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FISCAL IMPACT REPORT

SPONSOR Sapien ORIGINAL DATE 2/4/17
 LAST UPDATED _____ HB _____

SHORT TITLE Clarify a Certain Charter School’s Authority SB 207

ANALYST Fernandez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See fiscal implications				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Response Received From

Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 207 amends a section of the Public School Code pertaining to the authorization of charter schools, specifically the section pertaining to a school’s proposed enrollment when making an initial application for a charter school. The current calculation of a charter school’s proposed enrollment is that total school district membership be no more than 1,300 students. This bill would change the proposed enrollment calculation to a new requirement that student membership be 1,300 or less. Senate Bill 207 also adds a new subsection to require that in a school district with a total student membership of 1,300 or less, total charter school membership cannot exceed 10 percent of the student membership of the school district regardless of where the student resides. The bill contains a provision that would allow the local school board to waive the 10 percent cap and includes a provision for school districts to be exempt, if during the 2016-17 school year, total charter school student membership exceeded 10 percent of the total membership of the school district.

FISCAL IMPLICATIONS

SB207 does not contain an appropriation. It is not clear how the provisions of this bill would impact public school funding or funding for charter schools (see significant issues below).

SIGNIFICANT ISSUES

According to a *2016 LFC Performance Evaluation Report: Performance, Cost and Governance of Selected Chartered Schools*, the number of authorized charter schools in FY17 is 102. “Charter schools serve approximately 7 percent of the student population and make up 11 percent of all public schools statewide; however, they received 46 percent of funding increases over the past 7 years. Charter school authorization occurs independently of the state’s budget process and does not take into consideration the financial implications for the state. Further, charter schools dilute the amount of state money available to all public schools through size adjustment program units, enrollment growth, transportation funding, and overall cost per student.”

According to PED, SB207 places significant restrictions on charter growth in rural areas of the state which would be most affected by the provisions in the bill.

PERFORMANCE IMPLICATIONS

The 2016 LFC Performance Evaluation also noted that “while the cost per student for charter schools is higher than district schools, charter school student performance in New Mexico is mixed.” The report found there is little difference in student achievement between charter schools and traditional public schools. The report also indicated that the charters of poorly performing charter schools are rarely revoked and high performing charter schools do not share “best practices” with district schools.

According to PED, the cap this bill creates on charter school enrollment does not consider how students are served by their schools and that high-performing charter schools should be empowered to enroll more students, particularly in areas where other neighborhood schools serve students poorly. Communities may be unable to enroll their students in higher quality charter school available in their community.

ADMINISTRATIVE IMPLICATIONS

PED indicates the administration of this bill would require the department to complete additional reporting that is not currently available. There is no report that identifies the total MEM in a district, which includes both state and locally authorized charter schools. The department also notes this bill “would require chartering authorities to develop processes to identify schools/districts to which this provision applies as part of the new application process. It would also require chartering authorities to develop a waiver process to obtain district waivers where appropriate. Finally, it might require chartering authorities to develop a process for limiting and/or dividing enrollment/MEM allowances for charter schools located in districts in which these provisions apply.”

TECHNICAL ISSUES

PED provides the following technical issues:

- It is unclear if subsection G can be waived by the local district; the waiver provisions appear to apply only to subsection H. It is also unclear how far subsection H(2) applies; the statute should clarify if the 10 percent cap provisions do not apply at all or simply do not apply to limit any situation where the 10 percent cap is already exceeded—but allow

a district to cap the enrollment at its current position and disallow any growth.

- It is not clear what happens in the event that a school district with a charter school MEM exceeding the 10 percent threshold in 2016 – 2017, falls back below that level in future years.
- The term “MEM” should be defined and clarified.
- Subsections G and H appear to use a different standard. In G, the *enrollment* may not “equal or exceed ten percent”. In subsection H, the *MEM* “shall not exceed ten percent.” The language should be used consistent in both sections by using either enrollment or MEM and using a consistent standard related to the 10 percent.

CTF/al