



LFC Requester: Liu

**PUBLIC EDUCATION DEPARTMENT
BILL ANALYSIS
2026 REGULAR SESSION**

SECTION I: GENERAL INFORMATION

Check all that apply:

Original Amendment
Correction Substitute

Date Prepared: January 26 2026

Bill No: SB19

Committee Referrals: SEC

Sponsor: Muñoz / Shendo Jr./ Trujillo / Campos / Gonzales

Agency Name and Code: PED - 924

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Short Title: SCHOOL FINANCE UNIT VALUE RESET

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SECTION II: FISCAL IMPACT

(Parenthesis () Indicate Expenditure Decreases)

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY27	FY28		
None	None	N/A	NFA

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY27	FY28	FY29		
None	None	None	N/A	NFA

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY27	FY28	FY29	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	None	None	None	N/A	N/A	NFA

Duplicates/Relates to Appropriation in the General Appropriation Act:

The Executive FY27 budget recommendation includes \$4,512,835.5 for the State Equalization Guarantee (SEG). The LESC FY27 budget recommendation includes \$4,731,608.3 for SEG.

The LFC FY27 budget recommendation includes \$4,610,400.2 for SEG.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Senate Bill 19 (SB19) would allow the Secretary of Public Education to adjust the State Equalization Guarantee (SEG) unit value upon verification of the number of units statewide for FY26; this must be done no later than February 27, 2026.

SB19 contains an emergency clause, which allows the bill to take effect immediately upon passage and approval by the Governor. An emergency clause requires a two-thirds' vote in each house. A bill with an emergency clause that does not pass by the required vote goes into effect 90 days after adjournment.

FISCAL IMPLICATIONS

SB19 does not contain an appropriation.

The Public Education Department (PED) utilizes the SEG funding formula to equitably distribute operational funding to public school districts and charter schools in New Mexico. The formula starts with student enrollment and applies additional weights to account for factors affecting cost of education, such as grade level, special education and bilingual services, at-risk students, staffing costs, and district size.

These factors generate a total number of program units for each school district and charter school, which are multiplied by a single statewide unit value to determine how much funding each school district or charter school receives. The unit value is determined by dividing the appropriation to the SEG by the total number of program units across all school districts and charter schools. The preliminary unit value calculated for SY25-26 was \$6,801.35.

In May 2025, the Gallup-McKinley County Schools [terminated its contract with the online learning company Stride Inc.](#) (formerly K12 Inc.), leaving approximately 3,000 students to find an alternative online school. Districts in Chama and Santa Rosa [contracted with Stride](#) and each absorbed approximately 1,500 of these students. The two impacted school districts are relatively small: Santa Rosa Consolidated Schools enrolled [566 students](#) in SY24-25, and Chama Valley Schools enrolled [276 students](#) in SY24-25. The additional enrollment in these two districts in SY25-26 will necessitate adjustments to their operating budgets.

SEG distributions are calculated using prior-year enrollment, with adjustments made for additional enrollment when school districts and charter schools submit their 40-day reporting. While PED can distribute additional funds to school districts that report additional enrollment, it may not decrease funding for school districts that report decreased enrollment in their 40-day reporting. Therefore, PED must continue distributing funds to Gallup-McKinley County Schools for the 3,000 students who are now attending Chama and Santa Rosa Schools. These students will also be counted towards additional program units for those new districts when they submit their 40-day reporting. (Chama Valley Schools and Santa Rosa Consolidated Schools have not completed submitting their 40-day reporting as of 1/26/26.)

Because PED cannot decrease SEG distributions to Gallup-McKinley County Schools, the statewide unit value may need to be adjusted to avoid a budget shortfall. In December 2025, while

the 40 day count was still underway, PED estimated a budget shortfall of approximately \$35 million to fund the additional program units at Chama Valley Schools and Santa Rosa Consolidated Schools. As of January 27, 2026, the estimate is closer to \$24 million, but Chama Valley Schools and Santa Rosa Consolidated Schools have not finalized 40-day membership, so the estimate remains subject to change. PED forecasts a \$24-\$36 decrease in the unit value after accounting for these 3,000 students.

This would account for a 0.35 percent to 0.53 percent decrease in the SY25-56 preliminary unit value of \$6,801.35. This will likely have a greater impact on larger school districts with higher operating budgets, since the dollar value of this percentage will be larger. For example, PED estimates SEG distributions to Albuquerque Public Schools will decrease by approximately \$5 million.

SIGNIFICANT ISSUES

SB19 would allow the Secretary of Public Education to adjust the unit value for FY26 to account for the transition of 3,000 students between districts (see “Fiscal Implications”). PED must consult with the Department of Finance and Administration, the Legislative Finance Committee, and the Legislative Education Study Committee to adjust the unit value by February 27th, 2026.

Enrollment volatility associated with contracted online schools poses an ongoing concern for PED. National policy analyses find that some large, for-profit online education providers, including Stride Inc. (formerly K12 Inc.), receive public funding levels comparable to brick-and-mortar schools while demonstrating consistently [weaker student outcomes, lower graduation rates, and limited instructional engagement](#). Gallup-McKinley Schools have filed [a complaint](#) against Stride Inc. alleging fraud, unfair trade practices, civil conspiracy, and seven other counts. The district claims Stride did not meet requirements for student-teacher ratios, assigned special education teachers more cases than permitted, failed to employ certified teachers or complete background checks, and did not provide state-mandated occupational and professional training to its staff.

Because New Mexico’s funding formula is primarily enrollment-driven and does not adjust funding based on delivery model or performance, online enrollments generate the same program units as traditional schools, even when underlying costs and educational results may differ. In this case, the termination of Gallup-McKinley County Schools’ contract with Stride resulted in a sudden reassignment of approximately 3,000 students to other districts, while SEG funding tied to prior-year enrollment continues to flow to the original district.

SB19 addresses the immediate fiscal impact of this enrollment shift by allowing an emergency adjustment to the unit value; however, concerns regarding the quality, reliability, and performance of contracted, for-profit online schools remain. Access to high-quality distance learning is critical to students in rural and remote areas. In coming years, PED must continue to work with school districts and charter schools to ensure that contracted online companies are producing appropriate student outcomes.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

PED will be responsible for recalculating the unit value to account for the additional 40-day enrollment of 3,000 students at Chama Valley Schools and Santa Rosa Consolidated Schools and adjusting SEG distributions accordingly. PED's School Budget Bureau anticipated this recalculation after Gallup-McKinley Schools terminated the Stride contract, and the administrative burden of implementation will likely be minimal.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

- Relates to [SB54](#), School Personnel Required Trainings, which proposes specific training requirements for all school district personnel, school employees, school volunteers, contractors and contractors' employees.
- Relates to: [HB161](#), Change K-12 Program Unit Calculation, which defines a "K-12 plus school" and proposes various formulas for calculating program units at these schools based on instructional hours.
- Relates to: [HB119](#), Bilingual License Endorsement Program Units, which establishes program units for licensed school employees with a bilingual endorsement.

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If this bill does not pass, the unit value will need to be adjusted downward to reflect the additional enrollment of 3,000 students at Chama Valley Schools and Santa Rosa Consolidated Schools. PED anticipates an increase in the calculated program units for these schools once they submit their 40-day reporting, and PED will be obligated to disburse the funding for these units. If the unit value does not decrease, this scenario will [generate an estimated budget shortfall of \\$35 million](#).

AMENDMENTS

None.