LFC Requester: Liu

PUBLIC EDUCATION DEPARTMENT
BILL ANALYSIS
2025 REGULAR SESSION

SECTION I: GENERAL INFORMATION

Check all that apply:

Original X **Amendment** ___
Correction ___ **Substitute** ___

Date Prepared: 03/11 /25
Bill No: SB516/aSEC

Agency Name and Code: PED - 924

Sponsor: Gonzales

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SECTION II: FISCAL IMPACT

(Parenthesis ( ) Indicate Expenditure Decreases)

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	**FY27**		
$10,000.0	None	Nonrecurring	GF

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	**FY27**	**FY28**		
None	None	None	N/A	NFA

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	Undetermined	Undetermined	Undetermined	Undetermined	Recurring	GF

Duplicates/Relates to Appropriation in the General Appropriation Act: None.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis of the Senate Education Committee amendment to Senate Bill 516 (SB516/aSEC): The amendment allows school districts and charter schools to participate in the bill's proposed financial monitoring without their participation. Using a convenience sample of the available data from school districts and charter schools, the amendment would require the Public Education Department (PED) to develop a process for generalizing about the effect of spending on student achievement statewide.

Synopsis of original bill: Senate Bill 516 (SB516) would require each local school board and charter school governing body to maintain a database linking school expenditures with individual student demographics and measures of student performance. By June 30, the last day of each fiscal year, the bill would require them to publish on school district and school websites and submit to the Public Education Department (PED) an annual financial monitoring report based on these data. The department would be required to collect these data statewide and report its analysis of academic return on investment (ARoI) linking expenditures and demographics to student academic achievement in terms of statistical effects, whether by correlation or causation.

The bill does not provide an effective date. Laws go into effect 90 days after the adjournment of the legislature enacting them unless a later date is specified. If enacted, this bill would become effective June 20, 2025.

FISCAL IMPLICATIONS

The bill would appropriate $10 million from the general fund to the PED for expenditure in fiscal year 2026 (FY26) to cover the costs for the public education department, local school boards and governing bodies of charter schools to comply with the provisions of the act. Any unexpended or unencumbered balance remaining at the end of fiscal year 2026 shall revert to the general fund.

For 300,000 students statewide, the appropriation would provide $33 per student shared between the PED and each student's school district or charter school to administer the provisions of SB516/aSEC. The cost to the PED, school districts, and charter schools, for implementing these provisions is undetermined.

SIGNIFICANT ISSUES

The bill's proposed ARoI approach to school district and charter school financial accountability would relate to requirements of the Accountability in Government Act (AGA) for performance-based program budgeting by school districts as subdivisions of the state. The approach also relates to the Public School Finance Act requirement for reporting to the PED the association of expenditures with student outcomes. The more stringent expectations the bill introduces, however, do not conform to generally accepted standards for interpreting the validity of statistical analyses.

Publishing student outcomes of a school year as if they are directly correlated with expenditures in the same school year may lead to inappropriate interpretations of their relationship. The assumption that distinct education inputs may be directly linked to student outcomes has been addressed with caution by program evaluators, including those of the Legislative Finance

Committee (LFC) who contributed to the January 2025 report, [*Policy Spotlight: Successful School Practices*]. The American Institutes for Research (AIR) evaluators who collaborated with ARoI expert, Bruce Baker of the University of Miami, on the 2023 *Assessment of Delaware Public School Funding* also addressed the challenge of linking spending to immediate outcomes. The AIR adequacy study took a complex, Education Cost Model (ECM) approach to the issue of linking spending to outcomes. Their models considered the varying conditions across many schools, which would not be possible in school-level and district-level reports required by SB516/aSEC. They explained that a thorough approach to ECM considers spending to be a function of:

- measured outcomes;
- characteristics of the educational setting (economies of scale, population density, etc.);
- regional variation in the prices of inputs (such as teacher wages);
- student population characteristics; and
- factors affecting spending that are unrelated to outcomes.

SB516/aSEC would require reports based on much less sophisticated models to be made publicly available, contributing to public misconceptions about financial accountability in schools. This may have an unintended, detrimental effect on local and statewide public school governance policy. Moreover, the SEC amendment renders the reports even less reliable in this context, as they will be limited to data from school districts and charter schools that elect to adopt the proposed financial monitoring system and publish the required report, while PED is *required* to produce a "return-on-investment" report based on these incomplete and already potentially inequivalent data sets. The accuracy, reliability, and utility of a report based on such flimsy data cannot be understated.

According to the District Management Council (DMC), ARoI has not been commonly utilized as a research method to evaluate the efficacy of school programs by districts due to limitations stemming from budget obfuscation, difficulties in measuring program impact, and general reluctance from education leaders to attach a cost to learning. The DMC's characterization of the typical school budget would be quite familiar to school business officials in New Mexico:

> Most budgets are so called "line-item budgets." This type of budget lists salaries by department and purchases by broad categories. The cost for math teachers and math curriculum materials are listed, but not the portion of these costs associated with a specific program, such as a remedial math effort for students who are English language learners. This problem is further complicated by the fact that districts have many budgets such as the Title I budget, Title III budget, IDEA budget, etc. Many programs are funded by multiple budgets, and it is challenging to roll up costs from multiple budgets. Creating further obfuscation is the fact that staff, which accounts for 80-85% of most budgets, are typically assigned to just one line item; often, one person works on many different programs, so a true costing requires splitting some teachers' salaries across multiple programs.

According to an article from the journal, *Leadership and Policy in Schools,* careful interpretation of ARoI calculations requires consideration of both annual budgeting and the economic burdens not identified directly in the budget, which the provisions of SB516/aSEC may not support. The article explored advantages and practical limitations of ARoI in comparison with other evaluation methods in the context of three academic program implementations in Jefferson County Public Schools (JCPS), a large Kentucky school district in 2022. Though ARoI was methodologically the quickest and easiest to execute, it was determined that the simplicity of implementation can lead to biased decisions. Furthermore, the rigor of ARoI can be questioned due to its reliance on non-causal methodology in practice, its weakness in detecting the effects of ongoing programs (potentially biasing decision-making towards newer programs), and its difficulty evaluating programs that aim to improve more than one outcome.

The LFC has determined that student outcomes in New Mexico public schools are influenced not only by specific educational programs, but by holistic, system-wide approaches to education. In their theory of change, LFC includes school leadership practices that establish high expectations, provide for high levels of teacher collaboration, align learning standards to curriculum across a district, focus on data-driven decision-making for day-to-day instruction, involve parents and community, and exhibit institutional commitment to diversity and equity. These variables are not readily measured or controlled for in existing studies associating expenditures with student outcomes.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

6.19.4 NMAC, Accreditation Procedures requires schools to submit to the PED each school's class size, class load, and caseload data for all subject areas taught as evidence of compliance with relevant state law. The rule further requires all expenditures to be reported for each school pursuant to the Public School Finance Act. These school-level data reporting requirements would begin to lay the groundwork at the school, district, and department level for administration of the bill's proposed ARoI approach to school financial accountability. More detailed data submissions would be necessary, however, for schools and the PED to satisfy the programmatic financial reporting requirement of SB516. Schools would need to report student participation in each funded program as part of their regular enrollment data submissions to Nova, the statewide data system.

Summarizing expenditures related to specific programs continues to elude detailed analysis due to a lack of programmatic detail in the structure of the Uniform Chart of Accounts (UCoA) used by public schools. It may not be possible to produce a state-wide determination of the effect of spending on student achievement statewide, as required by SB516. Education researchers are generally skeptical of the validity of oversimplified statistical associations between expenditures and student outcomes, as the bill would require.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to Senate Bill 201/aSEC, which similarly attempts to address the issue of ARoI related to programs based on public education reform fund (PERF) appropriations.

TECHNICAL ISSUES

With a convenience sample of school districts and charter schools who choose to participate in financial monitoring, the PED would be unlikely to generalize about the effect of spending on student achievement statewide, as required by SB516/aSEC.

OTHER SUBSTANTIVE ISSUES

The Public School Finance Act (Section 22-8-6(F) NMSA 1978) currently includes provisions for school district and charter school analysis of the association between expenditures and student outcomes. It requires reporting to the PED the uses of prior fiscal year federal and local revenue sources with a "comprehensive evaluation of how the programs and services provided with that revenue improved outcomes for students."

With enactment in 1999 of the Accountability in Government Act (AGA), performance-based budgeting—making decisions about funding based on analysis of results—has been required of the state agencies and subdivisions of the state, including local school districts and charter schools. Members of school boards and charter school governing bodies are required to learn about performance-based budgeting, pursuant to the Public School Code. A performance-based program budget is "a budget that identifies a total allowed expenditure for a program and includes performance measures, performance standards and program evaluations."

Sections 6-3A-7 through 8 NMSA 1978 require "for each approved program, an evaluation of the agency's progress in meeting the performance targets, . . . the outputs, outcomes, baseline data, performance measures and historic and proposed performance targets." Reporting distinct associations between inputs and outputs for each program, however, has proven to be nearly impossible for public education entities in which there are inherently overlapping programmatic contributions to student outcomes. Improved reading achievement of students with economic disadvantage, for example, may be attributable to any or all of a diverse range of interventions, including bilingual multicultural education programs (BMEP), programming related to community schools, attendance and school safety policies, Title I targeted supports, a well-implemented Multi-layered System of Supports (MLSS), extended learning time programs, career-technical education offerings, highly experienced teachers in classrooms, and many more possibilities. Isolating the effects of a single intervention or assessing the synergistic impact of multiple programs within a school introduces a level of analytical complexity that exceeds the capacity of most researchers and the constraints of the available data sets.

SB516/aSEC would require the PED to "develop or adopt a process for synthesizing school district and charter school data collected . . . to determine the effect of school district and charter school spending on student achievement statewide." The data would not support a valid determination of effect, as required by SB516.

A key finding of the January, 2025 Legislative Finance Committee (LFC) report, *Policy Spotlight: Successful School Practices*, was that "high- and low-performing schools serving 'at-risk' students differ in their practices" but that "effective, consistent district and school leadership" were essential to maximizing the effect of evidence-based practices.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None.

AMENDMENTS

None.