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FISCAL IMPACT REPORT

ORIGINAL DATE 02/04/15
 LAST UPDATED 02/17/15 HB 164aHEC

SPONSOR Roch

SHORT TITLE School Transportation Info Reporting SB _____

ANALYST Gudgel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications			Recurring	PED, School District, and some Charter School Operating Budgets

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Public Education Department

SUMMARY

Synopsis of HEC Amendment

House Education Committee amendment to House Bill 164 inserts a temporary provision to address concerns noted below that data has not been collected on the second or third reporting date in FY15 to allow the Public Education Department to make distributions in FY16 pursuant to the provisions of the bill. The temporary provision would maintain the FY16 distribution based on current law and begin making distributions based on prior-year second and third reporting date data in FY17.

Synopsis of Bill

House Bill 164, endorsed by the Legislative Education Study Committee, amends the School Finance Act to change the date school transportation data is collected on and change the current distribution mechanism to a prior year funding mechanism. The bill establishes that school transportation data will be collected on the second and third reporting dates of each school year

(December 1 or the first working day in December and the second Wednesday in February) and allocations from the transportation distribution will be calculated using an average of data reported on these reporting dates of the prior school year. The bill establishes an effective date of July 1, 2015.

FISCAL IMPLICATIONS

The bill does not have an appropriation nor does it have an effect on the general fund. Transitioning to prior year funding may provide increased stability in school transportation funding, giving school districts and state-chartered charter schools the ability to plan better and make more conscientious decisions related to transportation as they will know their final allocations at the beginning of the fiscal year. The change in distribution calculation may result in significantly different distributions during the first year of implementation; however, over time this will smooth out as the distribution will be based on the same set of data year –to-year.

If allocations for any school district or state-chartered charter school are significantly affected in the first few years, it may have an effect on Transportation Emergency Fund. While the bill doesn't expressly allow use of the Transportation Emergency Fund, PED could request to use balances in the fund for any "transportation emergencies, including fuel price increases."

SIGNIFICANT ISSUES

Current law requires school districts and state-chartered charter schools to report data to PED based on the first reporting date, or the first Wednesday in October, and funding decisions are based on this data for the current school year. Change in the bill propose to require data be collected on the second and third reporting dates and allocations be based on prior-year data. Since the second and third reporting of the 2014-2015 school year have already passed, it may be impractical to have an effective date of July 1, 2015. The HEC amendment addressed this issue by adopting a temporary provision that maintains the FY16 distribution as is (based on current year first reporting date data) and begins using prior year data beginning with FY17.

PED's analysis notes that currently, the transportation formula for a given fiscal year is based on a tentative allocation using data from the prior fiscal year. School districts are then required to submit data on the first reporting period of the current fiscal year and the calculations are adjusted based on the new data. The adjustments can either lead to an increase or decrease in the calculations based on the new data submitted by every school district and state-chartered charter school. The formula in its current existence makes it very difficult for school districts to plan their budgets for any given year since it is not known what the budget will be at the beginning of a fiscal year. A school district will only know its final allocation after the final calculations are finalized which usually occurs in January, more than half way into the school year. It is even more difficult for school districts to negotiate their contracts with their contractors because they do not know how much they have to offer.

Additionally, PED notes moving to prior year funding may give declining school districts a year to plan for any significant declines in enrollment because funding will not be affected until the following school year. This is a premise behind the public school funding formula which has been successful in allowing districts to plan appropriately for the future.

ADMINISTRATIVE IMPLICATIONS

If the bill is enacted, there will be administrative impact to both PED, school districts, and charter schools. PED indicates collection and verification of transportation data is extremely cumbersome, and has taken up to three months for school districts and charter schools to validate in prior years. If the bill is enacted with an effective date of July 1, 2015, school districts and state-chartered charter schools will need to compile and report data for December 1, 2014 and February 11, 2015, proving problematic. If the effective date is changed to July 1, 2016, as noted above, data will need to be collected on the first reporting date to finalize the FY16 allocation and then collected again on the second and third reporting dates for the FY17 allocation.

RELATIONSHIP

Changes proposed in HB129, endorsed by the Legislative Education Study Committee, makes changes to the same section of law, though the changes appear that they can be reconciled if both bills are enacted.

TECHNICAL ISSUES

PED notes transportation data has not been collected on the second or third reporting date in FY15 to allow the department to make allocations in FY16 pursuant to this bill. The department suggests clarification that data needs to be collected on all three reporting dates in FY16 to allow for the calculation of FY16 allocations based on the current methodology and FY17 allocations based on prior year data. The HEC amendment addresses this concern.

Additionally, the department notes that changes in the bill would make it difficult to add new state-chartered charter schools to the transportation distribution during their first year of operation because they will not have prior year data. Currently, language is in the General Appropriation Act that allows PED to fund new programs based on first reporting date data for formula funding. Similar language could be included to address funding of first year state-chartered charter schools. In the alternative, language could be included in the bill to allow first-year state-chartered charter schools to use current year data. PED also suggests new state-chartered charter schools could self fund their first year of operations while they determine their actual need and collect the necessary data to apply for transportation funding after their first year of operation.

RSG/bb/je