

LFC Requester:	
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AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov
(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 2/2/2026 *Check all that apply:*
Bill Number: SB 178 Original Correction
 Amendment Substitute

Sponsor: Senator George Munoz **Agency Name and Code** Albuquerque Public Schools
Short Title: School-Level Allocation of SEG Funds and Evidence-Based Spending Requirements **Number:** _____
Person Writing David Vigil
Phone: 505 880-3777 **Email** David.vigil@aps.edu

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
\$1,000,000.0	\$1,000,000.0	Recurring	General

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

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

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: SB 178 amends the Public School Finance Act to require school districts with over 2,000 students to allocate at least 90% of the State Equalization Guarantee (SEG) revenue generated by a specific school back to that school. It mandates the creation of three-year evidence-based spending plans for at-risk student groups and introduces penalties for non-compliance, including strict limits on a district's unrestricted operational cash balance. Furthermore, it grants the Public Education Department (PED) authority to intervene in schools failing to show academic progress.

FISCAL IMPLICATIONS

The challenge for APS is the mandate to allocate 90% of the State Equalization Guarantee (SEG) revenue back to the specific school that generated those program units.

Cash Balance Penalties: Per Section 1(B), failure to meet this 90% threshold triggers a mandatory limit on the district's unrestricted operational cash balance. For a district with a program cost over \$300 million, the limit is 5%, or approximately \$50,000.0 (per the sliding scale in Subsection B).

Risk: If APS currently maintains a higher reserve for emergencies or capital projects, non-compliance would force the district to spend down its reserves, potentially impacting its credit rating, making GO Bonds more expensive to taxpayers or to use these reserves for emergency readiness.

Indirect Cost Re-Calculation: APS would need to measure the true cost of "centralized" services? If 90% stays at the school, the "central" 10% must cover all administrative overhead, HR, payroll, and district-wide maintenance. That is unfeasible and unrealistic given our current operational model.

Intervention Reserve: Under Section 2(E), if a school fails to progress for three years, the Secretary can mandate a contract for a Level 3A/3B expert to revamp the school. The district would need to budget for these "Expert Interventionist" salaries, which could be significant for a district of APS's size. Each FTE would cost approximately \$110.0.

Training & Materials: The cost of "high-quality instructional materials" and "professional development" for schools identified as not making adequate progress must be built into the three-year spending plans. These costs are unknown at this time.

SIGNIFICANT ISSUES

Decentralization of Funding

Currently, large districts often centralize SEG funds to cover district-wide services (special education specialists, security, IT infrastructure). Shifting to a model where 90% must stay at the site level limits the district's ability to pool resources for economies of scale. Ancillary service providers, for example, are coded to the district office under one job in the payroll system and sent to multiple locations throughout the district. This 90% requirement could result in the employee being coded to a half dozen payroll jobs or more, creating significant accounting and record keeping challenges for Human Resources and Payroll departments.

Reporting and Data Integrity Challenges

The bill introduces a new layer of school-site level accounting that is significantly more granular than current requirements.

Unit-Based Tracking: The department must calculate "program units" for each of the 140+ individual schools in APS. This requires a precise audit of student AND staff populations at each site (Native American, English Learners, Special Ed, Teachers and Ancillary Service Providers) to ensure the 90% allocation is accurately calculated and verified. Certain factors in the SEG formula are compiled at a district level. All schools' program units derived from certain formula factors use district-wide variables so attributing the proportional share of the following factors would be difficult given current statutory requirements for program cost calculations.

- Staffing Cost Multiplier/TCI
- Adjusted Ancillary FTE
- At-Risk Index
- Growth
- National Board For Professional Teaching Standards Certification
- Home School Student
- Home School Student Activities
- Charter School Student Activities
- English Learner
- National Board for Certification of School Nurses

Transparency Mandates: Section 3(A)(7) requires a public report on how these allocations improved outcomes for the four target at-risk groups. The Finance Department must now bridge the gap between expenditure data and academic outcomes, which traditionally live in separate departments (Finance vs. Academics).

PERFORMANCE IMPLICATIONS

The APS Board of Education requires that APS's budgeting approach comply with the Board's Budget Policy as follows: *"APS uses a budgeting approach that combines line-item, site-based, and zero-based budgeting dependent on enrollment. The district's budget should align with student needs across individual schools and school types. In support of the board's goals to improve academic, social-emotional, and college and career readiness outcomes and its guardrail requiring equitable resource allocation, the budget will allocate resources to schools based on a community-grounded definition of student need to enable and empower school leaders and central office teams to make strategic shifts in resources to create desired student experiences, especially for those with the greatest learning needs."*

Alignment with APS Goals/Guardrails:

Goal 1: Early Literacy

Goal 2: Math Proficiency

Goal 3: Post-Secondary Readiness

Goal 4: Skills, Habits, and Mindsets for Life Success

Alignment with Legislative Agenda Items:

1. Elementary School Redesign
2. Middle School Redesign
3. High School Redesign
4. Bilingual and Multicultural Education
5. Staff Recruitment and Retention
6. Safety

ADMINISTRATIVE IMPLICATIONS

Staff Time and Resource Factors

Financial Analysts: APS would likely need to hire or re-allocate staff to serve as "School Site Financial Liaisons" to help principals manage their 90% budgets in accordance with the new "evidence-based spending plans." Currently, APS has 4 Budget Analysts that provide compliance monitoring and technical support to over 140 school sites.

IT and Software Upgrades: The district's Enterprise Resource Planning (ERP) system may need modification to track SEG "generated" vs. "allocated" funds at a per-school level to generate the mandated reports automatically. The cost for these modifications could be significant, but are unknown at this time.

Granular Accounting: The Finance Department must now calculate and audit specific "program units" (Native American, English Learners, Special Ed) for every individual school rather than at the district level.

Consultation Requirements: Substantial staff time will be required to meet the bill's mandate for "consultation" with at-risk student groups and school site personnel during the development of three-year spending plans.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

The bill requires monthly monitoring of the 90% threshold to avoid "forced spending" of cash reserves at the end of the fiscal year, which presents a massive data integrity and reporting challenge for a district of APS's size.

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If not enacted, APS would maintain its current fiscal flexibility to move funds between schools to address local inequities and centralized service needs without the risk of mandatory cash balance penalties.

AMENDMENTS