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State Capitol North, 325 Don Gaspar, Suite 200
Santa Fe, New Mexico 87501
Phone: (505) 986-4591 Fax: (505) 986-4338
<http://lesc.nmlegis.gov>



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MINUTES
LESC MEETING
OCTOBER 29, 2010

Senator Cynthia Nava, Chair, called the Legislative Education Study Committee (LESC) to order at 9:35 a.m. on Friday, October 29, 2010, at the administrative offices of Albuquerque Public Schools (APS). The Chair noted that the LESC was meeting for the purposes of responding to education-related proposals developed by the Government Restructuring Task Force (GRTF) and considering other education-related cost-savings and efficiency measures.

The following LESC members were present:

Senators Cynthia Nava, Chair, and Gay G. Kernan; and Representatives Rick Miera, Vice Chair, Jimmie C. Hall, Dennis J. Roch, Mimi Stewart, and Jack E. Thomas.

The following LESC advisory members were also present:

Senators Vernon D. Asbill, Stephen H. Fischmann, John Pinto, and Sander Rue; and Representatives Ray Begaye, Eleanor Chávez, Sheryl Williams Stapleton, and Shirley A. Tyler.

RESPONSE TO GOVERNMENT RESTRUCTURING TASK FORCE PROPOSALS

The Chair recognized Dr. David Harrell, LESC staff, who provided an update on the interim work of the Government Restructuring Task Force (GRTF). Dr. Harrell noted that GRTF was scheduled to present a final report with proposed legislation to the Governor and Legislature by December 31, 2010.

Dr. Harrell explained that, among other ideas, GRTF had discussed a joint resolution (Attachment 1 to the staff brief) that proposes two substantive amendments to Article 12, Section 6 of the state constitution. In its original form, this draft joint resolution would have proposed:

- requiring that the members of the Public Education Commission (PEC) be appointed by the Governor and confirmed by the Senate, rather than elected; and

- removing the authority of the Secretary of Public Education over “functions relating to the distribution of school funds and financial accounting for the public schools,” with the understanding that these functions would be assigned by law.

Most of the discussion of the original draft, Dr. Harrell said, focused on the nature and role of the PEC as an advisory body to the Secretary of Public Education yet with certain assigned duties, including oversight of federal Carl Perkins funds and the authority to authorize state-chartered charter schools. Some members suggested that responsibility for public education should reside exclusively with the Secretary and the Public Education Department (PED). While acknowledging that doing so would affect the state-level authorizing of charter schools, task force members agreed to have the draft amended to eliminate the PEC altogether. This amended draft was presented to the task force during the October meeting as one of several approved measures.

Also at its October meeting, Dr. Harrell continued, GRTF passed a motion to accept the report of the Subcommittee on Boards and Commissions containing recommendations about the elimination or consolidation of dozens of boards and commissions. Several GRTF members clarified that the motion was merely to accept receipt of the report, not necessarily the recommendations contained therein; and staff was directed to provide additional analyses. At any rate, Dr. Harrell said, nine of the entities were categorized under Public Education, and there were recommendations about four of them, with a request from GRTF for the LESC to respond to each one:

- eliminate the Family and Youth Resource Advisory Committee;
- use the Department of Information Technology (DoIT) instead of the Council on Technology in Education;
- eliminate the PEC (as noted above); and
- combine the New Mexico Public Schools Insurance Authority and Albuquerque Public Schools with other insurance organizations, per a draft bill that GRTF is considering.

Dr. Harrell then referred the committee to Attachment 2 of the staff brief, which presented two lists of education-related topics for the LESC to consider, developed by the Chair and Vice Chair of GRTF. He explained that 12 of the topics were two-year goals, with a target date of 2013; and the remaining seven topics were five-year goals, with a target date of 2016. Dr. Harrell emphasized that these items were topics for LESC discussion and response, and not necessarily specific or defined recommendations of GRTF.

The Chair next recognized Mr. Peter van Moorsel and Mr. Craig Johnson, LESC staff, to present to the committee the staff analysis of one of the education-related GRTF recommendations for which legislation had been drafted. The GRTF proposal was to amend the *Public School Finance Act* to change the criteria under which school districts and charter schools qualify for small school and small district size adjustments in the public school funding formula.

Specifically, the GRTF proposal limited small school size adjustment units only to those schools that are:

- located in a community of less than 3,000 residents and;
- at least five miles from another public school offering a similar academic program.

Regarding small district size adjustment units, the GRTF proposal:

- reduced the criteria under which a district qualifies for small district units from a membership total (MEM) of 4,000 to a MEM of 3,000; and
- added a requirement that district central offices be located at least 15 miles from the central office of another district with a MEM less than 3,000.

Staff began discussion of the GRTF proposal by explaining data sources, such as the 2000 census, and assumptions that had to be made to define provisions of the draft legislation. For example, the phrase “similar academic program” was assumed to mean schools that serve the same grade levels. LESC staff presented the financial analysis of the GRTF proposal, which indicated that the total impact of the change in small school size adjustments and small district size adjustments would be a change of 10,575 units or \$40,109,050, using a unit value of \$3,792.65. The change in small school size units would be 8,656 units or \$32,829,136. The change in small district size units would be 1,919 units or \$7,279,909.

Continuing the analysis staff presented several lists: the 103 schools that would not qualify for small school size adjustments due to the community size requirement; the 13 schools that would not qualify for small school size adjustments due to the five mile requirement; and the 166 schools that would continue to qualify for small school size adjustment units. The analysis also noted that, altogether, only six of the 65 charter schools currently receiving small school size adjustment would continue to do so under the GRTF bill. Finally, staff presented summary tables showing the impact of the change of both the small school size adjustments and district size adjustments by district and charter school.

Committee Discussion

As the committee discussed the provisions of the bill and the findings of the LESC analysis, members raised a number of points, among them:

- the question whether the “savings” would be taken out of the formula or redistributed, which Ms. Ramírez-Maestas identified as a key policy question and to which the Chair noted her belief that the idea is to take the savings out of the formula;
- that many of the small districts that would be affected by this bill are the very districts that have been applying for supplemental funding during recent years, suggesting that the bill could adversely affect districts already having trouble managing their budgets;
- whether the purpose of the bill is to address small schools in general or to target charter schools in particular;
- the historical purpose of small school size adjustments, which Ms. Ramírez-Maestas explained as to assist districts that experience diseconomies of scale due to their size; and
- the bill’s likely effect of compelling some small districts to consolidate, which, as one member noted, had been a point of discussion by GRTF.

DISCUSSION ITEMS AND ADDITIONAL COST-SAVING MEASURES

The Chair recognized Mr. van Moorsel and Mr. Johnson, LESC staff, who presented 16 informational items and cost-saving measures for the committee's consideration:

1. **Highlights from the October Consensus General Fund Revenue Estimate** – LESC staff cited the October consensus revenue estimate in reporting that:
 - FY 10 recurring revenue was down by \$5.0 million, but nonrecurring revenue was up by \$27.0 million compared to the July 2010 estimate.
 - Estimated FY 11 recurring revenue was revised downward by \$40.0 million; and after considering fund transfers, FY 11 revenue fell short of appropriations by approximately \$17.3 million.
 - For FY 12, the consensus group revised the estimate downward by \$81.4 million; and the shortfall between FY 12 revenue and the cost of current services is \$257.6 million, assuming a continuation of current cost-saving measures.
2. **FY 11 3.244 percent appropriation reduction** – LESC staff provided the committee with a table showing FY 11 Public School Support and related appropriations from the General Fund and ARRA funds after sanding and the 3.244 percent reduction.
3. **Administrators, administrator-to-student ratios, and administrator salary and benefits cost projections** – LESC staff provided the committee with 2009-2010 budgeted numbers showing 20,767 teachers, 398 administrators, and 1,033 principals statewide.
4. **Bilingual placement assessments** – LESC staff provided the committee with a PED memo indicating that the W_APT test is used to screen potential English language learners (ELLS) and that PED is monitoring the increase/decrease in the number of ELL students to ensure that cut scores are set properly.
5. **Cash balances** – LESC staff reviewed school district and charter school budgeted cash balances for school year 2010-2011. Staff also explained the statutory provisions regarding cash balances.
6. **Elementary breakfast allocations** – LESC staff summarized the elementary breakfast program and provided information regarding which districts were currently in Provision II status, in which they make free breakfast and lunch available to all students, regardless of their family's income status.
7. **Emergency supplemental distributions** – LESC staff discussed the statutory requirements for emergency supplemental distributions and provided a 10-year history of emergency supplemental fund distributions.
8. **State Support Reserve Fund** – LESC staff reviewed the purpose, history, and balance of the State Support Reserve Fund, which is intended to provide extra funds to keep the unit value whole in the event of an over-projection of credits.

9. **High school graduation assessment and costs of standards-based assessments** – LESC staff presented the committee with a potential cost-saving measure that would suspend the high school exit exam (eleventh grade New Mexico Standards-based Assessment, or NMSSBA) for one year, as this would save the cost of students retaking the NMSSBA. According to PED, this measure could provide a cost savings of approximately \$2.5 million in FY 12. LESC staff reported that the eleventh grade NMSSBA would still be used for purposes of determining adequate yearly progress (AYP).
10. **Public school insurance** – LESC staff presented the committee with a staff brief regarding the FY 12 insurance and appropriations requests from the New Mexico Public Schools Insurance Authority (NMPSIA) and from Albuquerque Public Schools (APS). As reported in the brief, NMPSIA requested no increase for FY 12, and APS requested \$4,695,384 to provide for increases in insurance premiums for members.
11. **New charter schools and double funding** – LESC staff discussed possible double funding of certain students. Because existing schools are funded on prior-year data and new charter schools are funded using current-year data, those students who transfer from a traditional public school to a new charter school may be funded twice, despite attending only one school.
12. **Public School Fund** – LESC staff reviewed statutory provisions regarding the fund.
13. **Retirement swaps** – LESC staff provided the committee with information regarding the fiscal impact of delaying the increases in retirement contributions and shifting contributions from the employer to the employee.
14. **Cost estimates for instructional days and professional days** – LESC staff estimated the cost of an instructional day at approximately \$12.9 million and a professional day at approximately \$11.2 million. Staff noted that savings could be realized by removing these amounts from the State Equalization Guarantee and requiring districts to provide one fewer instructional or professional development day.
15. **Special education caseloads** – LESC staff discussed PED guidelines for special education maximum caseloads and proposed that limiting the funding of ancillary FTE at 1.5 times the guidelines could generate a cost savings.
16. **Yield control** – LESC staff provided a brief background on yield control, which limits the increase in property tax obligations to the rate of inflation plus 5.0 percent. Removing yield control could increase property tax revenues, including the ½ mill operational levy, which in turn could increase credits taken by the state for local revenue, and reduce the General Fund cost of funding education.

Committee Discussion

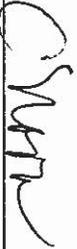
Regarding emergency supplemental distributions, Ms. Ramirez-Maestas noted that LESC staff are reviewing the laws and rules governing eligibility for those distributions, such as cash balance guidelines. LESC staff will research the requirements as both the Legislative Finance

Committee and GRTF have alleged that PED essentially approves all of the requests without a thorough review of district needs and budget management practices.

Among other points raised during the committee discussion, members noted:

- that, while using the high school exit exam strictly for purposes of AYP is a good idea, it should be done for just a short period of time, perhaps two years;
- if the retirement swaps were not continued, there would be an additional cost of \$11.9 million, whereas if the swaps were continued and the amount increased there could be additional savings beyond \$11.9 million;
- that the state does not fund schools by the number of days and that teacher contracts can vary substantially in terms of the number of contract days;
- that a task force has been working on the school calendar issue; and
- that additional savings might be realized through a review and possible recalculation of the funding of ancillary special education personnel.

There being no further committee business, the Chair adjourned the LESC meeting at 2:15 p.m.



Chair

March 3, 2011

Date