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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
55th Legislature, 1st Session, 2021

Bill Number	<u>HB331/HECS</u>	Sponsor	<u>HEC</u>
Tracking Number	<u>.220535.1</u>	Committee Referrals	<u>HEC</u>
Short Title	<u>Public Peace, Health, Safety & Welfare (School Transportation Hold Harmless)</u>		
Analyst	<u>Bedeaux</u>	Original Date	<u>3/8/21</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

The House Education Committee substitute for House Bill 331 (HB331/HECS) proposes to calculate FY22 transportation allocations on school transportation data collected on the second and third reporting dates in FY20 and actual expenditures in FY19, avoiding issues created by a lack of student riders and anomalous transportation expenditures during the Covid-19 pandemic. HB331/HECS also makes minor technical changes to the transportation distribution statute. HB331/HECS would only be effective in FY22 to address sudden and dramatic school bus ridership declines that have occurred as a result of the Covid-19 pandemic.

FISCAL IMPACT

HB331/HECS does not contain an appropriation but would alter how the funding from the appropriations to the transportation distribution would be allocated to school districts and charter schools in FY22. If enacted, school district and state-chartered charter schools' FY22 transportation allocations will be very similar to those made in FY21; however, transportation allocations are proportional to the amount of funding appropriated to the transportation distribution. The House Appropriations and Finance Committee substitute for House Bills 2 and 3 (HB2/HAFCS) includes \$106.5 million for public school transportation operations, a decrease from \$110.4 million for FY21.

The transportation distribution is allocated to school districts and state-chartered charter schools through a formula considering the number of school buses in operation, miles traveled by each school bus on separate road surface types, the mileage of each school bus, total number of miles traveled by all school buses, the number of students actually transported and a projected number of students to be transported next year. Funding provided through the transportation distribution is limited for expenses related to the transportation of students to and from school.

SUBSTANTIVE ISSUES

The public school transportation distribution, established in Section 22-8-29 NMSA 1978, is based on data collected annually on the second and third reporting dates, December 1 and the second

Wednesday of February. Statute requires school districts and charter schools to report to the Public Education Department (PED) on a number of variables used to calculate transportation allocations.

Under normal circumstances, PED performs a regression analysis against actual expenditures from the school year two years prior. For example, FY20 transportation allocations were based on ridership data from FY19 and actual expenditures from FY18. However, the Covid-19 pandemic caused anomalies in school bus ridership and expenditures. Without a change in the transportation data used for FY22 funding, the allocation will be based on ridership from the 2020-2021 school year, a school year where students were not attending physical school sites, and actual expenditures from FY20, a year where schools were closed in mid-March and expenditures will be lower than normal. If enacted, HB331/HECS would avoid anomalies in school transportation data by relying on valid data collected on the second and third reporting dates in FY20 and actual expenditures from FY19.

During the Covid-19 pandemic, school districts and state-chartered charter schools have reported spending transportation funding on meal distribution and occasional transportation for special education students and small-group learning. However, these expenditures likely will be a fraction of those seen during a normal school year, which could result in large amounts of unspent funding and consequently large reversions to the transportation emergency fund. Section 22-8-26 NMSA 1978 requires 50 percent of unspent transportation allocations to revert to the transportation emergency fund, while school districts and charter schools can retain the other 50 percent to spend on transportation services in future years. Money in the transportation emergency fund can only be allocated to fund “transportation emergencies, including fuel price increases.”

CONSEQUENCE OF NOT ENACTING THE BILL

HB2/HAFCS includes a “notwithstanding” clause to perform the function of HB331/HECS, but the Senate Finance Committee has expressed an intent to remove all “notwithstanding” language from HB2/HAFCS. If HB331/HECS is not enacted, PED will be forced to rely on FY21 school bus ridership, which will be significantly lower than in previous years, and FY20 expenditures, which may not reflect expenditures in a full-length school year.

OTHER SIGNIFICANT ISSUES

An October 2019 LESC analysis of the transportation funding formula highlighted ongoing issues with the formula, including inequity in per-student transportation funding among school districts statewide and consistent underfunding of a few school districts, which are then forced to rely on operational funding for transportation expenditures. PED uses three separate funding schema for large school districts, small school districts, and state-chartered charter schools when calculating transportation funding, contributing to inequity on a per-student basis and large year-over-year swings at individual school districts and charter schools. During its October 2019 hearing on the transportation funding formula and other issues, LESC members showed interest in conducting another systematic review of public school transportation issues, including topics like funding equity and emerging safety and environmental technologies.

SOURCES OF INFORMATION

- LESC Files

TB/mb