in which SEG funds are provided to a DRS;
- Permit a DRS to report student performance and graduation rates in an alternative format than outlined in the School Support and Accountability Act;
- Require students graduating from a DRS only receive a New Mexico diploma of excellence if they have meet all credit requirements, but allow students to immediately show competency through the alternative demonstration of competency;
- Allow a DRS to contract with nationally accredited organizations for academic programming;
- Require appropriate student support services;
- Require appropriate special education services pursuant to federal law;
- Establish criteria for students to exit a DRS and re-enter the school district of residence; and
- Permit a DRS to be offered in face-to-face, hybrid, and online modalities.

The bill requires a DRS to report on October 1 of each year estimated enrollment of dropouts for the following school year to PED. On August 15 of each year, PED must report the statewide enrollment of student dropouts to all DRSs, including

- Student identifying information,
- The last school of attendance for the dropout and grade level, and
- Any other information available to assist dropout recovery efforts to locate other potential dropouts.

The bill defines dropouts as a qualified student in the public school system who has either

- Voluntarily removed themselves from the school system before graduation due to hardship, court action, expulsion, medical reasons, pregnancy, or marriage;
- Withdrawn from school from failing to meet competency requirements;
- Been identified as chronically absent and failed to reengage in school after interventions pursuant to the Attendance for Success Act;
- Been expected to attend a school but did not enter for unknown reasons;
- Withdrawn from school but has not transferred to another educational program; or
- Is not expected to graduate from high school on time based on credits earned and age.

## RELATIONSHIP

This bill relates to House Bill 126, which changes high school graduation requirements; House Bill 252, which provides incentives for school attendance; Senate Bill 283, which reduces school suspensions and expulsions; and Senate Bill 367, which makes changes to the Attendance for Success Act.

## TECHNICAL ISSUES

Provisions of this bill allow a DRS to recruit and enroll students from outside its geographical boundaries pursuant to Section 22-1-4 NMSA 1978, which requires students to enroll in the school district of residence. The provision is very broad and could potentially allow a DRS to recruit students from other states through an online program and generate alternative SEG payments for out-of-state students.

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