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FISCAL IMPACT REPORT

ORIGINAL DATE 02/01/15

SPONSOR Garcia-Richard **LAST UPDATED** _____ **HJR** 2

SHORT TITLE Limit School Class Size, CA **SB** _____

ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
See Fiscal Implications	See Fiscal Implications		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18		
See Fiscal Implications	See Fiscal Implications		Recurring	PED Educator Licensure Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total			\$15.2	\$15.2	Nonrecurring	Election Fund
Total			See Fiscal Implications		Recurring	School District and PED Operating Budgets

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Education Retirement Board (ERB)

Public Education Department (PED)

House Joint Resolution 2 – Page 2

Responses Not Received From

Department of Finance and Administration (DFA)

Public School Facilities Authority (PSFA)

SUMMARY

Synopsis of House Joint Resolution

House Joint Resolution 2 proposes to amend Article 12, Section 1 of the New Mexico Constitution, which if approved by the voters, would establish smaller class sizes for public schools than currently in law. SJR 2 will require the Legislature to enact a graduated plan to ensure that, by the 2022-2023 school year, public classroom sizes for each grade and subject do not exceed 18 students for kindergarten through third grade, 22 students for grades four through eight, and 25 for grades nine through twelve. HJR 2 excludes music, band, elective and extracurricular classes from the class load maximums.

This proposed amendment is to be submitted to the voters at the next general election or at any special election prior to that date which may be called for that purpose. The next general election will be held November, 2016.

FISCAL IMPLICATIONS

Constitutional Amendment

Under Section 1-16-13 NMSA 1978 and the NM constitution, the SOS is required to print samples of the text of each constitutional amendment, in both Spanish and English, in an amount equal to ten percent of the registered voters in the state. The SOS is also required to publish them once a week for four weeks preceding the election in newspapers in every county in the state. In 2014, the SOS estimated the cost per constitutional amendment to be \$15,217. However, if the ballot size is greater than one page, front and back, it would increase the cost of conducting the general election. In addition to the cost of the ballot, there will be added time for processing voters to vote and would mean additional ballot printing systems would be required to avoid having lines at voting convenience centers.

Class Size Reduction

The requirements of this bill would change the class size requirements as follows:

Grade	Current Class Load Maximum (per class unless otherwise noted)	SJR2 Class Load Maximum (per class unless otherwise noted)	Difference
Kindergarten	20	18	-2
First - Third	22	18	-4
Fourth - Sixth	24	22	-2
Seventh & Eighth English	27	22	-5
Seventh & Eighth	average 19 to 23	22	3 to -1
Ninth - Twelfth English	30	25	-5
Ninth - Twelfth	average 23 to 27	25	2 to -2

Source: LFC (estimate for current Seventh & Eighth and Ninth-12th)

Estimate of Additional Staff and Associated Salary/Benefits Costs - \$175.7 Million

If approved by the voters, HJR 2 will either have substantial recurring impact on general fund appropriations or on school district operating budgets between FY16 and FY23. PED's analysis estimates a minimum of 3,115 additional teachers and classrooms will be required to comply with the joint resolution based on the differences between actual class loads and teaching loads for the 2012-2013 school year and the lowered maximums established in the joint resolution. It is likely these figures have changed a bit as general fund appropriations have increased and some overloaded classes have returned to the statutory maximums or closer to the statutory maximums; however, PED's analysis has not provided more current information. Based on 2014-2015 school budgets, the average returning teacher salary statewide is \$47,394. Adjusting for benefits, the minimum estimated cost of the joint resolution when fully implemented to accommodate the estimated 3,115 required teachers is \$192 million. This represents approximately 7 percent of the program cost assumed for public schools for FY15.

Education Retirement Board Fund

If enacted, ERB's analysis states, "HJR 2 is expected to result in an increase in new ERB membership. An increase in new members would likely have a slight positive effect on the actuarial status of the educational retirement fund."

Capital Needs - \$610.5 Million

In cases where school districts are unable to accommodate the new class size configurations in existing school buildings within existing space, it will result in new construction or construction to remodel existing spaces. The number of excess classrooms statewide is undetermined at present. In 2013, PED estimated that of the 3,115 new teachers required, 20 percent, or 623 teachers could be accommodated within current school configurations without capital costs. PED estimated school districts will need to build 2,492 new classrooms totaling \$610.5 million (estimated at \$245 thousand per classroom). These costs may have increased, as the costs of construction in certain parts of New Mexico have significantly increased over the past two years.

Some small, rural school districts have seen a decline in enrollment over the past few years and may have sufficient existing space. The Public School Facility Authority reported in 2014 that, in a review of self reported school district information at the elementary school level, 14 of 89 school districts are over capacity – the elementary enrollment exceeds the number of seats available based on general classroom capacity. This indicates there may be additional capital needs in excess of the needs that will be created by this joint resolution.

Public Education Department Educator Licensure Fund

The PED Licensure Bureau would see a significant increase in the number of license processed each year. PED indicates this may increase the time to issue license; however, the department would receive increased revenue and would likely be able to hire additional staff for processing licenses. If 3,115 new teachers applied for licenses in New Mexico, the department would realize \$389.4 thousand in additional revenues. The department would then receive approximately \$320 per teacher advancing to their level two license within 3 to 5 years of initial licensure, further increasing the revenue collected by the department.

SIGNIFICANT ISSUES

Section 22-10A-20 NMSA 1978 establishes class loads for elementary schools teachers up to grade six, and daily teaching load per teacher for grades seven through 12. The average class load for kindergarten teachers is 20 students – classes with 15 or more students are entitled to an educational assistant. The average class load for teachers in grades one through three is 22 students averaged among the grades – classes with 21 or more students are entitled to an educational assistant. The average class load for teachers in grades four, five, and six is 24 students when averaged among the grades. The average daily teaching load for grades seven through 12 is 160 students, with a lower average daily teaching load established for required English courses.

Currently, a school district or charter school may request a waiver under three separate sections of law as follows:

Section 22-10A-20 NMSA 1978 allows the Secretary to waive the individual school class load requirements for up to two years if a school demonstrates that no portable classrooms are available, no other available sources of funding exist to meet its need for additional classrooms, the school district is planning on alternatives to increase building capacity for implementation within one year, and the parents of all children affected have been notified in writing. If a waiver is granted pursuant to Section 22-10A-20 to an individual school, the average class load for elementary school teachers at that school shall not exceed twenty students in grade one and shall not exceed twenty-five students when averaged among grades two, three, four, five and six.

Section 22-2-2.1 NMSA 1978 requires the Secretary to grant all reasonable requests to waive the individual class load requirements pursuant to Section 22-10A-20 NMSA 1978, for all schools that exceed educational standards. Waivers pursuant to this section begin in the school year following that in which a public school exceeds the educational standards and may remain in effect as long as the school continues to exceed educational standards. Statute does not define “educational standards”, nor has the Department promulgated regulations defining educational standards.

Section 22-1-10 NMSA 1978 allowed the Secretary to waive class load and teaching load requirements to allow school districts to meet fiscal solvency requirements. This waiver provision has been allowed for the 2009-2010 school year through the 2013-2014 school year, and by its plain language appears to exclude charter schools. PED has expanded the waiver caps established in Section 22-10A-20 NMSA 1978 to no more than a 10 percent variance from the class load, teaching load standards in law. This provision will sunset in FY14 if not extended. House Bill 280, the only bill introduced this session that addresses this waiver, proposes to transition back to maximum class sizes and only those waivers allowed pursuant to Sections 22-10A-20 and 22-2-2.1 NMSA 1978.

Section 22-10A-20.1 NMSA 1978, enacted in 2014, notes that the emergency economic need to grant fiscal solvency waivers for mandatory individual class loads and teaching loads established in Section 22-10A-20 NMSA 1978 and waived pursuant to Section 22-1-10 NMSA 1978 has lessened, and that statutory class load requirements shall be reinstated. The return to statutory mandatory individual class loads and teaching loads will be phased in over a three-year period. During the 2014-2015 school year, each school district is required

to develop a plan for returning to statutory class size maximums, including the costs of doing so. School districts are still eligible to apply for statutory waivers.

Average class overloads (classes that exceed the maximum statutory class load standards) generally exceeded the established maximums by 2 or fewer students based on a district wide analysis during the 2012-2013 school year and PED indicates current class sizes are not adversely affecting student learning.

Additionally, PED's analysis in 2013 indicated school districts have noted difficulty in recruiting teachers in sufficient numbers to fill currently needed positions. These provisions could be difficult to attain if the flow of new teachers statewide does not increase. In addition to federally designated shortage areas (math and science in kindergarten through twelfth grade, special education, and foreign language), New Mexico determined additional shortage areas for preschool teachers (98 teachers), and science (732 teachers) and math (1,162 teachers) teachers in seventh through twelfth grades during the 2012-2013 school year. College of education programs have reported fewer graduates over the past several years when compared with five to 10 years ago, supporting concerns that sufficient teachers may not be available to meet the demands of this joint resolution.

PERFORMANCE IMPLICATIONS

The PED is required by Section 22-1-10 NMSA 1978 to monitor class size and teaching load waivers issued for the purpose of allowing financial flexibility to school districts and charter schools and report to the Legislative Education Study Committee and the LFC on any issues or actions of a school district that appear to adversely affect student learning. PED did not provide a report to the Legislature during any of the years the financial flexibility waiver was in effect indicating student learning was adversely affected.

ADMINISTRATIVE IMPLICATIONS

The Public School Facilities Authority school assessment database would need to be modified to accommodate this change.

The PED Licensure Bureau would see a significant increase in the number of license processed each year. PED indicates this may increase the time to issue license; however, the department would receive increased revenue and would likely be able to hire additional staff for processing licenses.

TECHNICAL ISSUES

Previous Attorney General's Office analysis noted the joint resolution mandates a "graduated plan" to be implemented by the legislature to ensure the class load maximums are met by the 2022-2023 school year. The term "graduated plan" is not defined, creating ambiguity and leeway for a broad interpretation of the directive. Whether the Legislature should meet a half-way goal, implement a tiered approach, or implement changes one year before the 2022-2023 deadline is not clear. If there is no preference, the term "graduated" should not be used. If there is an implementation preference, the resolution's directive language should be made more clear and defined."

OTHER SUBSTANTIVE ISSUES

Expenditures required to maintain small class sizes are generally justified by the belief that small class sizes have positive impacts on student learning outcomes, despite limited and inconclusive research on the subject. The first credible study of class size reduction appears to be a meta-analysis conducted by Glass and Smith in 1978, which found that as class size decreases, student achievement increases. This research led several states to initiate class-size reduction programs during the 1980s and 1990s. Evaluations of state-led class-size reductions conducted in Tennessee and Wisconsin suggest that reduced class-size can improve student achievement. The Student Teacher Achievement Ratio, or STAR, study, conducted in Tennessee during the late 1980s, found that a large reduction in class size (from an average of 22 students to an average of 15 students – a difference of seven students, or 32 percent) increased student achievement by an amount equivalent to about three additional months of schooling four years later. Studies conducted in 1996 in California and 1999 in Wisconsin also found positive impacts, though the effects of the 1996 study were found to be half of the STAR results.

However, other research has found that smaller class sizes make little to no difference in student achievement. A 2003 study of a North Carolina class-size reduction program found mixed results, while a 2003 study of the impact of a statewide class-size reduction policy in Florida found no increase in student achievement on standardized tests in grades three through eight. A 2000 study examined data from the 1998 National Assessment of Educational Progress (NAEP) reading examination analyzed the effect of class size on academic achievement and found little to no impact.

Generally, research indicates that very large class-size reductions, on the order of magnitude of seven to 10 fewer students per class, can have significant long-term effects on student achievement and other meaningful outcomes. These effects seem to be largest when introduced in the earliest grades, and for at-risk students. However, much of the effect of class-size reduction policy relies on how they are implemented. Research indicates that if class size reductions are not accomplished with effective teachers, many of the gains a student may see from smaller class sizes are lost.

ALTERNATIVES

Research indicates that class size reductions can be one of the most expensive education reforms with little promise of improved student outcomes. Research and LFC performance evaluations have noted the importance of early childhood education, the need for interventions, and the importance of effective teachers on student learning. See LFC's evaluations, *Performance and Improvement Trends-A Case Study of Elementary Schools in New Mexico* (2014), *Impact of Child Care and Head Start on Student Achievement* (2013), *Teacher and Administrator Preparation in New Mexico* (December 2012); *Promoting Effective Teaching in New Mexico* (November 2012); and *Developing Early Literacy in New Mexico* (July 2012).

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