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FISCAL IMPACT REPORT

ORIGINAL DATE 03/10/13

SPONSOR Jeff LAST UPDATED _____ HM 98

SHORT TITLE Study Funding Formula SB _____

ANALYST Chavez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Unknown				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Not Received From
Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Memorial 98 (HM 98) requests the Legislative Education Study Committee (LESC), the Legislative Finance Committee (LFC), and the Public Education Department (PED) cooperate in a study of the public education funding formula, including the fairness of property tax millage versus impact aid and forest reserve credits, as well as other issues raised in legislation since the last funding formula study.

HM 98 also requests that the LESL take the lead in conducting the study, and that all three entities mentioned also involve school superintendents, district financial officers, impact aid and forest reserve recipient school districts, charter schools, teachers, and other education and educational finance experts.

The committees and the Department shall report to the legislature by January 1, 2014 on their recommendations for changes to the current funding formula.

SIGNIFICANT ISSUES

HM 98 notes that the current public education funding formula was created in 1974; at the time, it was considered one of the most equitable finance plans in the country, and is based on the

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premise that all students should have equal access to programs and services regardless of geographic location or economic conditions. However, this system was more equitable when local property tax accounted for a bigger share of the public education revenue stream. Currently, the credit taken from the federal government's impact aid, wherein the federal government gives money to school districts in which national forests and other federal land and reservations lie, is contributing a much larger share of revenue to the statewide school budget. For example, according to HM 98, the average credit for a student at Rio Rancho public schools is \$29.07, while the average credit for a student in the Zuni schools is \$3,299.84.

In the past, a multiyear task force was formed by the legislature to study the current funding formula, and the task force proposed a new, simpler funding formula that promised both horizontal and vertical equity. However, the new formula's implementation was more costly and the proposal came before the legislature at the same time as the economic crisis.

The study proposed in this HM 98 would examine the twin issues of formula equity and impact aid credits, as well as other proposed changes to the current formula that have been put forth since the task force reported to the legislature, including special education maintenance of effort, small school size adjustment, and other issues.

KC/svb