



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 29 2026

Bill No: SB178

Committee Referrals: SEC/SFC

Agency Name and Code: PED - 924

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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	\$250.0	\$250.0	\$250.0	\$750.0	Recurring through 2031	GF

Duplicates/Relates to Appropriation in the General Appropriation Act: The LFC FY27 budget recommendation includes \$2,500,000 for LEA Administrative Burden Reduction (LEA applications and LEA plans) from the General Fund.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Senate Bill 178 (SB178) amends the [Public School Finance Act](#) to establish requirements for school-level allocation of State Equalization Guarantee (SEG) funds and to connect those allocations to academic outcomes for four identified groups of at-risk students: Native American students, low-income students, English learner students, and special education students. SB178 would:

- require school districts with more than 2,000 students to allocate at least 90 percent of the SEG funds generated by a public school to that school;
- limit the allowable unrestricted cash balance of school districts that do not meet the 90 percent allocation requirement;
- require school districts and charter schools to develop and submit three-year, evidence-based spending plans focused on improving academic outcomes for Native American students, low-income students, English learner students, and students receiving special education services;
- require school districts and charter schools to submit regular financial and academic outcome reports for the four student groups; and
- authorize the Public Education Department (PED) to establish standards for adequate progress and to intervene in schools that fail to demonstrate adequate progress.

The provisions of SB178 would apply to school years 2026–2027 through 2030–2031. Sections 1 and 2, which establish school-level SEG allocation requirements and evidence-based spending plan and accountability provisions, would be repealed effective July 1, 2031. The proposed amendment requiring quarterly reports on SEG allocation relative to academic outcomes for the four identified student groups would be permanent, if enacted.

FISCAL IMPLICATIONS

SB178 does not contain an appropriation.

The bill would cap the amount of SEG funding that school districts can use for administrative and other school supports.

School-Level Allocation Requirement. PED distributes operational funding to public school districts and charter schools through the SEG formula. The formula is based on student enrollment and applies additional cost factors, including grade level, special education and bilingual services, at-risk status, staffing costs, and district size, to calculate the program units for each school district or charter school. Program units are multiplied by a statewide unit value to determine each school district's or charter school's total program cost.

Section 1 of SB178 would require school districts with more than 2,000 students to calculate the program units generated by each public school in the district and allocate at least 90 percent of the SEG funding generated by that school to the school site.

School districts that do not meet this requirement would be subject to the following limits on their unrestricted cash balances:

School District Total Program Cost (TPC)	Maximum Allowable Unrestricted Cash Balance
TPC < \$7,500,000	18 percent
\$7,500,000 ≤ TPC < \$15,000,000	12 percent
\$15,000,000 ≤ TPC < \$35,000,000	10 percent
\$35,000,000 ≤ TPC < \$300,000,000	8 percent
\$300,000,000 < TPC	5 percent

The cash balance limitation encourages school districts to allocate SEG funds to school sites rather than retain funds centrally. The requirement would reduce school district discretion to conserve funds for centralized services, school district initiatives, or reserve balances used to manage enrollment fluctuations and unanticipated costs.

Additional Administrative Expenses. The provisions of the bill would generate significant administrative expenses for PED, school districts, and charter schools, as described in “Administrative Implications,” below. PED estimates the Department would need an additional 2.0 FTE to implement the provisions of the bill at an annual cost of \$125,000, including benefits.

SB178 also contains provisions that would require PED to contract with experienced level 3A teachers and level 3B administrators to intervene at schools that fail to make adequate progress for three years, as determined by the department; the bill does not contain appropriations for these contracted experts.

The cost of planning, reporting, monitoring, and intervention for school districts and charter schools would be significant but indeterminate.

SIGNIFICANT ISSUES

School districts have many centralized resources, such as itinerant teachers, social workers, school nurses, print shops, and instructional coaches, that directly support students and teachers in multiple schools. It is unclear how these resources would be appropriately assigned to school locations or if such centralized services would be curtailed to meet the 90 percent distribution threshold, potentially leading to duplicative services or inefficient use of resources.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

Sections 2 and 3 of SB178 expand planning, reporting, and monitoring requirements for school districts and charter schools and increase PED oversight and compliance responsibilities. The provisions of the bill have administrative implications for PED, school districts, , and individual public schools, including charter schools.

PED estimates the Department would need an additional 2.0 FTE to implement the provisions of the bill at an annual cost of \$125,000, including benefits. It is pertinent to note that the current budget scenario in [HB2](#) implies an effective cut to the agency of approximately \$700,000. While HB2 would increase allocations to PED for employee expenses by \$300,000 in FY27, [SB376](#) from

the 2025 regular session would shift responsibility for payment of approximately \$1 million in employee health benefits to PED in FY27. This budget cut would represent a loss of approximately 5.5 FTE. Without an allocation of additional funds, PED would not have sufficient resources to implement the provisions of SB178, without eliminating other agency responsibilities.

Evidence-Based Spending Plans and At-Risk Student Academic Outcomes. Section 2 would require school districts and charter schools to develop and submit a three-year, evidence-based spending plan for each public school describing how SEG funds will be used to improve academic outcomes for Native American students, low-income students, English learner students, and students receiving special education services. PED would be required to provide a standardized planning tool and establish standards for determining adequate academic progress for each identified student group.

If a public school does not demonstrate adequate progress for one or more identified student groups in a given year, the district would be required to implement corrective actions, including staff training, curriculum review, and use of high-quality instructional materials identified by PED. If a school fails to demonstrate adequate progress for at least one student group for three consecutive years, the Secretary of Public Education would be required to contract with an experienced level 3A teacher or level 3B administrator to support school-level program redesign. There are no appropriations in the bill for the recruitment or labor costs of the contracted experts.

Schools that meet or exceed PED’s progress standards would be eligible for available discretionary funding for enhanced or additional programming. It is unclear what discretionary funding the bill refers to. It is also unclear if schools that do not meet or exceed PED’s progress standards would be ineligible for any such discretionary funding.

Financial Reporting Requirements for At-Risk Students. Section 3 would amend existing quarterly financial reporting requirements to require school districts and charter schools with more than 2,000 students to prepare and submit additional quarterly reports for PED describing how the district is allocating SEG distributions to improve academic outcomes for Native American students, low-income students, English learner students, and students receiving special education services.

If SB178 passes, PED, school districts, including charter schools, and individual public schools would have the additional responsibilities outline in the table below. The addition of these responsibilities will generate administrative costs for all involved entities.

New Administrative Responsibilities Resulting from SB178	
PED	
-	Develop and maintain a standardized planning tool for three-year, evidence-based, school-level spending plans tied to academic outcomes for Native American students, low-income students, English learner students, and students receiving special education services.
-	Establish standards and criteria for determining adequate academic progress for the four identified student groups.
-	Receive, review, and monitor school-level spending plans and outcome reports submitted by school districts and charter schools.
-	Determine whether individual public schools demonstrate adequate progress for each identified student group on an annual basis.

- Require and oversee corrective actions for schools that do not meet progress standards, including staff training, curriculum review, and use of PED-identified instructional materials.
- Recruit and contract with experienced level 3A teachers or level 3B administrators to support program redesign at schools that fail to demonstrate adequate progress for one or more student groups for three consecutive years.
- Review additional quarterly financial reports that include school-level SEG allocation and spending information tied to the four identified student groups.

School Districts and Charter Schools

All School Districts and Charter Schools:

- Develop and submit three-year, evidence-based spending plans for each public school, aligned to PED standards and focused on improving outcomes for the four student groups.

Districts with 2000+ Students:

- Calculate program units at the individual public school level to allocate at least 90 percent of the SEG funding generated by each public school to that school site.
- Monitor compliance with the school-level allocation requirement to avoid more restrictive unrestricted operational cash balance limits.
- Prepare and submit stand-alone quarterly financial reports to PED, separate from the three-year spending plan, describing school-level SEG allocations and the intended use of those funds to improve outcomes for the four identified student groups.
- Monitor school-level academic progress for each identified student group and implement corrective actions when a school does not meet PED standards, coordinating with PED-contracted experts when required to support school-level program redesign.

Individual Public Schools

- Coordinate with school districts to create the school-level three-year evidence-based plans to improve outcomes for the four identified student groups.
- Track and report outcomes for the four groups to the school district
- Implement corrective actions in coordination with the school district if the school is not demonstrating adequate progress in a given school year
- Collaborate with PED contracted experts to redesign programming if a school fails to make adequate progress for one or more at-risk student groups for three consecutive years

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to:

- [HB175](#), Reporting on School Bus Data, would require school districts and state-chartered charter schools to report charter student transportation data and would provide mid-year funding for documented transportation service expansions.
- [HB218](#), Attendance for Success Act Enforcement, would require school districts and charter schools to initiate attendance-related interventions and report persistently absent students to juvenile probation services.

TECHNICAL ISSUES

In Section 2(B) of the bill, the Secretary is directed to contract with an experienced Level 3A teacher or Level 3B administrator to assist in programming changes at schools that fail to achieve adequate progress for three consecutive years. While the Secretary is the signing authority for the department, it is PED that is the party to such contracts, not the Secretary.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None.

AMENDMENTS

Sponsors of the bill may want to consider amending SB178 to include an appropriation to account for additional administrative costs generated by the provisions of the bill. The sponsors may also wish to clarify what discretionary funding schools that meet or exceed PED's progress standards would be eligible for, as well as whether schools that do not meet or exceed PED's progress standards would be ineligible for any such discretionary funding. Finally, the sponsors may wish to consider replacing the requirement that the Secretary of Public Education contract with certain teachers or administrators in favor of the PED doing so.