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FISCAL IMPACT REPORT

SPONSOR: Marquardt DATE TYPED: 2/22/03 HB 637

SHORT TITLE: Allow School Districts to Keep Federal Money SB _____

ANALYST: L. Baca

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			\$62,000.0 See Narrative	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with: HB 115, School Funding Formula
HB 483, Cap School District Impact Aid Revenue

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

Responses Received From

State Department of Education (SDE)

SUMMARY

Synopsis of Bill

House Bill 637 amends the Public School Finance Act , 22-8-25,NMSA 1978, to allow school districts to retain 100 percent of their Forest Reserve and Impact Aid revenue.

Significant Issues

HB 637 removes the state's ability to take credit for federal revenue. Currently, the state is allowed to take credit for 75% of a school district's share of Forest Reserve and federal Impact Aid receipts in determining state aid. The bill does not address the .5 mill currently levied, and the state will continue to take credit for 75% of that revenue.

The state provides the lion's share of funding of New Mexico's public schools, and the New Mexico Public School Funding Formula is used to distribute state support. The formula is an equalization formula and considers all available funds to ensure that "equality" of educational opportunity is maintained. To accomplish this, the formula takes credit for 75% of eligible federal funds including P.L. 874 Impact Aid funds, which in FY03 totaled nearly \$48.8 million. The SDE analysis points out that all P.L. 874 payment to New Mexico school districts totaled \$84.5 million in FY03. The state took credit for 57.8% of all funds and only 75% of eligible funds with school districts retaining nearly \$35.6 million (See SDE Chart 1). Of the 25% retained by school districts, 5% may be used for operational purposes and 20% must be used for capital outlay projects. (See OTHER SUBSTANTIVE ISSUES below.)

FISCAL IMPLICATIONS

Unless the Legislature appropriates an amount equal to the loss in credits, estimated by SDE at \$62.0 million, school districts will lose an equal amount in local operating funds.

OTHER SUBSTANTIVE ISSUES

Until the early 1950's, funding of public schools was considered a local responsibility and financing their activities relied almost solely on local resources. At this point, according to the Education Commission of the States (ECS), states became more actively involved in public school finance although the use of state resources remained minimal in most states. State participation in funding public schools increased following the early 1970's Serrano vs. Priest decision, which held that the quality of a child's education should not be determined by the accident of his/her birth. This California court decision led some states, like New Mexico, to take steps to avoid litigation on the quality of education issue and to ensure compliance with provisions of the state constitutions. Thus was born the New Mexico Public Schools Funding Formula that was enacted in 1975 and was the culmination of a decade-long search for the "most appropriate" mechanism to distribute state support.

Twenty years following the Serrano decision, more than 25 states had been sued with the lawsuits claiming violations of state constitutions that required uniform systems of public education. Not all states sued were found in violation of state constitutions, but state support for public education has increased in most of the nation's 50 states as has public scrutiny to ensure minimal disequalization among school districts – at least as much as each state's constitution and public sentiment will allow.

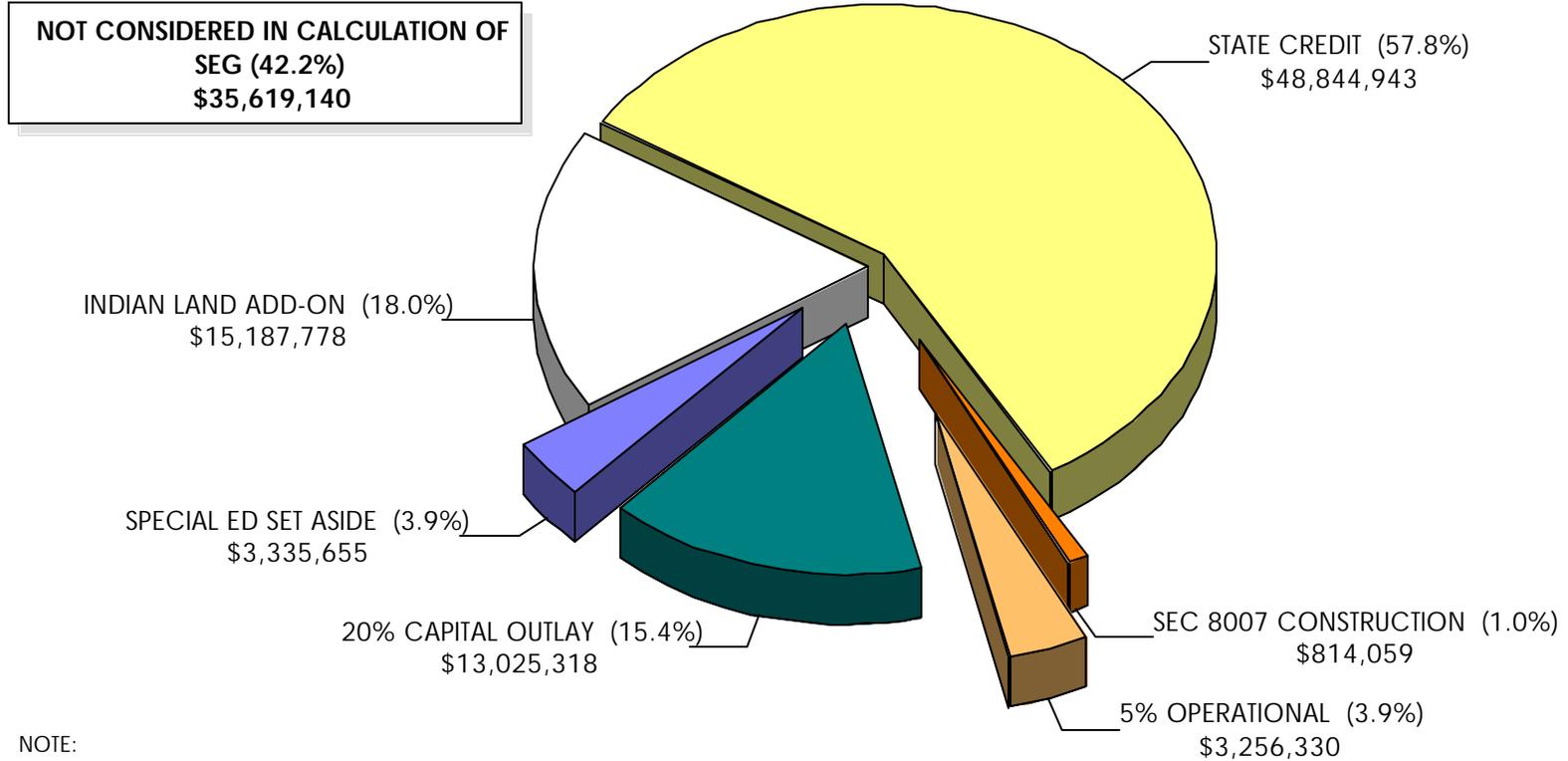
POSSIBLE QUESTIONS

1. Would enacting this bill lead to inequality among the state's public schools?
2. What might P.L. 874 school districts do with the additional funds if this bill were enacted?
3. What would happen to the non-P.L. 874 districts?
4. Would adopting this bill create legal or constitutional issues for the state?

LRB/njw:yr

Chart 1 2001-2002 IMPACT AID PAYMENTS

TOTAL IMPACT AID PAYMENTS RECEIVED BY SCHOOL DISTRICTS = \$84,464,083



NOTE:
The total not considered in the calculation of the State Equalization Guarantee (SEG) is \$35,619,140 which consists of the 5% Operational, 20% Capital Outlay, Indian Ed Set Aside, Special Ed Set Aside, and Section 8007 Construction. This is 42.2% of total Impact Aid payments.

TABLE 1
NEW MEXICO DEPARTMENT OF EDUCATION

IMPACT AID DISPARITY FOR 2002-2003 (Excludes Revenue from T&E Index)
Based on Actual Revenue for 2000-2001 and 45% Impact Aid Credit/75% Other Credits

A	B	C	D	E
SCHOOL DISTRICT	REVENUE PER MEM ¹	SCHOOL DISTRICT MEM	CUMULATIVE MEM	REV PER MEM AT 95/5 PERCENTILE
MOSQUERO	\$6,858.92	55.50	55.50	
LOS ALAMOS	\$6,527.23	3,556.84	3,612.34	
CORONA	\$6,104.69	80.00	3,692.34	
HONDO VALLEY	\$5,792.63	128.00	3,820.34	
TATUM	\$4,026.89	330.01	4,150.35	
GRADY	\$4,026.07	104.00	4,254.35	
TEXICO	\$3,971.30	514.35	4,768.70	
JEMEZ VALLEY*	\$3,959.13	577.67	5,346.37	
ANIMAS	\$3,953.61	407.66	5,754.03	
MAXWELL	\$3,943.57	146.50	5,900.53	
SPRINGER	\$3,918.09	286.50	6,187.03	
PENASCO	\$3,895.83	669.83	6,856.86	
RUIDOSO	\$3,891.89	2,538.67	9,395.53	
SILVER CITY	\$3,888.67	3,613.99	13,009.52	
MORA	\$3,886.51	669.34	13,678.86	
CLAYTON*	\$3,877.14	699.00	14,377.86	
SAN JON	\$3,839.27	188.50	14,566.36	
LOGAN	\$3,826.74	259.85	14,826.21	
CARLSBAD	\$3,807.58	6,123.50	20,949.71	\$3,808
MELROSE	\$3,798.93	270.49		
JEMEZ MOUNTAIN	\$3,785.29	364.00		
HOUSE	\$3,784.32	185.00		
DES MOINES	\$3,765.91	154.50		
COBRE	\$3,726.80	1,821.50		
RATON	\$3,702.53	1,397.51		
ESPANOLA	\$3,691.88	4,777.34		
DORA	\$3,660.28	254.17		
TAOS*	\$3,652.42	3,493.52		
FT. SUMNER	\$3,643.78	407.84		
LAS VEGAS WEST	\$3,639.01	2,031.17		
LOVING	\$3,635.48	576.83		
ROY	\$3,631.63	107.50		
HATCH	\$3,628.30	1,452.49		
CARRIZOZO	\$3,626.40	248.02		
WAGON MOUND	\$3,625.68	171.50		
SANTA ROSA	\$3,616.87	835.17		
LAS VEGAS CITY	\$3,616.12	2,430.84		
PECOS	\$3,601.32	883.18		
MESA VISTA	\$3,591.31	566.66		
AZTEC	\$3,575.34	3,183.34		
GRANTS	\$3,574.17	3,655.67		
CAPITAN	\$3,573.44	590.67		
ELIDA	\$3,569.16	115.50		
ALBUQUERQUE*	\$3,566.39	82,338.00		
ESTANCIA	\$3,565.60	951.34		
CIMARRON	\$3,554.23	627.00		
MOUNTAINAIR	\$3,550.07	366.52		
LORDSBURG	\$3,548.96	821.31		

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Based on Actual Revenue for 2000-2001 and 45% Impact Aid Credit/75% Other Credits

A	B	C	D	E
SCHOOL DISTRICT	REVENUE PER MEM ¹	SCHOOL DISTRICT MEM	CUMULATIVE MEM	REV PER MEM AT 95/5 PERCENTILE
JAL	\$3,542.69	484.67		
SOCORRO**	\$3,537.38	2,148.82		
SANTA FE*	\$3,536.21	13,218.01		
TULAROSA	\$3,535.38	1,132.01		
ARTESIA	\$3,531.26	3,715.02		
BERNALILLO	\$3,521.65	3,394.52		
BLOOMFIELD	\$3,513.85	3,198.34		
ROSWELL**	\$3,511.25	9,788.34		
DEXTER	\$3,501.93	1,117.85		
TUCUMCARI	\$3,500.02	1,306.33		
RIO RANCHO	\$3,499.34	9,669.67		
MAGDALENA	\$3,496.29	368.50		
CHAMA	\$3,490.51	572.33		
LOVINGTON	\$3,486.88	2,754.51		
LOS LUNAS	\$3,486.07	8,207.16		
CLOUDCROFT	\$3,480.34	534.33		
LAS CRUCES	\$3,474.43	21,314.67		
FARMINGTON	\$3,464.30	9,952.83		
QUESTA**	\$3,459.04	592.01		
ALAMOGORDO	\$3,458.03	7,355.50		
MORIARTY	\$3,453.76	4,541.99		
CLOVIS	\$3,450.31	8,056.15		
RESERVE	\$3,446.81	242.68		
GADSDEN	\$3,435.51	12,378.84		
TRUTH OR CONS.	\$3,430.16	1,689.00		
PORTALES	\$3,416.21	2,715.84		
BELEN	\$3,415.48	4,763.32		
DEMING	\$3,406.66	5,216.67		
POJOAQUE	\$3,397.42	1,938.01		
HOBBS	\$3,390.90	7,505.67		
VAUGHN	\$3,388.34	93.50		
EUNICE	\$3,363.38	649.50		
FLOYD	\$3,343.21	243.33		
QUEMADO	\$3,330.66	213.50		
LAKE ARTHUR	\$3,231.02	215.35		
HAGERMAN	\$3,226.09	525.17		
CUBA	\$3,136.73	792.33		
CENTRAL	\$3,023.57	7,272.35		
ZUNI	\$2,983.60	1,786.51	16,227.34	\$2,984
GALLUP	\$2,853.38	13,723.84	14,440.83	
DULCE	\$2,739.92	716.99	716.99	
TOTAL:		312,134.25		\$823.98
	5% OF MEM	15,606.71	DISPARITY²	27.62%

Notes:

¹For Impact Aid districts, "revenue per mem" does not include the Indian Lands Add-On, Special Ed Add-On, the 5% administration for Operational, or the revenue earmarked for capital outlay. These items, totalling over \$30,00,000, are not considered in calculating state aid.

²Federal Law requires that the disparity be no greater than 25%.

