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FISCAL IMPACT REPORT

ORIGINAL DATE 02/10/11
LAST UPDATED 03/17/11 **HB** _____

SPONSOR Asbill

SHORT TITLE Payment Of School Standards-Based Tests **SB** 425/aSFC

ANALYST Haug/Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	\$8,920.3	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		See Fiscal Impact Narrative	See Fiscal Impact Narrative			

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee Amendment to Senate Bill 425 appropriates \$8.9 million dollars to PED for Fiscal Year 2012 for recurring costs of printing, shipping, scoring, and reporting standards based assessments. Unexpended or unencumbered balances revert to the General Fund at the end of Fiscal Year 2012. See fiscal narrative for original bill below.

The appropriation in the General Appropriation Act for the State Equalization Guarantee distribution for school districts includes recurring funding for district assessment costs, though it has been reduced for FY12 by \$3.5 million consistent with Senate Bill 360 which suspends certain assessments for FY12. Appropriating funds to both PED and to school districts will

create a windfall for school districts, who will continue to receive recurring funding for assessment costs despite the transfer of responsibility for assessment costs to PED.

Synopsis of Original Bill

Senate Bill 425, introduced on behalf of the Legislative Education Study committee, would require the PED to pay for developing, administering, scoring and evaluating standards based assessments.

FISCAL IMPLICATIONS

Senate Bill 425 contains no appropriation. According to the PED, From FY 2000 through FY 2011, the Legislature appropriated \$85,283,900 for state-mandated student assessments. Of that total, \$24,178,500 was appropriated to the PED for nonrecurring test development costs, and \$61,105,400 was appropriated through the State Equalization Guarantee (SEG) to local districts for the recurring costs of printing, shipping, scoring, and reporting. The SEG funds are non-categorical and may be used for district operating expenses other than assessment related costs.

The PED notes further that for the PED to be sufficiently funded for assessment costs for printing, shipping, scoring, and reporting; funding now provided to districts for those costs should be redirected to PED. According to the PED, the amount of the appropriations to local districts through the SEG for recurring costs of printing, shipping, scoring, and reporting in FY 2011 was \$8,920,300.

Should the bill not pass, districts may continue to redirect resources from standards based assessments to other uses when districts lack sufficient funding to cover the costs of producing, distributing, scoring, and reporting assessments in addition to other needs.

The PED notes that it may not use federal 6111 grant (Section 6111 funds) to pay for printing, shipping, scoring, and reporting of assessments now paid by local districts. Section 601, Flexibility and Accountability (Title IV (20 U.S. C. 7301 et seq.) specifies that grants shall be used “to pay the costs of the development of the additional State assessments and standards required by section 1111(b).”

The bill as amended contains an appropriation to PED in the amount of \$8,920,300, in addition to the recurring funding districts are receiving that are included in the General Appropriation Act in the SEG appropriation. The appropriation in the General Appropriation Act for the State Equalization Guarantee distribution for school districts includes recurring funding for district assessment costs, though has been reduced for FY12 by \$3.5 million consistent with Senate Bill 360 which suspends certain assessments for FY12. Appropriating funds to both PED and to school districts will create a windfall for school districts, who will continue to receive recurring funding for assessment costs despite the transfer of responsibility for assessment costs to PED.

Appropriating an additional \$8.9 million to PED in addition to spending levels included in the General Appropriation Act will decrease projected reserves below 5 percent.

SIGNIFICANT ISSUES

Should the bill pass without redirection of operational assessment costs from the local districts to

the PED, it is likely the standards based assessment program of the PED would be significantly diminished in scope and reach.

The PED states:

The costs of statewide student education assessments have been shared by PED and the school districts since FY 2000. State appropriations provided funding through the SEG formula to cover those costs. However, funds are non-categorical and may be used for other district operating expenses. During the current statewide budget crisis, school districts have requested that certain state assessments be suspended. Those circumstances have blocked the implementation of an important reform of the high school assessment system enacted in 2008 (Section 22-4C-4.1, NMSA 1978). That reform established a system to measure the readiness of every New Mexico high school student for success in higher education or a career. High school redesign assessments include a short-cycle assessment in grades 9 and 10, a college placement test, a workforce readiness assessment, and an alternative demonstration of competency using standards-based indicators. The districts' budget crisis also threatens the spring 2011 implementation of the high school exit exam based on the grade 11 Standards Based Assessment, the state's first exit exam to measure student mastery of high school standards (Section 22-13-1.1, NMSA 1978). Suspensions of other state assessments have occurred, including the Standards Based Assessment in science in grades 3, 5, 6, and 8; short-cycle assessments in grades 3 through 8 (except for students with learning disabilities), and the DIBELS in K-3 (except students in K-3 plus and students with specific learning disabilities). These suspensions have removed valuable guidance for students, parents, and teachers throughout the primary and secondary grade spans.

The PED closely monitors and forecasts its own assessment costs and those to the districts. The PED communicates with stakeholders to understand how the budget crisis influences district recommendations on testing (Communication on Requested Exemptions in April 2010 and the December 2010 statewide stakeholder meeting requested by the Legislative Education Study Committee). The Legislature has been consulted regarding those recommendations and the PED has five amendments of the SBA contract that have been effected since fall 2009 or are pending approval to reduce assessment costs.

The PED is positioned to manage assessment costs for the districts as well. Redirecting district funding for assessments to the PED would remove potential conflicts between competing priorities to support assessment and instruction and it would protect important assessments from unanticipated impacts on district funding.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB2 contains a duplicate appropriation for assessment costs. School districts receive recurring funding through the State Equalization Guarantee appropriation to cover district assessment costs. Recurring assessment costs included in the SEG have been decreased by \$3.5 million for FY12 to account for suspension of specified assessments contained in SB360.

TECHNICAL ISSUES

The Legislature may wish to consider transferring recurring funding included in the SEG for district assessment costs to PED rather than making a new appropriation to PED to cover these costs.

GH/bym:mew