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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 2/10/16

**SPONSOR** Sanchez, C/Roch      **LAST UPDATED** \_\_\_\_\_      **HB** \_\_\_\_\_

**SHORT TITLE** School Transportation Distribution      **SB** 198

**ANALYST** Elkins

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18		
	≈\$260.0-\$380.0		Recurring	Transportation Emergency Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files  
LESC Files

Responses Received From  
Public Education Department (PED)

### SUMMARY

#### Synopsis of Bill

The bill amends and creates a new section of the Public School Finance Act to create separate transportation distributions for school districts and state-chartered charter schools. The bill requires state-chartered charter schools who receive a transportation allocation to revert 100 percent of their unspent allocation to the transportation emergency fund, adhere to reporting requirements necessary to calculate a transportation funding formula allocation, limit transportation to the boundaries of the school district in which the school is geographically located, and establish bus routes. This bill is endorsed by the Legislative Education Study Committee and the Legislative Finance Committee.

### FISCAL IMPLICATIONS

Eight charter schools are estimated to revert \$263 thousand, or 50 percent of their unspent transportation allocation, from their FY15 transportation allocation. Currently, state-chartered charter schools retain half of the unspent transportation allocation. The total unspent state-chartered charter school transportation allocation was \$526 thousand, or 33 percent of the \$1.6

million allocated to state-chartered charter schools in FY15. The initial FY16 transportation allocation provided \$2.3 million to fund 20 state-chartered charter schools.

According to PED, if this bill is enacted, two separate transportation appropriations will be required in order to execute. One allocation will need to be made for the school district transportation allocation and another for the charter school transportation allocation. This bill was not vetted through the PED during the interim therefore the separate allocation for charter schools was not included in the department's public school support request. It is not certain what amount will be needed to fully fund the charter school allocation adequately.

## **SIGNIFICANT ISSUES**

The largest categorical appropriation, the transportation distribution, is used to make payments to school districts and state-chartered charter schools for the to-and-from transportation costs of students in kindergarten through 12th grade and 3- and 4-year-old special education students enrolled in public school programs. Many state-chartered charter schools receive far more funding than needed to transport students and have been unable to spend down transportation fund balances in succeeding years, resulting in growing fund balances. Funding transportation for new state-chartered charter schools dilutes funding for existing transportation programs. Additionally, concerns exist that state-chartered charters schools are not limited to transporting students within certain geographical boundaries, resulting in the ability to claim funding for larger distances.

For FY17, PED's request notes it includes funding for additional state-chartered charter schools that have requested transportation funding beginning in FY17. The LFC recommendation for FY17 makes two separate allocations – one for school districts and one for state-chartered charter schools.

Previously, the Legislative Education Study Committee (LESC) noted state-chartered charter schools often receive transportation allocations much larger than needed, resulting in large cash balances and a joint LFC and LESC workgroup recommended making two separate allocations. During the 2015 interim, members from the LFC and LESC convened an ad hoc workgroup to study and discuss several education issues and potential solutions. This legislation was informed by discussion of members in the work group.

According to PED:

Current statute requires PED to calculate the transportation distribution based on the average of 80<sup>th</sup> and 120<sup>th</sup> day data submitted by school districts and state chartered charter schools. Statute requires PED to do a regression analysis of expenditures from two prior fiscal years. The coefficients or variables from this regression analysis are then multiplied by the data submitted by the school districts to calculate the allocations. The coefficients derived from the regression analysis are applied equally to all school districts. Creating a separate calculation for charter schools could be considered a disqualification of transportation funds because they would be funded at different rates than traditional school districts.

SB 198 proposes language that requires state chartered charter schools to revert 100% of their cash balances at the end of the fiscal year to the emergency transportation fund. Currently all school district and charter schools are allowed to keep 50% of their cash balances from the prior year. Implementing this language, again, may cause disparity issues. Currently charter schools are only allowed to contract for to-and-from transportation services therefore it makes sense that 100% of their balances at the end of the fiscal year should revert to the transportation emergency fund. However, there are several school districts that also contract out all of their to-and-from transportation services. If this language is applied to charter schools it should also apply to those school districts that contract out all of their to-and-from services so there is no disparity created.

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