

NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR:	Watchman	DATE TYPED:	02/13/00	HB	438
SHORT TITLE:	State Equalization Guarantee			SB	
				ANALYST:	Fernandez

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
			\$ 42,800.0	Recurring	G/F

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to HB316 and SB433

SOURCES OF INFORMATION

State Department of Public Education (SDE)

SUMMARY

Synopsis of Bill

House Bill 438 amends the public school funding formula to reduce the percent of federal impact aid from 95% to 75% which the state takes into consideration in calculating the state equalization guarantee, and requires that districts expend 30% on capital outlay. Districts will be allowed to retain 20% of impact aid revenue for operational purposes.

Significant Issues

According to SDE, because of its state funding formula, qualifies under federal requirements as an equalized state and is allowed to consider eligible federal and local revenue in determining the amount of state aid to public school districts. This proposal will affect the state's ability to qualify as an equalized state to take credit for impact aid funds as the state will not be able to meet the stringent disparity and proportionate tests set forth in federal law. As a result, the state could no longer mandate or legislate that 30% be expended on capital outlay or that 20% be used for operational expenditures. According to federal law, each impact aid recipient district would be able to expend its share of impact aid for any legally permissible purpose.

Impact Aid - Impact Aid was initially designed and authorized to relieve local education agencies for the loss of local property taxes as a result of federal presence. During reauthorization in 1994, impact aid also recognized students residing on Indian land, students residing in federal low rent housing, and children whose parents live or work on federal property for the purpose of generating impact aid funds. Reauthorization of Impact Aid is currently under consideration by Congress, which may have an effect on this proposal.

In the 1998-99 school year, thirty-eight school districts received impact aid funds. Eligible federal impact aid revenues exclude Indian add-on and Special Education set-asides.

Districts will continue to budget 5% of eligible local and federal revenue for general operational purposes.

FISCAL IMPLICATIONS

SDE indicates that passage of this bill would require an additional appropriation of \$42.8 in general fund to offset the loss in federal impact aid revenue in order to maintain stability in the unit value for all school districts. School receiving impact aid would be able to retain over \$70 million to use at their discretion.

According to SDE, this change could potentially have a negative effect on the State Equalization Guarantee and New Mexico may no longer be considered a state with an equalized formula.

CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP

Relates to SB433, HB316. HB316 amends the public school funding formula to reduce the percent of federal impact aid from 75% to 65% which the state takes into consideration in calculating the state equalization guarantee. SB433 amends the public school funding formula to reduce the percent of federal impact aid from 75 percent to 55 percent which the state takes into consideration in calculating the state equalization guarantee.

CTF/gm